

The future value proposition for financial planning

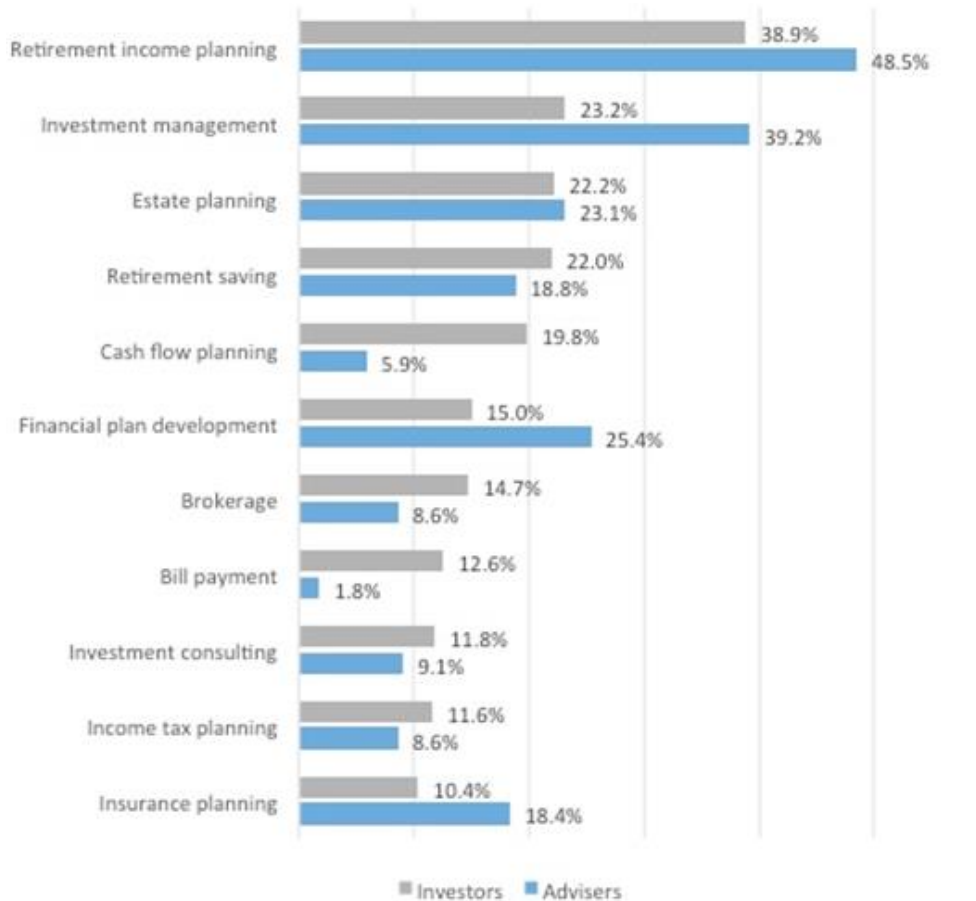
Tony Vidler | Strictly Business | 26 September 2014

Investment management has long been the backbone of financial planning. It has been the key driver of evolving best practice advice methodology, research and analysis standards, and most regulatory developments. But is investment management the future for financial advisers? I think not.

It will undoubtedly continue to be a fundamental part of the financial planning process, and will also continue to be the discipline that necessitates the rigour of research and the focus of fiduciary standards.

But will it be the most important activity that a financial planning firm engages in? Figure 1 shows there is already a gap between what financial advisers think will be important in the future, and what investing customers think will be important. As you can see, there is already a significant difference in perception between advisers and investors over how important investment management will be in five years. We are overestimating its importance to customers in the future.

Figure 1: Investors: Which services will be most valuable to you over the next five years? Advisers: Which services will present the largest growth opportunity over the next five years?



So, investment will still be important, but just not as important as we think. And therein lies the trap for financial advisers who are trying to build a firm for the future which is aligned with the needs of their market and delivers services that are highly valued.

What we think is important might actually be so – but if customers are thinking something else is more important, then it IS more important. They are paying the bills.

But do the customers really know what they want?

The chain of thought that I had looking at this chart was:

1. A lot of people are thinking retirement saving and planning will be the focus in the next five years – so it will be. There is the medium-term opportunity.
2. But what about in 10 years, when their retirement planning is largely done, or they feel they have it under control? What would my practice focus upon then?

3. Something which is already a big issue, but which is not yet the dominant issue!
4. Estate Planning and cashflow management are the big gigs of the future!
5. But what then?

That is a simplistic initial assessment, but it provides some key intelligence that triggers thought about how a financial planning firm needs to evolve if it is to be ahead of the game and prosper over the long term.

The longer term value is not in being a cash management specialist, or even an estate planning specialist. These are "areas of immediate focus" which simply haven't become the focus yet. They are important when they are in the realm of "unresolved issues". However, like the investment planning or retirement planning elements, I suspect that most clients will feel that when they have been addressed they are then resolved, or under control, and they cease to be a significant area of focus.

This means that such research really only provides guidance on the likely priorities in consumer's minds. None of them constitute the need for a shift in business strategy for a practice. However, all of these things put together DO constitute the need for a shift in business strategy for many financial planning practices, I believe.

Building a practice which focuses upon being a specialist in delivering expertise or solutions in just one of the financial planning disciplines will probably require a practice to continually reinvent itself and its offering to the market. There will be continual pressure to re-align the firm's area of expertise with the latest perceived need by consumers.

The longer term strategic value proposition should meet the ongoing need of the target market. That ongoing need is "providing certainty". It is the need for clarity, followed by the need for certainty, which is consistent over time. That is where the maximum value in financial planning is for consumers, and that is where the future is for financial planners.



Tony Vidler is an AFA and principal of Strictly Business which provides advice to the financial advice industry to help financial advisers become better practitioners and build more profitable businesses. Tony was the financial alert Person of the Year 2011.
