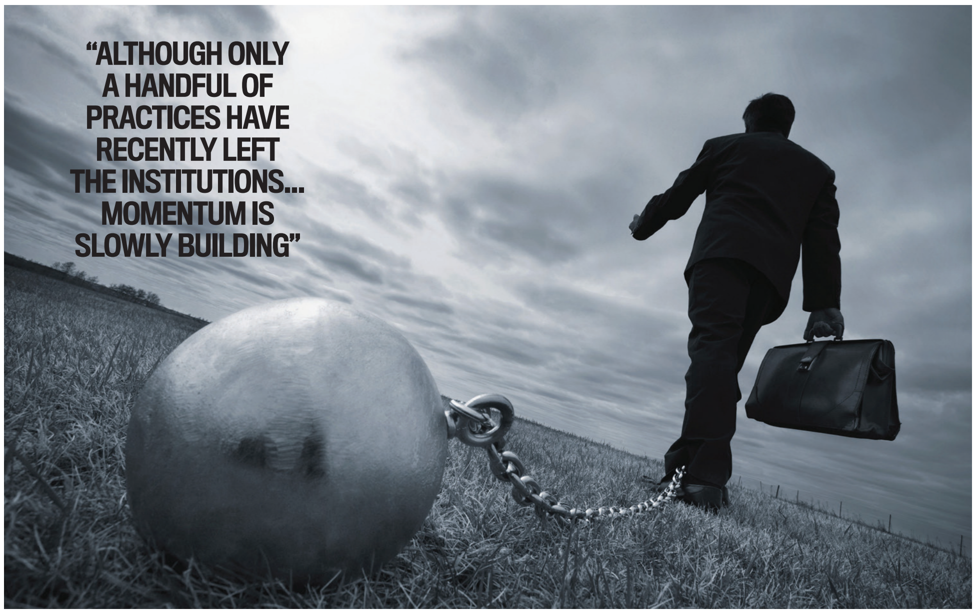
OPINION

A long, slow walk to freedom

Anecdotally, up to 35 per cent of advisers are contemplating changing licensees, but there's relatively little movement. What's behind the inertia?

David Heather
chief executive officer,
managedaccounts.com.au

Grahame Evans
executive director,
GPS Wealth



THE YEAR ahead promises more tumultuous change as the industry and government digest the Financial System Inquiry's full report, cement final amendments to the FOFA legislation, review the regulation of managed discretionary accounts and prepare for the removal of the accountants' exemption.

Change and uncertainty can be paralysing yet 17.1 per cent of aligned advisers and 10.3 per cent of independent financial advisers plan to switch licensees in the near-term, according to CoreData.

Anecdotally between 25 per cent and 35 per cent of advisers contemplate moving at any point in time.

However, there's relatively little activity. Despite bipartisan agreement to reinstate a number of amendments to FOFA including grandfathering, advisers seem to be staying put.

It appears that while FOFA's grandfathering provisions may've been a temporary handbrake for some, it isn't the main cause of the inertia.

Other factors are at play.

For starters, breaking up with an institutional dealer doesn't make financial sense for principals who are focused on succession and maximising the sale price of their business. It's in their best interests to stay especially if lucrative BOLR contracts are in place.

Furthermore, the majority of aligned advisers just aren't uncomfortable enough with the real and perceived perils of vertical integration.

While they love to complain about their licensees for a plethora of reasons such as changing remuneration structures, failing to deliver value and more, they can generally live with the restrictions and requirements set.

Ironically, it's often a specific issue, unrelated to vertical integration, which pushes an adviser to jump. The catalyst may be something seemingly small like the head of their dealer group forgetting their name one too many times or management reneging on a promise to subsidise the cost of a conference.

Therefore many aligned advisers who defect commonly join another institutionally-owned dealer because they like the support and backing of an institution and they genuinely believe they're able to act independently and autonomously regardless.

They're easily enticed by conflicted, unimaginative sweeteners like subsidised dealer fees.

On the other hand there's a growing group of advisers who want to gain their own AFSL or join an independently-owned licensee.

They have a clear, uncompromising vision for their future and they know they can't build an efficient, modern, client-centric advice business under institutional influence. They're typically aged between 35 and 50 so they're not thinking about succession. They want their business to expand and grow and deliver a long-term income stream.

This group of advisers understands that change is unavoidable, constant and essential for progress. They welcome change and want to partner with a licensee who will help them adopt new advice models and innovative technology in order to boost productivity, profitability and client satisfaction.

In doing so, they're looking for solutions beyond standard platforms with managed discretionary accounts (MDAs) now transforming advice practices. An MDA service is a business solution that can help advisers manage scale, growth, business administration and portfolio management transacting and execution.

Although only a handful of practices have recently left the institutions (that the industry is aware of), momentum is slowly building. Independently-owned licensees claim a spike in enquiries.

While the institutions will probably always dominate financial planning, the emergence of more independently-owned practices and licensees is a sign of a healthy and thriving industry. Increased competition and choice is positive for both advisers and consumers.

Breaking up is undoubtedly hard to do but those waiting for the perfect time may find it never comes. Partnering with the right licensee can bring many benefits and ultimately better client engagement and satisfaction.