
Hard questions about software

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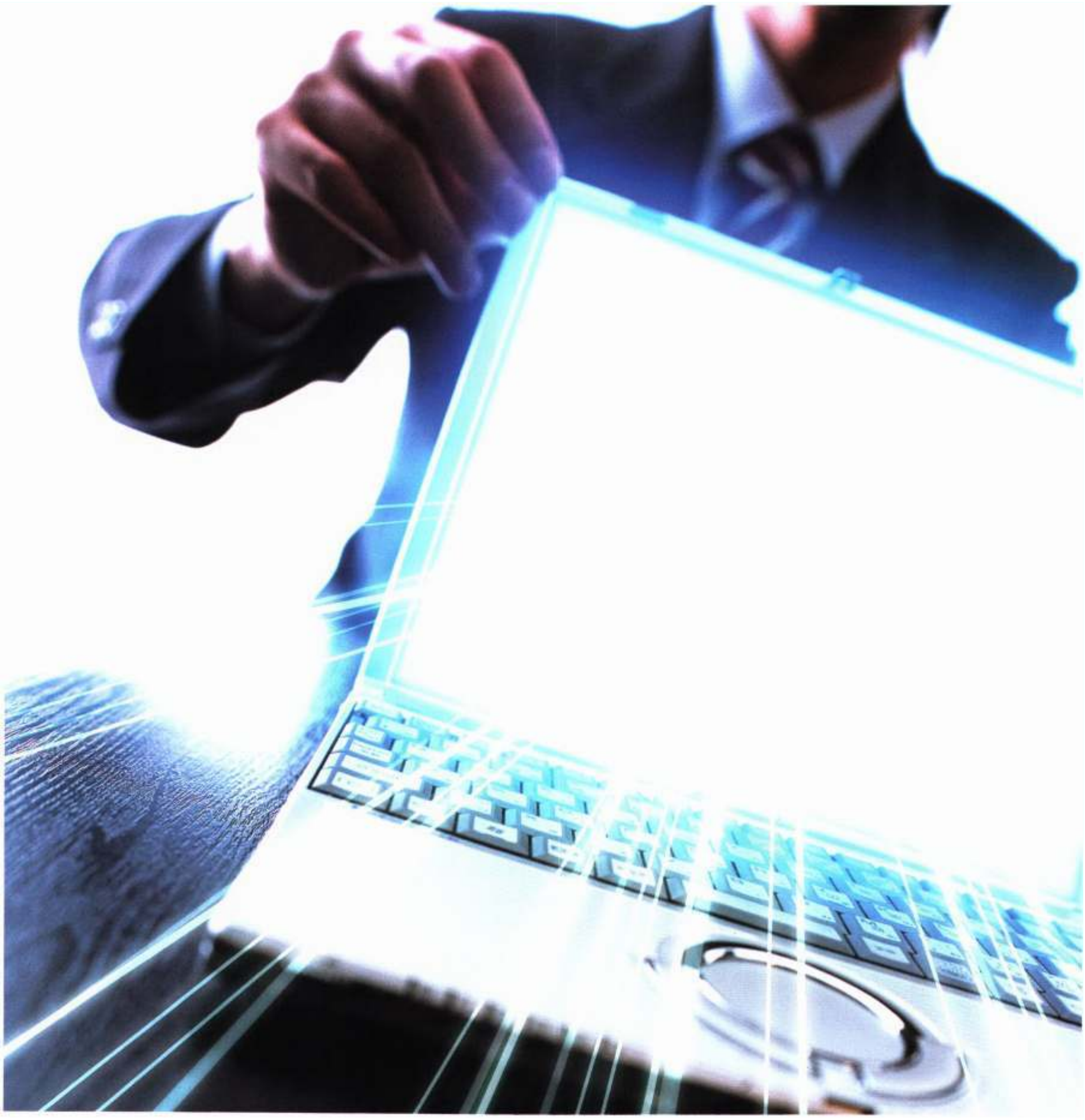

JUSTIN LIM looks at the impact of technology on the planning industry and asks whether planners are becoming too reliant on software.

It is hard to argue with the position that technology has become an indispensable part of a person's everyday working life, so much so that for most people even going one day without a mobile phone or access to e-mail can greatly affect their business.

When applied to the financial planning industry, greater integration between software and the financial advising process has meant that very few practices can operate effectively without the technology being there. From simple day-to-day communication to complex modelling, it is fair to say that technology is here to stay.

Technological developments have meant advisers are now able to model different strategies at the touch of a button, but is this necessarily a good thing for the industry? And has the financial planner's reliance on such software become a cause for concern?

Tech culture

Money Management's 2003 Financial Planner of the Year and principal of N.C. Bruining & Associates Nick Bruining said with more than 20 years in the industry, he's seen how software has evolved.

From simple spreadsheet-based systems programmed by individuals, to the first dedicated package in the early 1990s, to the advent of sophisticated multi-functional packages, Bruining

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fears the next evolution may be one of dependency.

"Unfortunately, from my experience as a planner, I think what has evolved is dependency. That is, to a certain extent, the unhealthy dependency on the software to do the job of the financial planner," he said.

"Therefore, I think it's a challenge on the part of the planner to continue to give professional advice to clients rather than simply rely on what the software may spew out."

Iress senior business development executive Michael Kinens is similarly concerned with the direction of certain software vendors providing tools so specialised that he believes the adviser's role becomes one of a 'button pusher'.

"I sincerely believe that if an adviser is in a position where they are simply pressing a button and accepting the advice that has been developed by software providers, it will mean advisers will not only lose essential skills and knowledge, but put themselves in a position of eventually losing sight of the client relationship," Kinens said.

He believes software vendors need to come together and collectively discard all of the things that don't add value to the client relationship.

According to Kinens, while software clearly offers advisers many advantages (from meeting legislative requirements to speed of delivery), alarm bells should ring when advisers begin struggling to perform the most basic of functions.

"Ultimately, unless this issue is addressed, we'll no longer have financial advisers, but will end up with data monkeys skilled at doing nothing more than pressing a button and generating the same piece of advice that the adviser next door can generate," he said.

Bruining expressed concerns for younger advisers who may be over-reliant on software and not understand why software is modelling a strategy a certain way and, in the end, not able to set up their own templates without the use of a proprietary financial planning tool.

"Much like a child being taught to add and subtract, despite the presence of calculators, I feel that it's crucial for younger planners to be able to calculate and work things out for themselves," he said.

"The purpose of this is to ensure the adviser can accurately assess the outputs from the software, and not have simply put blind faith in it."

Kinens added that one of the main concerns regarding younger advisers in the industry has been their lack of soft skills.

"If you look at the way the younger generation is utilising technology, there's a tendency for people to use things like instant messaging, SMS and e-mail as their primary forms of communication rather than picking up the phone or, more importantly, sitting in front of someone and having a conversation with them," he said.

"If we simply push tools like this in front of younger advisers and say, 'You don't need to do anything other than press the 'calculate' button, where does that allow them to understand all the


Nick Bruining


Matthew Esler

issues that they really should be thinking about when providing advice to clients?"

The wonders of technology

Despite the inherent pitfalls and risks of financial planning software, one cannot deny that technology has played a major role in the rapid development of the financial planning industry, and has had a growing influence on the way advice is delivered.

Praemium Group chief executive officer Arthur Naoumidis believes no matter how sophisticated or integrated software becomes, the role of the financial adviser is unlikely to ever vanish.

"There [is a place] where I feel technology will never have a role and that's in understanding the client's needs. If you can understand the client's needs and interpret them in a way that can be fed into a system to then implement, that's a good thing," he said.

"It means the adviser can spend more time with clients rather than on mundane implementation, which is really just leg work."

Naoumidis believes that in most cases, the more automated the advice process the better, and noted that the 'value-add' an adviser provided was not in the implementation of the plan, but in the design stage.

Mercer Wealth Solutions head of financial advice Scott Walters would describe himself as a strong advocate of financial planning software, provided it's done right.

"My personal view is that the advent and growth of planning software has provided enormous efficiencies for advisers and thereby lower costs for consumers by making the whole work process more efficient and effective."

Midwinter Financial Services general manager of strategy and technical services Matthew Esler strongly disagreed with Kinens' arguments and believes rather than losing essential skills, advisers learn a thing or two while using software.

"Talking from the experience of using our own software, our paraplanners utilise Reasonable Basis daily, and they find that their product knowledge and strategic knowledge is actually enhanced through its use."

According to Esler, the group's flagship product, Reasonable Basis, was designed based on the needs of its own financial planning practice.

"When we started off we knew there was a huge gap in the market for software that guided the adviser through the advice process and did so in a very compliant manner, ensuring that they satisfied their conduct disclosure obligations under FSR [Financial Services Reform]."

While Esler acknowledged that advisers rely heavily on software, he believes it is not something that should be feared.

"Advisers do rely on software vendors, but rightfully so. Our advisers rely heavily on our data and research teams, this is because it is product-specific advice," he said.

"What we've developed is software which assists our research team in ensuring that the integrity of that data always remains at its utmost highest level."

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Legal ramifications

Esler believes that the benefits of an adviser using his company's software far outweigh the chances of an error escaping his research team's detection.

"Without the software, advisers would have to research that data themselves. This involves calling the funds, sifting through disclosure statements of super investment funds and so forth," he said.

"For example, when advising for super switching, you have to explain to the client what benefits you're gaining and what you're losing. This is very difficult from an adviser's perspective and their paraplanners because they need to go through the Product Disclosure Statements and compare each feature. Our software has completely gotten rid of hours and hours of work."

Walters agrees with this view but added: "It's critical that the software providers stand behind their product, as they have a responsibility to the industry and the consumer as much as we as advisers do to ensure the systems are robust and inputs accurate."

According to Iress' Kinens, in the hypothetical situation where an adviser relies completely on the output from a software tool without checking its integrity, if the advice turns out to be bad, it is ultimately the adviser who is liable.

Kinens argues that with studies showing advisers are working more than ever, the probability for an adviser recklessly accepting an answer without the necessary checks is highly likely.

"It's very tempting to walk into an office knowing that there is a piece of software where I can simply key in a few bits of information, press a button and there's a result, which I can then sell to a client," Kinens said.

The capacity for errors to occur while using software is something Mercer acknowledges, said Walters, as it is "the responsibility of the user to confirm the integrity of the results that the software produces".

"To ensure the integrity of the results, Mercer has produced a number of checks and balances. We typically have a paraplanner work in conjunction with the adviser, so there are at least two sets of eyes to check the integrity of the data and the results in every Statement of Advice (SOA)," he said.

"After that we have a peer review process to confirm that the strategy and recommendations are appropriate for the client, so every SOA has three separate checks."

Walters sees no real cause for concern with advisers becoming more reliant on technology, as long as the "output is able to be checked and validated".

Compliance burden

A financial planner has a multitude of functions. From keeping abreast of the latest technical developments to ensuring that they are up-to-date with legislative reforms and satisfying their disclosure and compliance obligations, all these tasks can at times be extremely challenging.

Therefore, for most planners, any software that reduces compliance burdens goes a long way to improving what the adviser should be focusing on, which is spending time with clients to understand their needs and objectives.

A recent study conducted by financial services research house Wealth Insights found that advisers are losing up to a day's worth of face-to-face time with clients to compliance. Consequently, 74 per cent cited compliance as their biggest concern.

Given the extent of these concerns, it is little wonder that many financial planners have welcomed the advent of software that can cut the time it takes to provide compliant advice.

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