

News

WHICH ROAD TO FINANCIAL PLANNING SOFTWARE SALVATION?

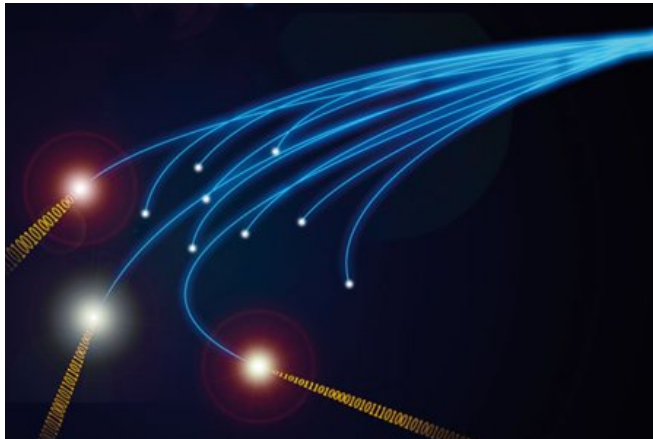
By [Andrew Tsanadis](#) on 6 October 2011 [0 comments](#)

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Technology is playing an even bigger role in financial planning. New software developments have a good chance of achieving cost and administrative efficiencies ahead of upcoming changes, writes Andrew Tsanadis.



Perhaps the only constant feature in the financial planning industry is that there isn't one. Not only are financial advisers facing a prospective ban on up-front commissions, they are also dealing with unprecedented regulation in the way they deliver advice itself, most recently due to the government's Future of Financial Advice (FOFA) draft legislation.

New developments in financial planning software are now dictated by the need for advisers to not only provide quality advice, but provide it quickly from the comfort of a portable net-capable device.

"I want it and I want it now, but I want transparency", will be the catchcries of clients," says Financial Planning Association (FPA) chief executive Mark Rantall.

It's a paradigm that financial software developers have struggled with: customers want their advisers to keep up with the leaps and bounds being made in technology, but they want scaled advice that is thorough and accurate and doesn't hurt the back pocket.

Perhaps the biggest shift in the financial planning environment is the shift towards single-issue advice, as highlighted by the recent Investment Trends 2011 Planner Technology Report.

While FOFA is the most pressing concern for advisers, it is software that is creating the greater long-term impact. That's according to a recent report by Tria Investment Partners titled 'The Big 5: technology trends changing wealth management.'

The report found that while software has delivered a lot of power into the hands of advisers to strengthen their viability as the right choice for an investor, customers now have the potential to bypass fund managers, platforms and planners to engage in direct investment, the report stated.

Although fund managers have been hit the hardest by technology, financial advisers are also feeling the strain of investors who have become increasingly ardent when it comes to handling their own affairs.

So how will software suppliers adjust in order to continue to develop products that will not only stand the test of time, but the test of an ever-more vocal investor?

A new world

Rantall believes that the key issues facing financial advisers today are changing the way they report to their clients; building a more effective business model; and accounting for some of the reforms currently under way.

Commenting on the government's opt-in reforms released at the end of August as part of the first tranche of FOFA, Rantall said the biggest challenge will be in communicating effectively with clients.



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"The issue is capturing the proof of the conversations that an adviser has had with a client, and recovering and recording that proof," he says.

The FPA recently stated that new clients should be the test for the opt-in trigger, and Rantall believes technology will be crucial in supporting advisers to meet the strict standards. At the moment though, Rantall believes there is no software that meets those needs.

While some platforms and manufacturers are trying to enter the market with their planning tools, the FPA believes there will remain a need for advisers to build their own systems around opt-in and scaled advice.

The latest planner technology report by Investment Trends was based on a July survey of 1,396 financial planners and their satisfaction with planning software. The research house found that Iress Market Technology's Xplan was still the main planning software used by the advisers surveyed (34 per cent), while Macquarie Group's Coin ran second at 23 per cent.

Rounding out the top five was Iress' Visiplan and Midwinter Financial Planning Software. Other financial planning solutions in the report included AdviserNETgain and in-house software like MLC's Adviser Central (refer to Figure 1).

According to Investment Trends, having the capability to produce a comprehensive statement of advice (SOA) in a timely and cost-effective manner was one of the key desires of most financial planners, with the average SOA taking around six hours, 42 minutes to complete.

"While technology has dramatically reduced this time, the production of a full SOA is facing upward pressure from the end-users, with a significant group of planners shifting their focus to higher value clients as an outcome of FOFA," says Investment Trends senior analyst Recep Peker.

Focus on cost drives innovation

Demonstrating ongoing value to clients is a theme that has become more important than ever in a time of fluctuating markets and strict regulation. Peker said one outcome of FOFA is that planners will be looking more at cost-saving solutions both for their clients and their businesses.

Indeed, AdviserNETgain general manager Darelle Jenkins said cost-saving solutions have been driving their software development process, particularly in regards to SOA production.

"When you look at how many advice documents are produced, the vast majority are for ongoing service. For every one comprehensive SOA, advisers are probably doing five or six review SOAs every year," Jenkins says.

Jenkins says the AdviserNETgain has been focussed on improving the linkage between the needs analysis tool and the SOA engine. For example, the developer has recently incorporated fee integration from the product the adviser is recommending to come straight through to the modelling within the system.

Figure 1

Planning software	Percentage of planners using as main solution - Top 5
IRESS - XPLAN	34%, up from 33% in 2010
COIN	23%, up from 20%
IRESS - VisiPlan	8%, down from 10%
midwinter	7%, up from 4%
AdviserCentral (MLC)	4%, unchanged
Other software in the report (in no particular order)	
AdviserLogic	
AdviserNETgain	
Canstar Cannex	
CARM GPS (CARM)	
Fiducian Planner	
IRESS IQM	
IRESS IQM+	
IRESS ProPlanner	
Microsoft Excel	
MoneyOne Office (Oasis)	
n-link/Navigator	
Platform Plus	
Wealth Planner (Count Financial)	

Source: Investment Trends 2011 Planner Technology Report

In this area, Investment Trends found that Coin produced the quickest comprehensive SOAs, which is crucial to the continued growth of a planning practice, as well as cost savings. This is especially true when one considers that the FPA believes the optimum level of client contact should be between four and six times a year.

“Firstly, an adviser is legally required to provide details to a client, and secondly, as opt-in becomes codified in law, the burden of proof is on the financial planner to produce the documents as proof points for all of those discussions,” Rantall says.

MLC and NAB Wealth executive general manager advice and marketing Richard Nunn says the problem with current FOFA reforms is that “nothing is set in concrete”, and because of this it is difficult to start developing changes to the company’s solution. However, he says the company is a strong advocate of comprehensive advice.

“There’s a higher degree of potential for an adviser to tailor their advice strategy specifically to different clients, profiles and segments.”

New developments

Coin represents the group of developers who scored highly in providing comprehensive SOA solutions to their clients. In explaining the company’s recently incorporated ‘Quick Plan’ module, former head of product and technology for Coin and web Robert McCabe says the updates to its desktop application — known as Pyramid — were specifically designed to meet scaled advice.

“As soon as an adviser opens Quick Plan, a smart paths configuration is launched and works by asking prompting questions,” says McCabe.

“The module also acts as an audit trail to prove that an adviser has indeed provided a service to their client, allowing an ease of information flow.”

McCabe says that by avoiding questions that are not relevant to a specific client’s needs, it allows the adviser to get their clients in and out quickly, if that is what they prefer.

In regards to the solution itself, McCabe believes Coin can be deployed with limited training, so the licensee can avoid providing weeks of costly training. Similarly, he says an operator at a call centre can follow the prompts precisely configured by the dealer, ensuring that compliance is followed.

Planning solutions are so advanced now that advice can be distributed via a few clicks and a swivel of a mouse. Everything from superannuation and personal risk to saving for a house deposit or planning for a child’s education are self-contained in a step-by-step format.

AdviserNETgain general manager Darelle Jenkins believes that advisers are focusing on diversifying their business and software will help to simplify the process of developing a range of advice scenarios quickly.

Running a profitable business and improving disclosure go hand-in-hand as advisers increasingly turn to technology for cost-efficient solutions.

Other examples of the AdviserNETgain’s developments include new practice management and insurance reporting capabilities so that advisers can do their own analysis of potential client needs across their entire client relationship management system (CRM).

In an effort to achieve this, Midwinter’s developments include upgrades to its “traffic light” system, which now provides dealers with alerts to ensure relevant financial and legal documents have been sent.

“The green, amber and red light system is displayed on the main client screen so users know exactly the compliance position of the client,” says Midwinter executive director strategy and technical services Matthew Esler.

Similarly, Midwinter’s CRM can be set up to automatically provide opt-in statements to clients, either by hard copy, email or SMS. Esler said this improves communication with different generations of clients.

Iress believes that, if managed correctly, opt-in is not just a new legislative obligation, but also an opportunity for planners to clearly articulate the services and additional value that they bring to the relationship with the client.

As part of its Visiplan system, a notification system allows an adviser to notify a lending specialist that consultations need to take place with a particular client.

The lending specialist receives an email, while a task will be sent to the adviser’s Visiplan desktop to remind them that the specialist must contact a client to discuss their lending requirements, Kinens explains.

If the task is not completed in the set time period, the specialist and the adviser (who provided the referral) will receive a second notification. Kinens says this is yet another way that new financial planning software is proactively increasing the “air time” between advisers and their clients.

Scaled advice

Despite criticism from some planners, industrialised advice has its place in the market, Rantall says.

“Industrial advice does not necessarily mean bad advice, it means putting systems in place to capture, record and report on the advice that has been given,” he says. “Industrialising advice is absolutely critical to building efficiencies as well as meeting your legal obligations.”

The FPA believes FOFA represents an opportunity for software developers to deliver scenario planning configuration for clients who only need certain pieces of advice, although there will still remain a need for holistic advice.

According to Peker, 42 per cent of planners said they would provide more single issue advice going forward and found that Iress was the quickest in the industry to provide such solutions.

In demonstrating Iress’ VisiPlan application, it is easy to confuse the software with an installation wizard on your personal computer.

Using the analogy of ordering food at McDonald’s, Iress senior business development executive Michael Kinens says that while there exists the ability for clients to receive substandard advice through this model, Iress offers a number of scenario-building models for advisers, and clients are made aware of the type of service they were going to be given.

“If I was a client and the first time I saw an adviser and they were providing a McDonald’s service, in that I come in, they press a button, and out comes a hamburger, as long as I understand how the kitchen works, and they tell you how it works, that probably isn’t an unfair outcome,” said Kinens.

Room for more players?

As network and broadband capabilities improve, McCabe says there will probably be less use in being “unplugged” in order to complete client tasks.

Looking to the US, Sungard senior vice president, wealth management business Jennifer Valdez says it is obvious how tablets like the iPad are changing the way advisers adopt technology.

In a blog she posted on Sungard’s website following the (US) FPA’s Major Firms Symposium in California in September, she described the approach taken by Cambridge Investment Research, embracing social media for their advisers rather than fighting it.

“They established a dedicated support team internally and then implemented social media monitoring software that allows their advisors to use LinkedIn, Twitter and Facebook,” Valdez stated.

“They do not yet track revenue and referrals by virtue of social media, but they do have specific advisor testimonials that document how they have won new clients and revenue as a result of their efforts.”

Although this example comes from a US-centric perspective, Sungard managing director Asia Pacific John Vander Vennet believes a lot of the themes are “fairly global or will be in time”.

Certainly, Provisio Technologies’ Cameron O’Sullivan believes that the very future of advice models will revolve around dealing with customers on multiple channels.

“Stronger integration with investment platforms may well be the solution to this —the challenge is making sure each medium has a full picture of all these transactions,” O’Sullivan said.

O’Sullivan says that because of this inherent challenge, the need for specialist providers will continue at a strong pace. Peker agrees and says that despite market saturation there are opportunities where advisers may have issues with their existing software and new providers could come in to fill that niche.

In contrast to this view, Kinens says it is still expensive to build financial planning technology.

“What smaller software development businesses fail to understand is that the scale needed to support the solution is probably the largest part of the cost,” he says.

Indeed Commonwealth Bank senior planner Stephen Mifsud believes he does not need to use advice solutions, instead choosing to send a client’s information away to a paraplanner to generate a SOA.

“If the SOA is done for you, it gives you more time to see more clients and do a lot more reviews, knowing that someone else is typing the information up for you,” Mifsud says.

Esler believes the reason for this view is that advisers have typically avoided using cumbersome and clunky tools because they’ve been so complex to look at.

“A financial planner’s core business is providing advice to clients, not how to use these systems,” he says.

Where to now?

Kinens believes the great challenge in providing advice solutions to dealerships is that some advisers still believe they are protected from change.

“Regardless of whether the physical legislation comes through, advisers are going to have to deal with a different mindset from a client in any case,” Kinens says.

“Even if clients are not smarter in all matters of finance, what they will have is more expectation around how services are provided to them.”

What financial planning software is all about now is the “now” generation which wants to see something very quickly, he says.

Certainly, Peker says one of the greatest satisfaction level increases in the Investment Trends survey was a result of the rapid production of simple financial plans.

In a similar tone, Rantall believes web-based technology in particular will provide a real “value add” for an adviser’s client base.

“My sense is that clients love the idea that they can go into a web-based environment and see what they have, financially,” Rantall said.

In complementing Rantall’s opinion, Tria stated that advances in platform technology have not only broadened choice beyond managed funds, but have also enhanced access to direct investments.

While McCabe believes that the integration of financial planning with investment platforms will continue at a strong pace, Tria’s report found that software is starting to “weaken” the bond between planner and platform.

“Firstly, it weakens the imperative for planners to centralise their clients onto a single platform for efficiency purposes,” the research stated.

“Secondly, CRM technology can work to disintermediate platforms by making it easier for planners to move off-platform.”

Clients with larger portfolios and their planners are increasingly making use of the new tools available to them on investment platforms. This is why a number of CRM systems — including Coin and Iress — are designed with the capability to categorise these large accounts in order for planners to grow their businesses more rapidly.

“The future for mainstream advisers will be in assisting both mass-affluent and high net worth clients, who are focussed on value-based conversation,” Rantall says.

While McCabe says their clients want solutions that cater to all ends of the market, Esler says that changes to government legislation in particular (including the introduction of the carbon tax and adjustments to tax scales) will continue to transform the way the suppliers deliver solutions.

“It’s important for advisers to talk about what’s coming,” Esler says.

In an effort that will enable their clients to “earn as they learn”, Midwinter will release Adviser Tech CPD. As advisers learn technical content they will be able to accrue continuing professional development (CPD), which will be fully accredited by the FPA, SMSF Professionals’ Association of Australia and the Association of Financial Advisers.

“The whole point is for us to not only educate advisers in how to use software but how to produce really good advice as well,” Esler says.

Both Rantall and Peker said self-managed superannuation funds will be high on the agenda for financial planners.

“Over the next five years, what’s going to be increasingly important is cashflow management for clients and, secondly, account and asset consolidation,” Rantall says.

Rantall also said that with the marrying of the front end software and the back end, live reporting will be a critical advancement going into the future.

Meanwhile Torrisi believes there will be an increase in virtual interactivity to strengthen the relationship of an adviser with their client.

“I think the client will become more and more involved in the advice process, whereas at the moment it is more of a master and client server type of arrangement,” Torrisi says. “Going into the future the client will be more heavily involved in owning the construction of their advice.”

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