

## Technology now shifting the sands of financial planning recruitment

In this article Matthew Esler, General Manager – Strategy & Technical Services at Midwinter Financial Services discusses the role new financial advice technology is playing in shaping recruitment within the financial planning practice.

### Incumbent financial planning software

The use of technology within any industry should enhance accuracy and precision, increase efficiency and alleviate labour and other costs. Unfortunately, most financial advisers would argue the opposite is true. Financial advice practices across Australia tell us that they are significantly restricted by the incumbent and monolithic financial planning software they use – effectively or otherwise. Not only do they believe that they are restricted by the inability of planning software to assist them in effectively producing compliant product replacement and optimal strategy advice, but incumbent financial planning software also dictates the inefficient operation of the planning practice. Recruitment within the planning practice is the best barometer for highlighting this inefficiency.

As a result of its complexity, financial planning software is having significant effect on recruitment within financial advice practices. In our opinion, multi-function planning software developers have tried to be all things to all people, and as a result the majority of simple advice has become cumbersome and complicated. This has meant that planning software is not being utilised by experienced (and older) financial advisers, but inexperienced (and younger) paraplanners and support staff. Instead of employing future financial planners with the ability to understand the needs and objectives of the client - and the ability to sell that need back to the client - financial advice practices are forced to employ technologists – that is, tech-savvy paraplanners and support staff with limited traditional financial planning ability.

We all know that the average time taken to produce advice is still around one full day – more on this later. But is this the real cost? With existing financial planning software advisers are finding they're paying for a lot of functionality they don't need – the software itself costs anywhere from \$5,000 to \$12,500 p.a., but then the adviser needs to recruit a paraplanner or administration assistant just to work the thing. It's this recruitment cost which is the huge outlay for the practice. Administration staff cost between \$35,000 p.a. and \$65,000 p.a. and paraplanners cost anywhere between \$55,000 p.a. to \$100,000 p.a. depending on experience. It is their experience in navigating around the various monolithic software programs that is increasing their recruitment cost. So in effect, the planning practice pays more recruitment cost to drive further inefficiency within their business.

Then there's the training. The incumbent financial planning software programs often require week-long training sessions just to be able to pilot them at a basic level. These can cost up to \$1,000 to attend. There's also the cost of the staffer being out of the office. Assuming a 40 week year, the cost to the practice for an administration staffer is between \$875 and \$1,625 while the cost of having a paraplanner out office ranges from \$1,375 to \$2,500. That is the direct cost to the practice, but what about revenue lost? In any case it equates to a total cost to a financial planner's practice of over \$40,000 p.a., up to over \$115,000 at the top end. This is a considerable cost for any financial advice practice to bear – with recruitment being the number one outlay.

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## **The new world of financial advice software**

A new generation of financial advice software that focuses on the specific needs of the financial planning practice is now available. Rather than attempting to be all things to all financial advisers, the new breed is simple and highly effective. They have been developed with the primary objective of reducing the time taken to produce quality advice, and allow advice to be generated in minutes rather than hours and days. This signals a seismic shift for financial planning in Australia and has huge implications for recruitment within financial planning practices.

Now, instead of recruiting technologists to produce advice using complex financial planning software, financial planning practices can focus on recruiting paraplanners and administration staff who have traditional financial planning ability and experience, and importantly the people skills required to understand the needs and objectives of clients and maintain solid relationships.

The next generation of financial advice software are also simple enough for even the most IT-illiterate financial planner to operate. Financial advisers themselves are now able to generate compliant product replacement and optimal strategy advice within minutes. This means that the paraplanner or support staff hired to model advice using complex financial planning software will in many cases, no longer be required. Where the paraplanner is still required, they are able to focus on adding value to the advice rather than spending hours attempting to model the best advice position.

The results of Investment Trends 2007 Planner Technology Report showed that it was still taking an average 7.5 hours to produce a Statement of Advice (SOA) using incumbent financial planning software. In fact, the time taken to produce an SOA has remained stagnant at around 7.5 hours for the past few years. These figures are now being slashed dramatically. Using new financial advice software, financial advisers are able to generate SOAs on average in under half an hour. That's fifteen times more efficient than the complex and expensive financial planning software programs currently being used.

## **Conclusion**

Recruitment is without doubt the largest expense for most financial planning practices. Incumbent financial planning software has been ineffective in producing compliant product replacement and optimal strategy advice. Unfortunately, recruitment costs have also been enhanced through the need for planning practices to employ staff to navigate their complexity. Advisers need to ask themselves are they recruiting staff to build a business based on quality advice and relationships, or are they recruiting to mask inefficient technology. With a new breed of simple and highly effective advice software now available, financial planning practices can now alter their focus back toward recruiting staff with the traditional financial planning and people skills required to expand their business.

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