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Adviser software: a new frontier

IFA Cover Story

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Amid a recovering economy, the federal government's Future of Financial Advice (FOFA) reforms and an industry ever at war for talent, many dealer groups are looking to their financial planning software to be one of their key points of difference as the sector revolutionises itself.

While the majority of financial planning firms continue to opt for big software providers, smaller players in the market are still being used and some financial planning firms are pushing ahead with their own in-house software built specifically for their businesses.

In light of looming regulatory change, software providers say they have already made updates to accommodate the move away from commissions to fee-for-service, with some having also considered the options around annual client opt-in agreements should they be enforced through legislation.

Licensees and software providers say with clients wanting more information at a faster rate than they have in the past, and greater adviser efficiency leading to higher profits, planning software is also more often than not being used as a recruitment and retention tool as well.

The latest data from Business Health found advisers who use some form of client management software-based system earn an annual profit 22 per cent higher than those who don't.

What has changed in a year?

Investment Trends analyst Recep Peker says data from the "2010 Investment Trends Planner Technology Report" found IRESS continued to be the market leader with its Xplan and VisiPlan software systems, with 33 per cent of planners using Xplan and 10 per cent using VisiPlan as their main financial planning software.

The report also found 20 per cent of planners used Coin and 4 per cent used Midwinter as their main financial planning software, with 4 per cent using Adviser Central, 3 per cent using AdviserNetgain, and 2 per cent using their own in-house software.

"Interestingly to note, it was the first time since 2006 that satisfaction with financial planning software providers improved, with 54 per cent rating their main planning software as very good or good," Peker says.

"In 2007, 55 per cent of planners said there should be more focus on integration between platform providers and planning software and in 2010 that figure dropped to 20 per cent, demonstrating that the industry has certainly come some way in improving integration.

"Another notable difference was that 12 per cent of advisers changed software in 2010, down from 20 per cent in 2009.

"Among the reasons planners gave for ceasing to use a software application was that 32 per cent changed dealer group, 23 per cent found the software was too complex, while for 22 per cent, the software did not meet their requirements."

The impact of FOFA

With legislative changes still to come to fruition as part of FOFA, Peker says advisers are considering all the potential impacts and also how they might be best placed to deal with reforms in light of the software capabilities they have.

"We asked planners how they expected proposed FOFA reforms would affect their businesses, with 43 per cent saying they expected to provide more comprehensive advice, with 27 per cent saying they expected to provide more simple advice," he says.

IRESS managing director Andrew Walsh says with the majority of the industry having already started the transition to fee-for-service, there was heightened demand for greater efficiency around the collection of fees and the ability to capture work tasks to justify fees to clients.

"As commissions paid to advisers by product providers in the areas of super and investments are phased out, and more money is exchanging hands between advisers and clients, we continue to work towards simplifying credit card payments and billing options," Walsh says.

"In terms of whether annual client opt-in agreements become mandatory and what the requirements are, IRESS is considering options such as whether clients can opt in online or even through bar-coded documents, which can be sent back, scanned and saved."

Macquarie Adviser Services head of Coin/web product and technology Robert McCabe says Coin has always been able to cater to various remuneration models.

"In relation to opt-in, which is probably one of the bigger issues for the industry to come out of FOFA, it's hard to tell what we'll do until the final details are announced," McCabe says.

"Despite this, however, we've still done a review to ensure we have the functionality needed to meet the changes coming through from Canberra.

"We're looking at developing tools that can cater for opt-in online should that be a possibility and ways in which we can mould that function to suit the needs of advisers."

Decimal managing director Jan Kolbusz says advice software Decimal has been extended to accommodate any type of fee or commission remuneration structure that a practice might use and that it would support the option to opt in online, particularly if

clients already communicate with advisers or get updates on their financial information online.

"This would avoid mass panic for advisers to see every client and get signed-off agreements before year's end," Kolbusz says.

Other areas of development

Walsh says despite FOFA being top of mind, general developments in the software space are always happening in order to save advisers time and make processes more efficient.

"Advisers are always looking for greater breadth of information, for example, data feeds from platforms, wholesale and retail fund managers, brokers and insurers, so that they can provide a more complete overview of a client's financial situation, and I think we'll see more integration in this space in terms of lenders as well," he says.

"With the provision of limited advice also increasing, we've been making developments in this area as well to make the process more seamless for those providing limited advice."

McCabe says Coin has been working on remuneration models, reporting, client communications, campaign management functionality and data integration points with product manufacturers.

"For example, we've built an integration point with self-managed super fund (SMSF) administration provider BGL and what that allows us to do is provide admin support to clients in the SMSF space and provide them with more efficiency and choice as well," he says.

"We also intend to do this with other SMSF administration providers to create more choice and service options for clients via their advisers going forward."

He says Coin is looking at ways to improve referral partnerships too, for example, how advisers can build a network of referral partners and track activities with them electronically.

Attracting and retaining advisers

Industry heads say amid reforms, an industry undergoing massive change and many advisers feeling somewhat disillusioned by the work still to be done, it will be the dealer groups that are proactive in supporting their networks that will come out on top.

Walsh says more so than in the past, financial planning software and how it is modified for different groups is absolutely being used as a recruitment and retention tool.

"As clients become more selective about what they want from advisers, so too are advisers becoming more selective about what they want from a dealer group," he says.

"We're certainly hearing that groups are articulating their offering by the way they've

optimised the delivery of advice through software systems, and using this as a way to compare and contrast themselves from competitors."

McCabe agrees that the way a dealer group modifies its software for advisers is certainly being used by a number of licensees as part of their recruitment offer.

"There has always been an ongoing aspect of that, but I think more so these days dealer groups are using the ways in which they've configured their software as a point of difference in how they can save advisers time, money and even communicate with different segments of their clients more effectively," he says.

"They're showing advisers how they can better capture and manage information, and how they've configured software so that it's more intuitive and user friendly than other groups."

He says there needs to be ongoing maintenance of software through support from the technology provider and in a lot of cases internal or external software support teams have been hired, another aspect potential recruits are interested in.

Kolbusz says advisers certainly consider software capabilities when joining a licensee.

Competition among providers

As IRESS and Coin continue to dominate the market in terms of the number of advisers using their software systems, neither disregards its competitors.

Walsh says IRESS is not complacent about other software providers in the market and believes a competitive environment is good for everyone.

"We've invested and continue to invest a lot in this space and while we are conscious about other competitors, we know there is demand out there for vendors of scale and substance that can meet development needs, which is more of a challenge for smaller providers," he says.

"As for those financial planning licensees who create their own software, then there's a risk of insulation in so far as they only work across one style of business.

"For instance, we're able to provide breadth of functionality across a wide range of users so we think that creates greater innovation, something we demonstrated recently to Count Financial, who chose to take up Xplan and make their in-house software redundant."

Kolbusz says while Decimal might not have the same number of financial planners using its technology as other competitors, it has made a point of being 'agnostic'.

"Before now most of our work had been done in the industry super fund space, but we've now got two planning groups on board," he says.

"Our technology was always designed to be easily integrated and capable to be simple and scalable for different advice providers.

"We don't have any particular preference between dealer groups and independent

financial advisers, industry super funds or large institutions when it comes to market share.

"For us, the main thing is that we play a role in all those sectors and that our technology is functional for the smallest to the biggest organisation.

"We're more interested in demonstrating that the software can be utilised across sectors and that it can transform how a person receives advice and bring down the total cost at which that happens."

Internal v external software: a licensee perspective

Lifespan Financial Planning managing director John Ardino says his is a self-licensed dealer group that has opted to use its own uniquely developed planning software.

"We've been using an internal web-based software system, which we bought a stake in, for about two to three years. Totally separate to that we also developed our own document management system completely within the dealer group," Ardino says.

"It has been a costly exercise but nonetheless a necessary one as our experience with other software systems was that they were very complex, complicated and longwinded.

"Many of our representatives have bought the standard packages and in few instances persisted with the software as it was too difficult to learn and would have needed the assistance of a paraplanner as well.

"We wanted something simpler to use, that was more flexible and which didn't require such extensive detail for us to put together an SOA (statement of advice).

"We'd also had experiences where the level of service by some of the providers wasn't as high as we would have thought.

"With our own software, we can fix bugs ourselves and deal with adviser feedback faster."

He says internal software often makes for higher maintenance and development costs for the dealer group, but overall there are still cost benefits for member firms.

"We can't integrate with other software at this point in time, but generally advisers are happy and there are certainly areas that we will continue to and are developing."

In relation to FOFA, he says the group has been working on unbundling the activities and tasks involved in financial planning so advisers can more easily demonstrate and communicate their value proposition to clients to justify initial and ongoing fees.

"I think if opt-in agreements do become mandatory, online facilities to do this would be more efficient and in the meantime, with software capabilities continuing to increase across the board, I think the industry could potentially look at ways to provide more limited low-cost advice online to clients as well."

RI Advice Group has been using financial planning software Xplan for two years and has had an adviser systems team, which assists advisers in using the system properly, for

one year.

RI Advice Group adviser systems national manager Hamish Hockley says the dealer group wanted to make things more seamless for advisers and clients, and the work it has done in customising Xplan for its network has become a key point of difference when recruiting.

"A good software system can definitely be motivation for an adviser to jump ship," Hockley says.

"The fact Xplan is also web based and not desktop based means our advisers are also not limited as they can access information wherever they have the Internet.

"Another aspect that is important to advisers is that we have an internal support team that can show them how to best utilise online tools and apply them to their businesses.

"I think the amount of advisers that have joined in the last six months and that intend to over the next six months is evidence we're doing something right."

He says a good software system can be the difference between having the ability to service 400 clients versus 200 clients without hiring additional resources.

"We try to focus on three main areas being the advice process, best practice initiatives and integrating with product platforms," he says.

"We've got online calculators to assist advisers in the transition to fee-for-service and to ensure their pricing models are right, and we've also got things like our quick plan wizards, which are our planning production tools.

"They work like algorithms and streamline and rip out inappropriate information, which can significantly reduce the length of an SOA for a client."

Meanwhile, Hockley says the software has also been configured to segment clients in a variety of ways so advisers can streamline communications more effectively.

"Advisers can create alerts, monitor clients and do reporting much more easily," he says.

"We're not too prescriptive though, it's up to our member firms how they utilise the software."

He says the group is looking at potentially using the software to benchmark the performance of member firms purely so they can come together with relationship managers and discuss why one practice might be more profitable than the next.

"There are certainly those businesses that over-engineer or don't do enough work on their software, but in our opinion those that do it right will be better placed in the future," he says.

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