

## Adviser Life Stages

# THE ROAD TO FINANCIAL ADVICE



The career paths of financial advisers have twisted and turned with every development and tweak of legislation in the industry. **Jassmyn Goh** finds out what career paths look like now from starting out to succession planning.

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 **'FALLING INTO' FINANCIAL** advice seems to be a thing of the past with most young advisers these days making a conscious decision to be a financial adviser.

While the life stages of an adviser remain relatively unchanged, the pathway towards each stage has been chopped and changed thanks to regulation and legislation.

MAP Financial Strategies principal and senior financial adviser, Michelle Veitch, started her financial advice career by chance after spending 14 years in paraplanning and administration.

Veitch said an insurance and superannuation agent she worked for offered a 50 per cent stake in his business.

"I came into the business without any client experience but the decision was as much about owning my own business as being an adviser, and I was hopeful I'd be okay at it," Veitch said.

StatePlus general manager for financial planning, Sean Bradley, said people did not see financial advice as a career 20 to 30 years ago, but that had changed.

"They would have been in the industry and then transitioned into the advice sector. Now, people are making a conscious decision to be in the industry and to be an adviser," Bradley said.

However, Connect Financial Service Brokers chief executive, Paul Tynan, said this change in

getting started had made it more difficult for advisers to set themselves up.

"To come into the industry today fresh out of school, the majority will go into a bank environment, a salary environment, or an industry fund. In the past you never came into a salary environment, in the past it was all self-employed," Tynan said.

### THE SOFTER SIDE OF ADVICE

Tynan said there was currently less of an emphasis on the basics of running a business, networking, and marketing.

The focus had turned to technical training.

"They [banks and industry funds] don't train anyone in the soft skills. Advisers don't know how to foster relationships or build relationships – the soft skills aren't taught," he said.

Veitch said she learnt soft skills on the job by seeing and advising clients with her partner.

"I still think soft skills are the missing link: we've got a number of young advisers and the soft skills are one of the hardest things to learn as it takes time," Veitch said.

"You can jump online and you can do your academic stuff yourself but you can't do this in isolation. You need someone to spend the time with you, and then its practice.

"Being a mentor is a huge time commitment so you have to

have someone who is prepared to take a chance on you and give you that experience."

Veitch said at the end of the day, having those people skills was the differentiator between clients coming to her or to another adviser.

"Once the qualification base is set and once the products become relatively comparative, what's the differentiator. It has to be the people and the service and I think that is what clients are looking for," she said.

### WILL YOU BE QUALIFIED?

With the Government's response to the Financial System Inquiry in October 2015 stirring debate around professional qualification standards, many advisers who entered the industry by chance may have to invest time meeting the new qualification level, or may have to leave the industry altogether.

Veitch said it would have a massive impact on her as she did not come into the profession with any sort of finance degree.

While she now has an Advanced Diploma in Financial Planning, if the Government decides all planners need tertiary qualifications, Veitch will have to take on more study.

"You can take the position of 'will it make us better advisers?' Probably not, but I'm not sure that's the point. Will it help to

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improve the outlook on our profession? Probably,” she said.

“With 27 years in this industry and 15 years advising – do I need the qualifications to do what I’m doing? No. Do I need this to move this profession forward? Yes.”

McPhail HLG Financial Planning senior financial planner, Anne Graham, said she had a number of colleagues who were running their business full-time, and that it would be impossible for them to acquire a degree qualification within the proposed timeframe of 2019.

“I think a number of people are waiting to get clarification because there is still detail that needs to come through. Most of them are just getting on with business,” she said.

“They’re aware of changes and mentally have some contingency plans but there is no point worrying until they have all the detail.”

StatePlus general manager for financial planning, Sean Bradley, also said clarity was needed on what other educational requirements could be included.

“The question becomes if there are people in the industry who don’t have a degree but have a graduate

diploma or a graduate certificate, how will we accommodate these people?” he asked.

“One of the things is that education is a hygiene factor every client expects from their adviser.

“The real skill of financial advice is the relationship with the client, knowing their needs and objectives, and for the client to act on the advice. Too often it is product selling, [but] it is that deeper understanding of the true needs and objectives and motivation to act on advice that is important.”

Tynan suggested that those advisers who were too old to

meet the education standards could become mentors.

“I ask the industry to bring out a new licensing regime called relationship managers to allow the transition into retirement,” he said.

“We can’t lose all that experience and knowledge. Let them transition and not run off, and it will help new advisers.

“It is a great opportunity for mentors... we should be using the skills of these people in a mentoring position. We should use those who run very successful businesses, who are under the radar, and haven’t been in the press.”

## Cutting the cord and owning a practice

CONNECT Financial Service Brokers chief executive, Paul Tynan, said it was harder now to be self-employed, and only the elites of the industry ventured into it.

“I’ve never known a really good financial adviser at the peak of their skills who never wanted to run their own firm. All the good ones gravitate to being self-employed and running their own businesses,” he said.

McPhail HLG Financial Planning senior financial planner, Anne Graham, said if advisers were coming from a corporate environment, being self-employed was the shift from being a technical adviser to being a business owner or leader.

“Advisers need to decide where they want to spend their time, think about strategy, culture, capabilities for the business to be successful, and need to spend time where it is most useful,” she said.

“If your main thing is advising, then you might need to bring in an office manager; otherwise advisers who do both tend to do their jobs 80 per cent well, rather than 100 per cent well.”

StatePlus general manager for financial planning, Sean Bradley, said the most important aspect when transitioning to self-employment was due diligence.

“So finding out who their licensee is and who they’re aligned with

is very important. When an adviser is in an employer space, they’re well supported,” he said.

“When moving to self-employment it’s a lot more challenging as there needs to be a focus on how to attract more clients, decide what focus is needed when delivering advice, how money is being made, and how to survive.

“There is a lot to consider when moving into the adviser space. A lot of people want to build their own practice but it’s a hard slog.”

FMD Financial managing director, Greg Fagan, said there were many advisers who came into self-employment wide-eyed and did not see the pitfalls.

Fagan said his motivation for starting his own business, initially with three partners, was to get away from the institutions and to focus on high net worth clients.

“You’ve got to say to yourself ‘are you an adviser or a business manager?’ Is there going to be a formal investment committee? Are you going to run a sole practitioner business or a corporate model?” he said.

“The regular problem is that a lot of good adviser businesses have never gone beyond themselves and a couple of staff. Taking a handful of staff to 25 takes a lot of the pressure off at the end with succession.”

### SUCCESSION FROM DAY ONE

Fagan said advisers needed to take advantage of firms who set up succession plans, and they should have a succession plan from day one.

“We wanted something that would be sustainable beyond the founders so we started our succession plan from day one,” Fagan said.

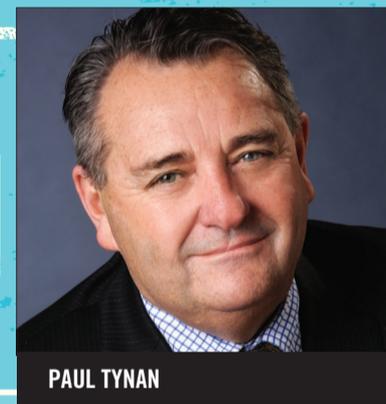
“Advisers need to talk to people who are or have done it successfully. Go out and speak to a recently retired adviser. They need to decide to sell, or to merge with another business. If they decide to get in bed with another business they need like-minded planners.

“We had people help brand the business properly, we’ve been able to build products that have delivered cost savings, and have additional income streams to our business. Our good succession plan has ensured those benefits.”

MAP Financial Strategies principal and senior financial adviser, Michelle Veitch, also said she had a succession plan from the very start.

“People don’t think about it until somebody wants to leave and you have to ask questions like ‘How do we do this?’ ‘How much is it worth?’” she said.

“My business partner and I have almost a 20 year age gap so we knew the succession plan



PAUL TYNAN

needed to be on our radar from the start.”

However, succession plans did not seem to be front of mind for many advisers. According to State Street Global Advisors’ ‘The Adviser Retirement Wave’ report, two-thirds of all practice owners in the US did not have a succession plan in place.

The report also found advisers who were within two years of retiring had the same low level of succession planning adoption as those who are a decade away from stepping down.

Graham said while she was aware of needing a succession plan she did not have one.

“We’re trying to grow the business and my timeframe is at least 10 years before I leave the business. There are two ways we can go – the people in our team are potentially the succession plan, or we could sell the business,” she said.

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### Jumping the gender divide

ACCORDING to BT Financial Group, 80 per cent of the financial services industry remains dominated by males, which clearly demonstrates a gender gap in financial advice and on boards.

MAP Financial Strategies principal senior financial adviser, Michelle Veitch, said the gender gap was not a hurdle for her career progression, but said she had self-confidence issues at the start of her career.

"I once went to a conference where there were 53 guys and myself. I spent most of the lunch break in the toilet on my phone because I knew it would be on me to make those initial conversations and they all had other people there," she said.

"And you think to yourself 'Why should I have to?' I probably shouldn't have to but then if I didn't I wouldn't be in a place I am now."

Veitch said although she did not find too many problems with peers and colleagues, there had been instances where she had to explain

herself.

"I went to a leader's thing once for the top 25 practices in Australia, and it was a lot of 'Hello, how are you? Who do you work for and what's your role in the business?' But we were at a leaders conference for principals, and yet they asked the question," she said.

"I also once had a practice manager, who was not an adviser, that came up to me saying 'Oh how long have you been working for Peter for?' and I said 'No, he's been working for me,' so there's a whole lot of level of assumption and a need for explanation."

The only other issue Veitch had experienced was perception with clients who had preferred male advisers.

"I had one guy come in and say 'I was wondering if there is a bloke here I can speak to'. You can choose to be offended by it or decide that that's just his thing," she said.

"So I went and got my partner and he said 'Right I'd really like to talk about this particu-

larly thing' which is what I did, and my partner said 'Great I'll get the expert' and brought me back out."

McPhail HLG Financial Planning senior financial planner, Anne Graham, said confidence was also an issue for her.

"But I think it's an advantage now as it brings in different perspectives, and some clients prefer to deal with females," she said.

"I think you need to lean in and put your hand up. Do a seminar, do a talk, say yes, take advantage of opportunities that come up, and just try and be as confident as you can be."

Veitch said many female advisers should not be concerned that gender was an obstacle to career progression because this might just be their own perception.

"It's our own thoughts. Act as if you are equal because you are. Assume everybody thinks of you equally because a lot of the time they probably do," she said.

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