

# Planner reforms spark tech gold rush

Ruth Liew

Financial planners are in a race against time to get the technology used in their business ready for anticipated changes from the government's Future of Financial Advice (FoFA) reforms, industry participants say.

Planners say the reforms will drive up the cost of providing advice, with many expecting to pass some of these cost pressures to investment platform and product providers, according to research by Investment Trends.

A big part of the push by planners for cost cuts will stem from platform providers' ability to make investment advice more streamlined and cost-efficient.

The platform sector, estimated to boast just under \$400 billion in investments at the end of June, is where many planners invest their clients' superannuation, retirement and investment funds.

"Half – 49 per cent – of planners intend to look for platform cost savings either through the use of lower-cost platforms, platforms that help reduce the cost of doing business, or both," said Recep Peker, senior analyst at Investment Trends.

At a broader level, planners are facing a rapidly burgeoning number of technology needs.

Some of the most commonly cited challenges pertained to integration of advice systems (57 per cent), merging data from different sources to produce statements of advice (49 per cent) and overseeing customer relationship management systems (39 per cent).

"I don't believe the industry has an ideal technology solution – there are still opportunities to provide a better platform," said **WLM Financial Services planner Matthew Walker**.

Maintaining a margin is increasingly difficult, and advisers are look-



Matthew Walker says work still needs to be done in technology to address inefficiencies in the industry.

Photo: JIM RICE

ing for system automation and good data feeds from platforms to ease the advice process, he said. "Quite a few of the technology providers have good data feeds, but they're not fool-proof or across the board."

Improvements are also needed in planning software, Mr Walker said. "The main software providers have reasonable workflow management systems, but nothing flash.

"We're going to be struggling with cost-effective advice. A lot of it has to do with the inefficiencies in the industry because the technology is not available," he said.

Venn O'Neill, adviser and director of StrategyOne Advice Network, said technology "hasn't simplified our lives as much as we would wish".

The rise of alternative investment vehicles, such as managed discretionary accounts, could drive some advisers to use new structures, particularly in a post-FoFA environment.

"It may well be that platforms as we know them today may also change dramatically – and potentially in favour of new structures," he said.

A key part of planners' business is preparing statements of advice for clients. Investment Trends research shows the end-to-end process of producing a full statement of advice (SoA) still takes a whole working day.

"Technology providers have been able to help planners in dramatically reducing this time over the years," Mr Peker said.

"However the average time to pro-

duce a full SoA is facing upward pressure from the end-users."

But not all advisers or technology providers are rushing to make major changes to their technology thanks to proposed grandfathering arrangements, said Andrew Keever, associate director of research at Rainmaker Information.

Under the government's proposed changes, only new clients will be affected – leaving the bulk of existing funds untouched, he said.

"FoFA isn't law yet – technically, none of them have to do anything.

"Let's say it does come in, then there'll be a date set by when [FoFA rules] come in. That's when the retail platforms will start to launch new products and technology," he said.

## KEY POINTS

- Advisers are rushing to upgrade their technology to deal with anticipated FoFA reforms.
- Planners say the cost of providing financial advice will increase.
- Existing clients will not be affected.

But that's not stopping some industry players from upgrading their offerings now.

Independent platform provider netwealth recently launched its "next generation" online service to help advisers get FoFA-ready.

Upgrades include online corporate auctions, automatic sell-down profiles and the ability to update client and account details through the web.

The "opt in" requirements – under which advisers must provide clients with renewal notices every two years – are also in netwealth's sights.

"We're focusing on it and we've got a lot of technology solutions, but there's no benefit in changing technology ... until we know the requirements [of the legislation]," said Matt Heine, netwealth managing director.

Andrew Walsh, managing director of financial planning technology firm Iress, said one of the company's "most significant" upgrades during the last year was a complete redesign of the user interface for its planning software, Xplan.

"It has been specifically designed around ease of use, ease of trading, flexibility," he said.

The firm has also incorporated opt-in functionality into its client management systems to ensure advisers can interact with their clients and distribute opt-in information broadly and effectively.

"[It will] alert advisers when opt-in renewals are due, making sure the client has opted in," Mr Walsh said.