

The Transition Accelerator Online

March 2010 issue

Creating an RDR Ready Review Service

Why a Review Service is important

If you give a client financial advice that is the best that money can buy, is it still as valuable in one month? Probably, assuming no major changes to tax law, investment markets, pension rules and regulations, or the client's circumstances. What about in 6 months? Maybe, bearing in mind all the variables just mentioned. In 2 years? Or 5 years? Almost certainly not. The value will have disappeared almost entirely.

We call this the 'Perishability' of advice and it affects every service industry. Does the value of advice from a Doctor, Lawyer or Accountant perish over time? Of course. I would argue that 'Perishability' affects our advice even more dramatically than in many other professions because of the wide variety of issues we are co-ordinating in our financial strategies for clients.

The core of Financial Planning is not just selling a product, or giving the initial advice, it is working with a client over a lifetime to continually

ensure that their affairs are in order based on the financial and legislative conditions at that time. We might consider ourselves like the Navigator on an ocean racing yacht. We leave the dockside with a plan that is the best we can prepare at that time, but as we head out to sea and round the headland conditions start to change. So we submit an updated plan to account for the altering conditions, or we scrap the first plan altogether and prepare a new one because conditions have changed completely.

"Establishing an ongoing review service overcomes the 'Perishability' of our advice."

Reasons for creating a Review Service

There are two major reasons for establishing some form of Ongoing Review Service for your clients:

1. Business & Financial Reasons
2. Customer Service Reasons

Firstly business and financial reasons. Imagine that your business is 'done'. What will it look like? How many clients will it have? Wherever you are sitting right now grab a pen and fill in the chart on the right imagining your business is 'done';

My Business	
1) Number of Clients	
2) Annual Fee (per client)	£
3) Total Income (1.) x (2.)	£
4) Sale Value Multiple (e.g. 2x, 3x, 4x)	
5) Business Sale Value (3.) x (4.)	£

Once you have transitioned your business to this point you then have some options.

- **Cap the size of the business and simply harvest the profits**
- **Duplicate the business model internally across teams or externally across sites**
- **Sell the business**

The choice is yours and will depend on why you are in business in the first place. Looking at the numbers you have filled in you can see that it is not rocket science to create a quality, manageable business that delivers value to you and your shareholders. But it will take some work.

What age will you be when this is 'done' if it takes you 5 years from now? Answer: The same age you will be if you don't do it. So get moving or keep going.

The second reason for creating a review service is for your customers. The types of customers you are chasing need ongoing financial advice. Life is too busy today and too complex to operate without some sort of ongoing advice.

By reviewing a client's circumstances proactively and regularly you can stay on top of their issues and get to know their needs well. This combination allows you to deliver the highest possible value added over time. You are the equivalent of a financial doctor, and the key to good financial health is following a simple health maintenance programme and having a regular check up to make sure that it is working.

"It is not rocket science to create a quality, manageable business, but there is some work involved."

What makes a Review Service stand out in the clients mind?

You will recall in the February 2010 issue of **The Transition Accelerator Online** that we mentioned the **12 Point Health Check** as part of our Annual Review meeting with the client. An example of what could constitute the 12 points is listed below;

The 12 Point financial health check

- 1 **Your Issues** An Update By You On Issues Requiring Attention
- 2 **Strategic Review** An Update By Your Adviser On Recommended Changes To Strategy
- 3 **Investment Review** Looking Back On The Last 12 Months Performance
- 4 **Investment Action Plan** Looking Forward & Implementing Any Changes To Investment Strategy
- 5 **Debt Review** Reviewing Your Interest Rates & Debt Structuring Arrangements
- 6 **Taxation Update** Reviewing Opportunities & Threats Created By Changes To Taxation Law
- 7 **Pensions Update** Reviewing Opportunities & Threats Created By Changes To Pension Law
- 8 **Insurance Review** Providing A Check Of Current Levels Of Cover & Policy Wording
- 9 **Estate Planning Review** Ensuring Your Estate Planning Wishes Are Current & Legally Valid
- 10 **The Remove The Hassle Service** Sorting Through Any Paperwork Received That Confuses You
- 11 **Family Review** Discussing Any Financial Issues Affecting Your Family
- 12 **Professional Update** Providing Professional Updates To Your Accountant & Other Advisers

The 12 Point Health Check provides the foundation for you and your team to deliver something of value to clients in a systemised way. This is the part that makes the review service stand out in the clients mind because they can see it and experience the results first hand. Obviously you can alter the example above to suit your business needs but by having it in writing everyone (client, adviser, and staff) knows what is going to happen.

In the Annual Review meeting you can use the health check as your meeting agenda and simply run through each line item with the client. The adviser can deal with many of these issues on the day while other issues will require pre-meeting preparation. Any other issues that arise that are not captured by this process can be dealt with as required. In fact you may even add them to your list to improve your process if they occur regularly.

The key issue

The most important aspect of running a review service is to ensure that the process is as slick as possible. It needs to be to make sure everything runs smoothly and that you make a profit.

Can you see how this ties in with your client value proposition that we discussed last month? When you first meet a new client you can spell out a comprehensive list of services that you are able to provide for the fee that you are going to charge. Having done this the client can now receive what you have promised year in and year out, same time every time. It is not difficult to deliver this as an adviser in a meeting with a client. You have probably been doing this anyway although maybe the process was not as clearly documented.

By firming up the process you achieve three objectives;

- a) **You demonstrate to clients a tangible process – which means they can see what they are paying you for**
- b) **You demonstrate to yourself that you have a process that can be delivered year after year – which means you can sell the service with confidence**
- c) **You demonstrate to your staff a clear and simple process for them to follow – giving them confidence in the firm and a clearer role within the business**

“An efficient review service creates value for your clients, and your staff.”

Less is more

The second key issue is to do as little as possible. I don't mean this in a cheap or rip-off kind of way. I mean that unless there is a real need to write advice or to do something, don't do it.

In my former business we created a review service but believed we had to provide the client with lengthy review reports full of graphs and charts to demonstrate why we were charging them so much. We did this because we had no real understanding of the value we added to our clients. It was only after 2 years of clients asking if we could skip the 50-page report that we finally decided to listen. We realised that clients valued the face-to-face discussion with their adviser; this was the value added part. Once we got rid of the long reports we freed up enormous resource within the practice to focus our time and energies on areas that allowed us to deliver our great service – namely research and education. Those were the things that maintained our expertise and knowledge at the forefront of the industry.

By doing as little as possible in your business as usual relationship with the client each year, when they do have a real need you will have the time to attend to it. In any given year only 10-20% of your clients will need you to do something major in the form of new advice or a new sale. Everyone else needs to be able to meet with you, or get you on

the telephone when they feel the need. So drive down management of the review service to the administrator level and make it a process that is managed by your staff. Your involvement after the system has been built will be in doing only high value added tasks like seeing clients, writing file notes post meeting, and handing out the work that needs to be done from it. You can then focus on more strategic issues within your business like the marketing of the practice to the outside world, to accountants, the media, the industry etc.

Administrators are your cheapest staff to hire, even if you have to pay at the top end of the range for good ones. You can avoid hiring new advisers (who can be difficult to manage) and simply create a larger team of support around yourself. One adviser with a paraplanner and a couple of administrators could service 100 - 150 clients easily.

Furthermore if the staff you are trying to attract can see you have a client focussed and orderly process they will be keen to come and work for you. This helps in your recruitment and retention.

“By doing as little as possible in your business as usual relationship you free up time to help the clients' that really need you in any given year.”

What happens once a Review Service is established?

Client Satisfaction Increases Dramatically

The biggest gripe about our industry is that an adviser sells a product to a client and then never calls them again. Why don't advisers call? Because they don't get paid to do that. By building a process that delivers regular contact AND genuinely adds value to clients and advisers you eliminate this top of the list problem.

You Can Deal Effectively With More Clients

By creating a process you create time. Under the old style model of constantly chasing new business you end up with hundreds or even thousands of clients in the database. Even if only 5-10% of them call in a year you become inundated with 'stuff' that you are not getting paid for.

The real work of finding interesting new strategies or new investment ideas that add sex appeal to your service can only be done if you and your staff have the time to do the research.

In The Event Of A Crisis You Can React

When the world fell off a cliff in October 2008 what did you do? In our consulting work at FP Advance we have asked this question many times to the seminars and workshops we present to. Only the smallest fraction of advisers (probably less than 1%) bothered to pick up the phone to their top 'A' and 'B' class clients at this time. A few more claim to have written to their clients throughout this major market downturn. This anecdotal evidence is supported by data from the FP Advance Business Fitness Report:

"Just 8% of advisers stated they always proactively communicate with their clients when bad news is reported about the industry in general or their firm or network/national in particular."

Think about this for a second: The current downturn was at one point considered a once in a century event. The question going through my mind if I am your client is "How bad would it have to get before my adviser picked up the phone and spoke to me about what was going on?" With all due respect if you didn't do this you missed an opportunity to really demonstrate your value.

We all know why most advisers didn't pick up the phone or draft several communications to be sent via email or letter throughout the downturn; they just didn't have the time. Most are still too busy doing 'stuff' like:

- **Catching and killing new clients to generate up-front earnings**
- **Servicing their thousands of existing clients (even though apparently they never call much)**
- **Producing compliance driven reports that clients don't understand, read, or value**

One thing that is certain for you and the clients within your business is change. Whether that is because of a market crash, a terrorist attack, a change of government or whatever, change is constant. To be able to deal effectively with change we have to have a process for doing so. Your review service and regular contact strategy becomes that process.

It Makes Your Business Bullet Proof

Have you ever tried to change banks, or change accountants? I am sure at one time or another we have all had to go through this but it is not something that you would want to do regularly.

The same is true (perhaps even more so) for the clients of your financial planning business. Having told you more than they will have ever confided to their doctor, accountant, lawyer, or best friend, clients are not keen to go through the process once every year or two with a new adviser. In fact it takes a lot for clients to leave you once you have built this level of trust. I believe you will probably get two or three chances to address a client's issues if something is not right with the relationship before they will sack you to find another adviser. This means that unless there is a real problem that you have not addressed you can save a relationship before it becomes irreparably damaged.

By speaking to your clients regularly you are likely to hear the rumbles of discontent if there are any and at least have a chance to decide if you want to do something about it.

You Can Increase The Fees That You Charge For The Service

Now that you deliver something tangible that adds value to clients you can charge what you are worth for the services. This is probably THE biggest sticking point for advisers transitioning to fees. How do I show my value to people in a way that they will recognise and pay for? Not £20 per month, or £30 per month, but a fair price that may be £1,000, £3,000, or £10,000 per year (depending on the clients needs).

Once the service is up and running and your existing clients provide you with feedback that is positive, you will start to realise yourself the magical things that you deliver for people. Powerful stories about how you helped a client realise they didn't have to stay in the stressful City job, or how you were able to create a structure that protects a disabled child in the event of a client's death. These are the stories that help new clients understand that financial planning is much more than managing money.

By demonstrating a tangible process and communicating via real life client stories you can get paid a fair price for what you really do. What are these strategies worth to clients? The value is not measured in money; it is far more valuable than that.

Regular meetings with clients also mean that they don't forget what has been achieved under your guidance in the past. The most basic function of an annual review meeting is to remind the client what has already been achieved. This also ensures they can continue to pay your annual retainer/fee/trail and feel they are receiving value.

Pricing the Review Service correctly

Having created your Ongoing Review Service to support your client value proposition you will need to re-visit the way you charge as well as how much you charge.

If the annual income from the client is too low there is no incentive for you to front up at review time. A client paying £300 per year may not warrant the work involved in conducting an annual review in the hope that they might buy something else to pay for the work. But a client paying £2,000 per year would justify the work, simply to get paid the £2,000 for another year.

Even if this service is provided to Mum and Dad style clients I believe it has significant value. It seems to be the norm here in the UK for advisers to charge 0.5% for assets under management by the adviser. I believe that once you have built your new RDR Ready Review Service you will be able to charge significantly more and still add tremendous value to your clients. For advisers that truly understand the value they add 1% of assets under management is the norm.

Even if you are not comfortable charging that level of fee today (which I understand), imagine what could happen to the profitability in your business if in three years time you had 100 clients on a review service at 0.5% and you were able to increase it to 0.75% or 1%.

Build the service first and get a critical mass of clients using it. Increasing your fees when you only have 10 clients on retainer has little impact on the larger business profit line. But when you have 50 clients, 100 clients or 500 clients on the service it has a tremendous leveraging effect.

Take your time in refining what you are doing and gain confidence in what you can deliver. Once all that is in place increasing your fee is relatively straightforward.

Quickly go back and re-visit the table you filled in earlier in this article. What happens to your annual fee and total income lines as well as your sale value if your annual fees are based on 1% of assets under management? That's what I call leverage.

The effect on profitability

Look at the effect on profitability of creating a documented and functioning review service; profitability nearly doubles

Key value driver	% of UK practices	Profit per principal
Documented Review Process		
No	14%	£56,995
Yes	86%	£109,024

Source: FP Advance Business Fitness Report

*Please Note: The profitability calculations assume a notional £60,000 salary for each principal working in the business

The Transition Toolkit

The Transition Toolkit is a series of six on-line modules that teach financial advisers how to start creating a simple recurring income business without suffering a drop in income during the process.

The course has been designed to be completed in order. Each unit takes between 45 minutes and 1 hour to complete and contains:

- Step-by-step follow up to get advisers implementing the material
- A comprehensive library of ready-made templates that advisers can modify, brand and use immediately in their business (saving time and money)
- A Resource Centre that contains further information for advisers to access on each topic
- A 'Try it' button that allows advisers to use the material and feedback directly to FP Advance on their experience



To find out more information [click here](#)

Actions for implementation

Creating an RDR Ready Review Service

1 Complete The Box On Page 2

- What Will Your Business Look Like When It Is Done

2 Create a 12 Point Financial Health Check

- Or A Version That Suits Your Business Model
- Do It In Writing For Use With Clients

3 Build A Simple Process To Deliver This

- Outline The Steps Involved
- Delegate Responsibility To The Appropriate Staff member
- Have Each Staff member Write A Simple Procedure For Their Part

4 Choose A Price For Your New Service

- It Doesn't Matter If You Start Low
- Just Don't Start Too Low

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