
AFA National Conference 2009

GOLD COAST October 4-6 • RACV Royal Pines Resort

GenXt

Session Stream 4

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AFA National Conference 2009

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The adviser of the future...what skills, knowledge
and competencies will you need to thrive &
succeed in the future”

Session Stream 4, Tuesday 6th 9.00am

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1. Introduction

2. Key Issues

3. Growth Strategies

4. Concluding Remarks

Adviser 2010:

What are advisers doing to future-proof their business post GFC and prepare for the anticipated growth opportunities?

Financial Services Industry Study

The hot buttons for advisers, in 2010, are all around the need to:

- manage their businesses better;
- with an emphasis on specialisation;
- fee models; and
- risk management.

This back-to-basics practice management focus is fueled by:

- a highly competitive market;
- that is both risk averse; and
- price sensitive.

1. Introduction

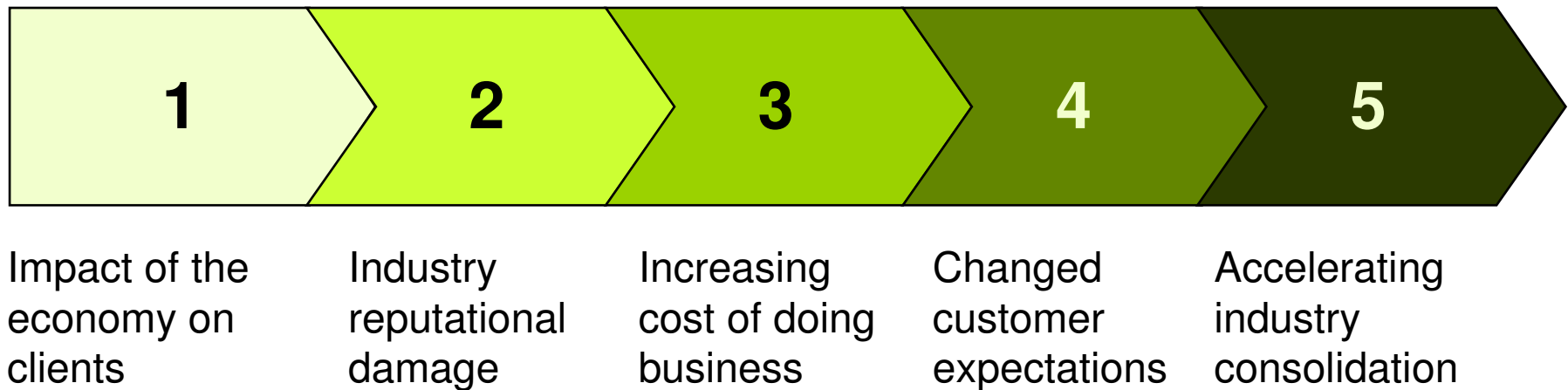
2. Key Issues

3. Growth Strategies

4. Concluding Remarks

Key Issues:

External situational issues affecting advisers include the economy, industry reputation, regulation, customer expectations and competitor activity.



1. Impact of the economy on clients:

There is a welter of clients suffering from losses over the last two years, but new/re-entrants have experienced record breaking profits

Abrupt end to 30 year's growth in '07..

- Global financial assets grew between 1980 and 2007 to \$194 trillion (343% world GDP).
- Equities lost \$28 trillion, almost half their value in 2008 (50% world GDP).
- Residential real estate fell US\$3.5 trillion (6% world GDP)

... correction, and back to growth

- Governments have selectively assumed private debt.
- Corporate earnings jumping back to long-term trends.
- Households and businesses have/will reduce their debt burdens.
- Investors returning to market

Opportunity?

Rebuild wealth

Review Risk

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Creating the future...

2. Industry reputational damage:

The impact of high profile collapses on 100,000's of Australian investors has resulted in increased Adviser Scrutiny.

Increased complaints

High Profile Collapses:

- Opes Prime.
- Lift Capital.
- Basis Capital.
- Storm Financial.
- Timbercorp.
- Great Southern.

Increased adviser scrutiny

- Financial settlements against financial companies that have misled investors.
- Relentless case studies in the media of 'adviser' abusing trust or not acting professionally.
- Criminal prosecutions pending?

Opportunity?
Rebuild trust
Consumer
education

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Creating the future...

3. Increasing cost of doing business:

Increasing regulatory oversight and the cost of insurance will increase the cost of running an advice practice.

Increased oversight

Likely regulatory changes:

- Commission payments
- Marketing campaigns
- AFS licensing regime
- Min. education/ traineeship
- PI Insurance / FOS
- “Margin Lender” competency

Increased Cost of doing business

- Premiums have increased 30% in 2009 (100% increase for some smaller firms).
- Restrictions on amount of cover paid (e.g. Vero allows only \$1m aggregate claims).
- FOS claims to increase to \$280K (from \$150K) 2012.

Opportunity?

Reduce costs

Offer low service option

-
- Regulations require Professional Indemnity insurance equal to projected revenue (minimum \$2m).
 - Criminal prosecutions against financial companies that have misled investors.

4. Changed customer expectations:

Tomorrow's clients will seek financial advice from professional firms with qualified advisers, a recognised brand and with financial resources.

Clients are seeking trusted advisers

Tomorrow's clients will seek financial advice firms with:

- Recognised trusted brand.
- Professional qualified advisers.
- Deep pockets to provide consumer compensation for negligent advice.

Consolidation of the trusted brands

Major institutions are trying to position themselves as the trusted advisor:

- Big banks.
- Big independent dealer groups.
- Big insurance companies.

Opportunity?
Build brand
Differentiate
on quality

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Creating the future...

5. Accelerating industry consolidation:

On the back of customer demand for a trusted adviser and post GFC market opportunities, institutional wealth management is consolidating.

Banking sector profitability

- Top 4 banks report \$16B profit in 2009
- Wealth mgt dominance set to increase with pressure to make acquisitions or return surplus to shareholders.
- Driver of bank-owned wealth arms is scale (in revenue and cost efficiencies).

Wealth management acquisition

- 70+% market share attributed to:
- **ANZ** pays 11 P/E for 51% of ING Australia (09/09).
 - **NAB** /MLC acquisition of Aviva (06/09) increases share to 23% or 2,900 advisers.
 - **Westpac** has BT.
 - **CBA** has Colonial.

Opportunity?
Build reputation
Personalised
service

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Growth Strategies:

Top performing advisers are focusing on what skills, knowledge and competencies they will need to thrive and succeed in the future.



Specialise

Identify your
critical
success
factors

Measure
how well you
are doing

Establish
supporting
processes

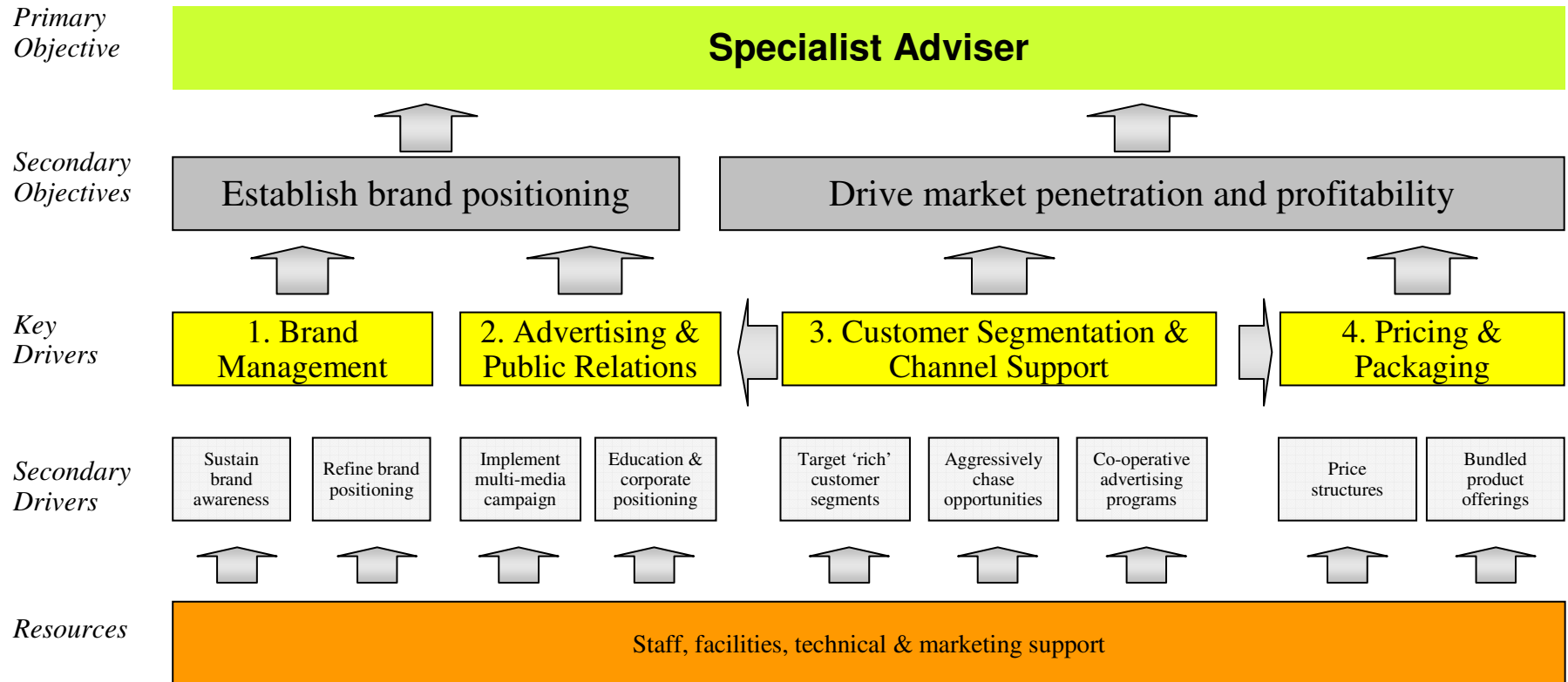
Build your
core
competencies

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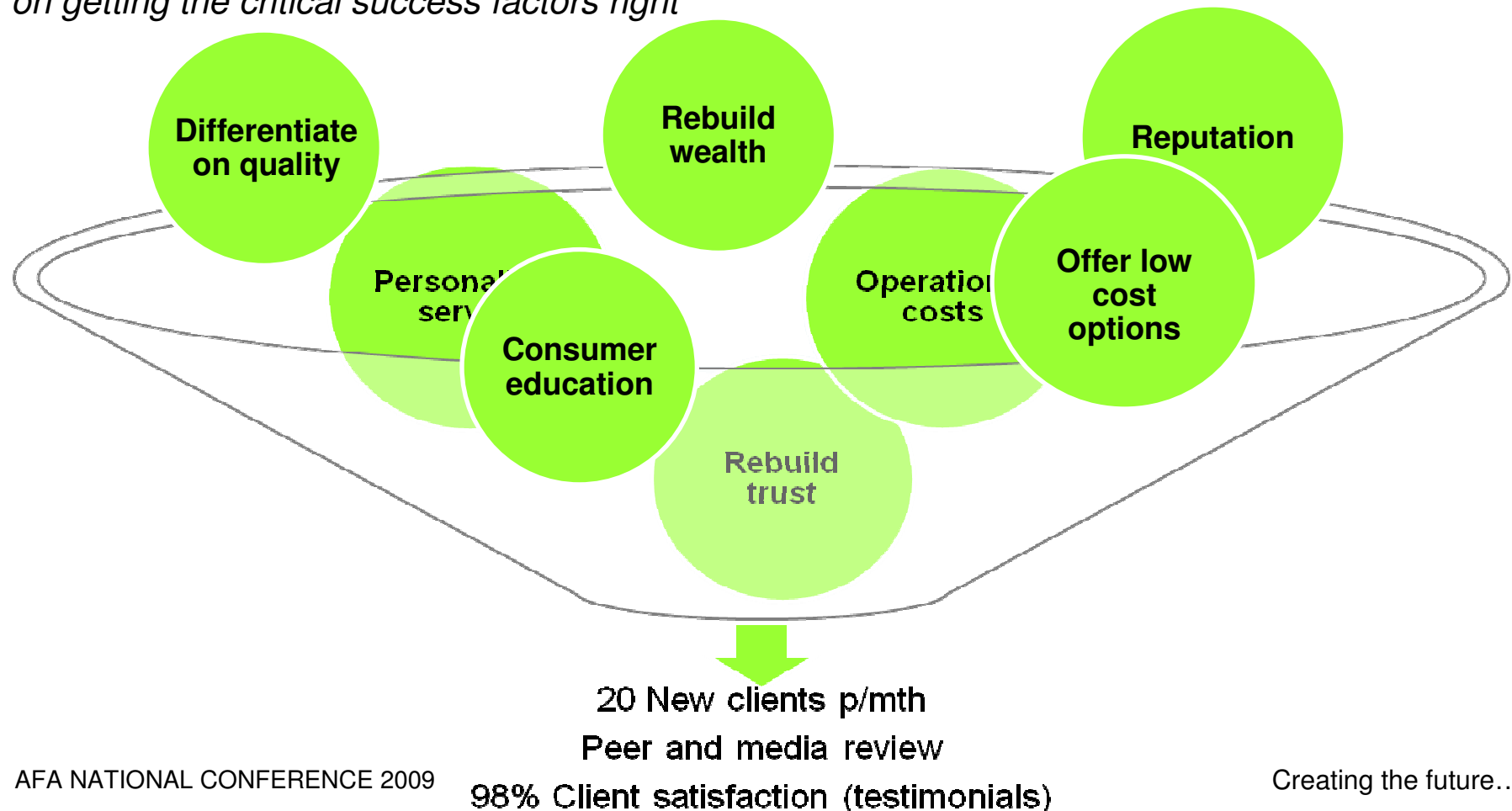
1. Specialise:

Differentiate yourself to succeed in a highly competitive market, such as by location, brand, fee structure, price, service offering, and promotion.



2. Identify your critical success factors:

Great advisers establish what they must 'do well' to be successful and focus all their efforts on getting the critical success factors right

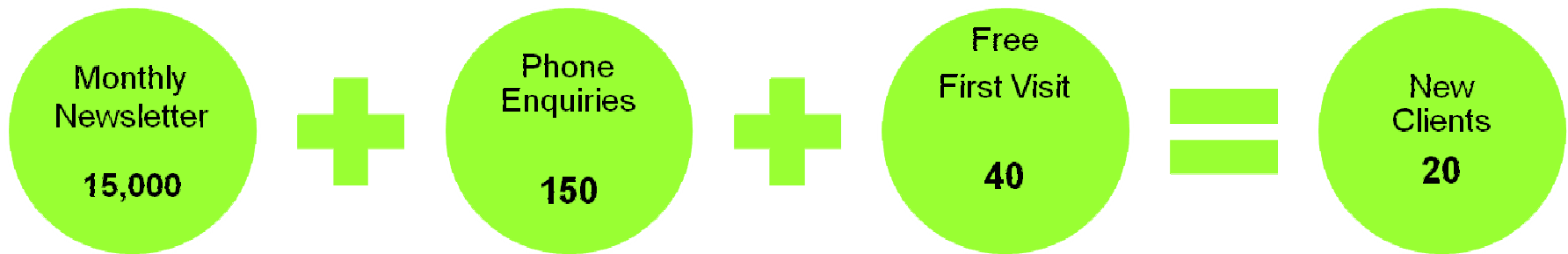


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Creating the future...

3. Measure how well you are doing:

*Implement a monthly reporting system that measures performance against what you must **'do well'**.*



4. Establish supporting processes:

*Achieve an operations advantage by ensuring that you deliver on what you must **'do well'**.*

Do it RIGHT

the **QUALITY** factor

Do it INEXPENSIVELY

the **EFFICIENCY** factor

Do it FAST

the **AVAILABILITY** factor

Do it CONSISTENTLY

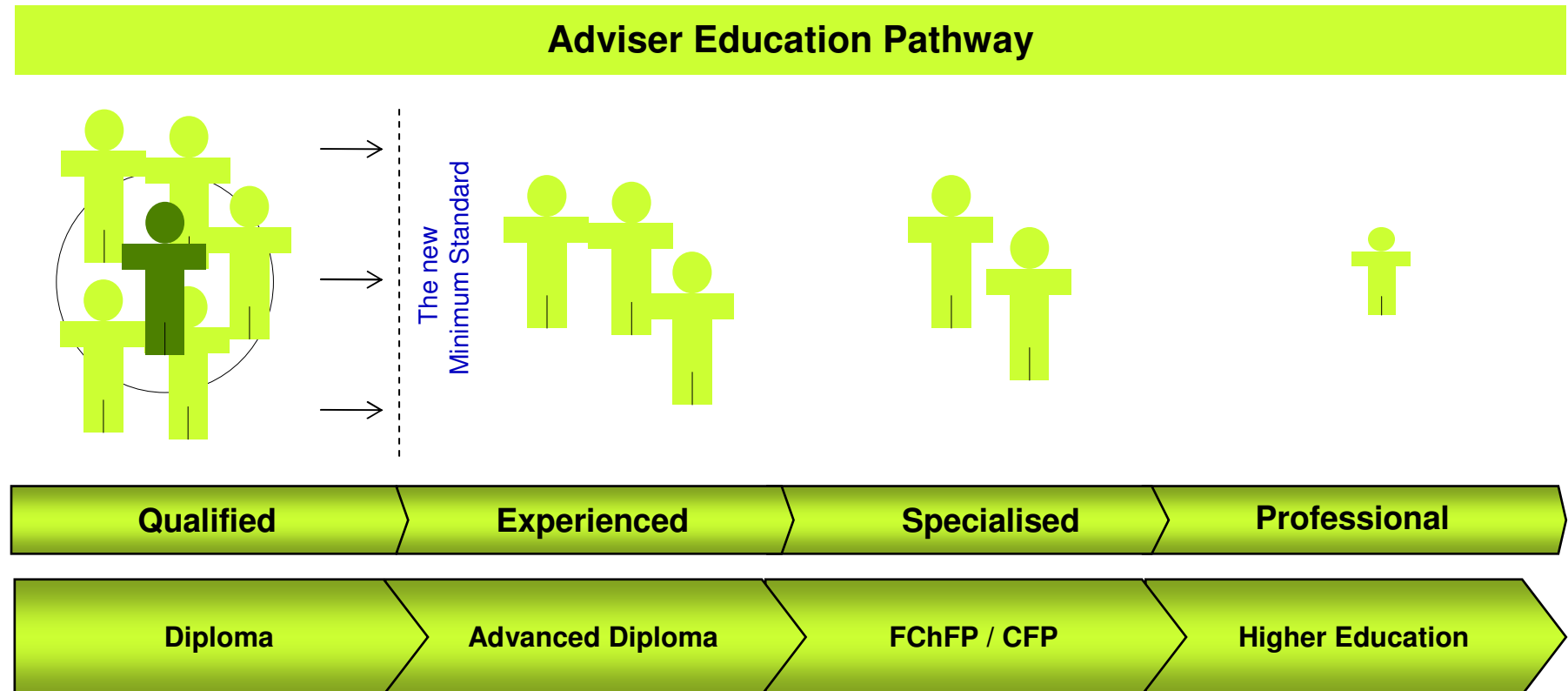
the **DEPENDABILITY** factor

CHANGING what you do

the **FLEXIBILITY** factor

5. Build your core competencies:

Identify what skills and knowledge you need to succeed and 'do well' and to be prepared for rising minimum education levels.



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Question and Answers

Which of the 5 growth strategies will you use to thrive & succeed as a future adviser ?

Key Issues



Impact of the economy on clients

Industry reputational damage

Increasing cost of doing business

Changed customer expectations

Accelerating industry consolidation

Growth Strategies



Specialise

Identify your critical success factors

Measure how well you are doing

Establish supporting processes

Build your core competencies