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Technology for the modern planning practice

The financial planning industry is continually transforming. Against a backdrop of legislative and economic challenges, practices are also faced with an evolving client base and technological advances that challenge their current business and client engagement models. Whilst some financial planning practices are struggling under the weight of change and may opt to exit the industry, firms that actively embrace technology to improve business efficiency and client engagement will not only survive, but thrive.

The changing face of the advised client

Managing a business through legislative and economic change is an industry-wide issue, and whilst at times challenging, advisers have the support of peers, product providers and AFSLs to call upon.

Unique to each practice and potentially harder to manage is the changing dynamic of one's client base as the business matures, including:

- Clients approaching retirement, with increasingly complex advice needs that require more frequent interactions;
- Increase in client wealth as markets grow and planning strategies succeed, leading to the need for more sophisticated investment solutions;
- Planners themselves becoming more experienced and wanting to develop advice solutions and client engagement models that attract more sophisticated high-net-worth (HNW) clients.

To continue to offer a relevant and valuable service, it's important to determine the technological needs of each client segment as they are now, and to plan well in advance for changes in the client base and the business.

Technology through the business stages

Financial planners generally attract clients appropriate to their experience and business success. Younger planners more often focus on cashflow management, insurance and (increasingly) mortgage broking, either in-house or through third-party relationships. The technology needs of a business at this stage are relatively simple, and younger planners are usually more open to and better at integrating technology into their proposition. As they build towards the HNW client base that they aspire to, their use of technology will help them deal with changing client demands.

However, the client journey does not run parallel to the business cycle. As a business

matures, its clients will span a greater range of technology needs. Practices may adopt a selection of platforms to cover different balance sizes and investment complexities, and may sometimes need to find alternatives to traditional custodial platforms as client wealth outgrows platform cost and utility. Without realising it, a practice can become clumsy and unmanageable over time, with staff having to navigate multiple processes and technologies, and clients' having to adapt to different systems (including interfaces, logins and reports) as their wealth management needs evolve. This is not scalable.

Short-term focus creates long-term headaches

In practice, regardless of the maturity of a business or the complexity of its client base, a planning firm's technology strategy is often limited to immediate or short-term needs, creating stress over time as technology fails to deliver on the business' evolving client engagement model or investment philosophy. Rather than a planned adoption of new technology and processes, the practice is forced into radical change quickly and without proper planning. This can also be a major distraction for the principal, who is often responsible for new revenue generation, creating competing priorities and placing undue pressure on the practice.

Forward-thinking financial planning practices aim to 'future proof' the business by adopting long-term solutions designed to cope with a maturing client base and increasingly complex investment requirements. Today's technology has come a long way since the introduction by Asgard (formerly Sealcorp) of the first Master Trust in 1987, and it is becoming easier to develop enduring models as technology platforms become more sophisticated in their reporting and transaction capabilities.

Additionally, the development of an Application Program Interface (API), which allows multiple systems to transfer data and communicate with each other, opens up a greater opportunity for smaller planning groups to ensure their technology is seamless and efficient. Praemium has developed one of the most open API structures in the platform market and already works with clients to ensure data flows seamlessly in both directions.

Innovation principles for success

The most successful business innovators include household names such as Google, Apple and IBM, each of whom operates under a con-

Late last month researcher Investment Trends released their 2018 Adviser Product Needs Report, a gem of a report given its insights on what advisers really want from today's generation of investment providers. A key takeaway is that more financial advisers are adopting managed accounts for their efficiency benefits compared with direct shares and traditional managed funds vehicles.

Thriving successfully in this space is Praemium, one of the managed account industry's pioneers. In this issue, the group's head of distribution Martin Morris explains why managed accounts are a cultural fit in a tech-savvy financial planning practice. Read more to find out his reasons why.

Michelle Baltazar

Michelle Baltazar
Director of Media & Publishing



The quote

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sistent set of innovation principles that planning firms can adopt for success in their own dynamic industry:

- An ability to gain insight into consumer needs and understand the potential relevance of emerging technologies
- Active engagement with customers to prove the validity of concepts and to assess market potential and risks
- An ability to work with pilot users to roll out products carefully but quickly, and to coordinate across the entire organisation for an effective launch.

These principles are built into an innovator's business culture and reflect the way they build new solutions that keep up with (and sometimes shape) changing customer demands.

Forward-thinking planning groups prepare for the future direction of their business the same way, and with 63 Australian fintech organisations that assist in the advice process (according to the FPA), astute advisers have the opportunity to leverage a wealth of solutions to assist in the advice process and unleash real value in their business.

The "state of play" for fintech

Planners and investors are no longer willing to pay a premium for services that are now mainstream commodities. As advice models and investments solutions become increasingly sophisticated, businesses expect their technology to keep pace. Platforms wish to have enduring relationships with the businesses that use their services – as such, they must be able to cope with a wide range of investment styles, asset make-up and be able to transact efficiently and cost effectively.

As for the planning practices themselves, to remain viable in today's fast-moving industry they will need to implement the right technology into their business, technology that allows the firm to cater to any segment of their client base and digitise their client engagement model. Time will tell, but this is likely to be the only way to ensure they stay relevant, competitive and successful in the 21st century. **FS**



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