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IOOF Alliances White Paper (February 2023)

Advice Technology – practical insights

When it comes to financial advice technology, 'complex' is the word that first comes to mind!

Introduction

The initial complexity is a result of the myriad of possible financial advice strategy solutions, that in combination, can provide the optimal solution and pathway for a client at a point in time.

However, the task of optimising the solutions, in practice, falls to the financial advice team who deliver advice.

We identify modelling tools to assist and demonstrate to our clients the solution we have created for them. We also need the tools to offer enough grunt to deal with various tax structures. Add in the variety of advice strategies we provide our clients, inadequate tools mean we may have to consider changing software. This change can therefore place undue stress on the business and the ability to provide advice to clients.

Consequently, advice businesses may find themselves using a software solution which performs modelling in line with expectations but is difficult, and costly, to use for everything else.

If that wasn't enough complexity, the advice business also needs to procure and manage a template to produce an advice document. This template needs to be maintained and often this

requires the input of the 'advice software consultant' to provide the maintenance support. Adding to more complexity and cost!

In response, industry bodies such as the Financial Planning Association (FPA) have explored the extensive supply of financial advice technologies available in the market, regularly producing literature as a compass, to navigate businesses through the many choices in the 'Advice Tech' space. You can find some of this online at fpa.com.au/fintech/. However, if one was holding a compass while walking through these publications, the needle would be spinning like a top.

“ We asked practices what they were using, what they liked and what they didn't, what was working across particular advice tasks, what they were looking at, and what they wished they could find a solution for? ”

So many choices! Where do you start?

To avoid the 'shiny object' distraction, we look to support from experts who may provide a set of questions for the advice business to work through, including:

- What does the solution need to solve for?
- What are the must haves?
- Will it make things easier?

Businesses can be caught between being overwhelmed with choice, and the need to review their current solutions, versus keeping the blinkers on to avoid distraction and confusion altogether.

We decided to try and cut through the confusion by taking a 'practical practice approach'.

We discovered, as expected, depending on the size of your business, your needs were different. We also found that financial advice businesses, no matter the size, faced the same issues. Including ease of data collection from a client, and the need to maintain current client data, effective client portals, providing a client friendly demonstration of complex solutions, and simplicity in producing necessary compliance documents with the evidence of advice delivery (such as the SoA, Fee Disclosure Statements, Fixed Term Agreements etc).

Findings

Largely due to the complex modelling required and the incumbent software in many practices, our survey showed that Xplan has a usage at 60% for AFSLs who have held their own licence for a longer period, and as high as 80% for AFSLs who have more recently self-licensed after exiting an AFSL that mandated Xplan.

Newer software entrants such as Plutosoft have gathered momentum, typically capturing Xplan users.

For Xplan users, 80% confirmed they sought assistance and support with the maintenance of their site, either through renting a central site from a provider and/or engaging the services of an outsourced consultant to manage and maintain their site.

With the reliance on additional investment in maintaining the technology and keeping it fit for purpose, it is understandable businesses have a significant level of reluctance to invest in alternative solutions for other parts of the advice process.

Our survey identified AFSLs using Xplan also used it:

- as the client relationship management tool (60%)
- as the data collection tool (45%)
- for practice management workflow and reporting (40%)
- as the default fact finder (30%).

With the level of investment in the one solution, there's little financial capacity for the deployment of further technology, for example:

- 80% were not using 'reg-tech' solutions
- 80% were not using AFSL governance software
- 40% were not using cashflow engagement tools.

The lack of use of these types of solutions was explored through dialogue with over 80 AFSLs and we found:

- a lack of understanding of what benefits these solutions bring
- a fear or unwillingness to take on the task of deploying these tools
- scepticism about the value on offer
- overall cost being the primary concern.

Across these 80 boutique AFSLs, in order of priority, the highest demand for solutions across technology and data integrity solutions relating to the advice process were:

- advice document production simplification (SoA, reviews)
- data gathering (initial and at review) in an engaging format
- client engagement, communication and real time information (data) exchange via a secure portal that doubles as a client 'vault' providing a single snapshot view of a client's financial position and dispensing with email communication
- advice compliance integrity and warnings ('compliant template').

Where are we headed?

We are certainly heading towards a less complex financial advice regulatory framework'.

It's proposed, by industry participants, that financial advice delivery become less dependent on a template.

The FPA has also been advocating, on behalf of its members, for the use of digital technology for the efficient production of SoAs. They're looking for SoAs to be more effective in communicating, including the use of icons, symbols, graphics, expandable and linked text, audio and video to better engage and inform clients.

The Future of the SOA, an interactive guide, was launched at the FPA Congress in 2019. You can refer to here online at fpa.com.au/the-future-of-the-soa/

Updating the SoA format changes the advice engagement process, and as a result the tools that would be used. The future will still require investment in technology.

What could be your approach?

Looking forward, if we reshape the approach to using advice technology with the anticipated changes to advice delivery requirements, three key core areas can be viewed via a technology lens and broken down to the following sub-components:

- data gathering, both initial and review, and discovery
- strategy discussions and demonstrations
- SoA (or 'good advice') presentation and review.

Let's look at how each of these areas could be enhanced and solved for via technology use.

Data gathering

- activating a client portal equipped with client data and a document vault, supported by appropriate security measures
- digitising your paper-based forms
- using mobile technology for delivery and confirmation – enhancing your website and enabling client access via their computer or mobile device
- using a digital modelling tool for data gathering, peer benchmarking and visual goal setting.

Strategy discussions and demonstrations

- provide clients with a 'gamified' solution for goal setting and scoping, using trade off (what if) modelling, and
- demonstrating goals and how they align to cashflow using a visual tool.

SoA advice presentation and review

- highly visual documents or presentations
- video delivery
- podcast delivery
- digital chapters that are easily revisited
- digital advice production and execution
- using a client portal for engagement, interaction and delivery of the SoA.



Client portal

To gather, exchange, report and store all client pertinent information MFAd²



Modelling

Either client facing engagement or in-house technical workhorse

Solution mindset

If any of these approaches sound and feel like a good idea, then you're heading in the right direction with your 'solution mindset'. You'll no longer be distracted by the next financial planning software launch or frustrated by the limitations and complications of your current system. Instead, you'll be released from your template approach to advice delivery and energised by what's possible.

You can then turn your focus to your desired advice process, including the experience you want for you, your team and your clients.

This mindset shift is about discovering what is essential in your business, what is highly desirable and what isn't. This shift guides you and your team on which solutions to investigate.

A simple approach, is to ask yourself the following questions:

- How are we now doing these tasks?
- Is it working?
- Could it be better?
- What are our gaps?

Specific questions for the areas of client management, including client engagement and modelling are:

- How do we manage workflows and tasks to allow a complete picture of a clients work in progress?
- How do we capture client personal and sensitive data?
- Where does that data sit, is it secure and is it transportable?
- Do we own our client data?
- Does our data flow efficiently into a modelling engine?
- How do we demonstrate to a client the value of and outcomes of our advice?

Specific questions for the areas of advice delivery, including practice management, governance and compliance and security are:

- How do we present advice? Is it personalised and engaging?
- Is it efficient to produce? How much does it cost to produce?
- Can we produce our business metrics easily?
- Can we produce meaningful reports on our clients in aggregate easily?
- Are we certain our advice meets the current regulator expectations?
- Can we easily produce reports for key compliance metrics?
- Can we easily demonstrate robust compliance with our AFSL obligations?
- Do we have a cyber security audit on record? Have we taken the appropriate steps to ensure we are meeting our obligations? Importantly, do we know what those obligations are?



Innovative delivery

Shorter documents delivered efficiently and effectively



Practice workflow and reporting

Workflow and reporting dashboard on client pipeline and business metrics



AFSL monitoring and supervision

Advice audit tools and AFSL governance processes



Cyber Audit

Cyber audit, action plan and cyber insurance

One size fits all?

If after absorbing the information in the last few pages, and importantly answering the series of questions posed, you're fortunate enough to have a system in place that delivers everything required for your business to thrive, produce profits and most importantly, produce satisfied and loyal clients, then you have reached the nirvana that few do! We rarely see it. One system to run a financial planning business and fulfil what 2023 best practice should look like is indeed the nirvana.

We'll want to sit down with you and explore and create case studies about how you have stretched one system across your entire business!

Instead, we often see one financial planning system used but only partially utilised.

It is possible to use one system smartly, with full utilisation of all components and some small boutique practices do this well.

What we do see is very successful and thriving businesses, in every measure, adopt an approach commensurate with their philosophy and process around advice, matched to the needs of their clients and in line with their size.

The single office advice business

The well run single office boutique practice is able to tick off on all of these processes, be that one system, or maybe two, where a deliberate approach has been taken in the way the technology is utilised. Furthermore, where additional solutions are used, how they are integrated. This may be seen with enhanced client engagement and interaction before data is fed into the financial planning modelling software.



Single office solution:

- Teams, Sharepoint, Sharepoint Site enabled with client login
- client engagement tools and processes of your choosing to match philosophy and approach. Website enabled as a choice
- client portal integrated with FP solution of choice
- single FP modelling software
- simplified advice and creation and delivery
- maximise advice tools or CRM for workflows and practice reporting
- ensure cyber processes are in place.

The following is what we see in these single office boutiques:

- The business website is enabled with a client log in.
- The client log in is to the main planning software, an integrated CRM within the software, or an engagement tool allowing data capture, providing clients with a snapshot of their financial position in one place.
- Customised tools and questionnaires digitised for use which are fed into the client dashboard.
- A simple portal into the main financial planning software, with an experience rich enough to capture information in a visual and engaging way, be a place to engage with the adviser, a vault to house a library of documents and recording of interactions, all while being highly secure.

Yes, these systems do exist and the business has generally implemented:

- a streamlined process for a strategy discussion, modelling, trade-offs and advice delivery (SoA creation)
- workflows and reporting that are integrated within and delivered via the software, either the main financial planning software or the overlaid CRM
- a cyber security plan and has safeguards in place.

Why is cyber security important?

Cybersecurity is the protection of internet-connected systems such as hardware, software and data from cyberthreats. The practice is used by individuals and enterprises to protect against unauthorized access to data centres and other computerized systems.

From a practical perspective, the way you use your technology in your business, including emails, has a critical impact on the security of your clients' sensitive data.

Rather than just look at the technical operation of an email system, consider the information you transmit to your clients via email. In most instances this would include statements, identification documentation, account details and advice documents. With the detail contained in these documents, we are perilously exposed to cyber criminals. Joncarl La Rosa, Head of Advice Innovation at Insignia Financial has highlighted the below:

“ Given the nature of information financial advisers hold about clients, we are an industry that is very attractive to Cyber criminals ”

He points out that we intuitively know Australia has one of the highest digital adoption rates in the world, and as such protecting our client data should be of the highest priority for any financial advice practice.

When it comes to the use of technology in an advice business, breaches of data and privacy can have devastating impacts to both your client and your business. For this reason, how data is protected should be considered by all parties involved, including providers of technology, advisers and their clients themselves. All parties should be educated on how they manage and pass information to your business.

With the lens of combining a client portal with an engagement tool, Joncarl is the custodian of Wealth Central, which is a fintech solution owned by Insignia Financial. This platform provides a robust example of how technology providers should consider their security process.

Client data is held in a secure onshore database which is only accessible through an encrypted application programming interface (API) from the Wealth Central application. Client and adviser access to the Wealth Central application requires a secure password with minimum character requirements, as well as two-factor authentication.

“ These portals not only facilitate two-way communication between clients and advisers, the more advanced options also provide clients with ancillary benefits such as the ability to get insights on how they are tracking towards their goals, access to daily feeds of portfolio data, fact finding/review validation capability, digital signatures, and even the ability for clients to do their own 'what-if' scenarios or receive answers to general advice queries via it's AI capability ”

According to Joncarl we are seeing more advice businesses rollout and educate their clients on the use of client portals.

This portal, combining encryption within the technology, and the fact that clients must utilise two factor authentication to access it, not only provides greater security when sending documents via email, but also provides the clients with a 'value add' solution and experience.

Why does this matter? Take the email example and the need to follow a process to mitigate against hackers and scammers. If you receive an email requesting an unexpected withdrawal, you'll look to validate the request with the client prior to processing it to mitigate the risk of processing an unauthorised transaction.

The subsequent contact provides the client and adviser protection in the event a hacker gains access to a client's email and impersonates them. Consider articulating these processes with your clients to provide them with peace of mind that they have partnered with someone who cares about them and their data.

Businesses taking that protection to the next level with a client portal, not only protects the client, but enriches the advice experience, streamlines the advice process and have businesses best positioned to thrive in the next phase of client acquisition.

The multi-office advice business

The well run multi office boutique practice has some additional challenges, with more advisers located in different locations. Monitoring and supervising advice requires connectivity between systems, communication between offices, and workflow monitoring throughout the advice process, thereby ensuring team members in different locations are aware of the stage gates for each client and process.



Multi-office solution:

- similar choices to the single office solution PLUS
- central comms, knowledge centre and communication platform – Teams, Sharepoint
- common CRM that allows a practice view on clients and aggregated reporting and audit of workflows
- detailed practice management aggregated reporting
- Audit and AFSL governance solutions.

The approach of a single office boutique can therefore fail to deliver on the needs for the multi-office boutique. The multi-office boutique practice approach typically includes:

- A team engagement system and protocols which are secure and utilise software architecture and associated security measures ensuring only staff with access to the system can share and engage with client data. Often there is a heightened use of document sharing such as Sharepoint and the Microsoft suite of team collaboration tools. These teams could also utilise team based applications such as Slack and Monday. We find integrated suites are most used as the software provides a secure and cohesive architecture when used in an optimal manner.
- Adoption of a CRM including customised workflow processes, with a strong adherence to documented processes.
- A more detailed approach to practice management with advice oversight reporting and dashboards. This is heightened where the multiple offices are also Corporate Authorised Representatives (CARs) and the head office of the AFSL has the overarching responsibility to ensure the CARs processes and advice are in keeping with the AFSL standards and policies. This often means the main CRM and advice software being used incorporates a reporting dashboard to aggregate and report on data and insights across the business.

- With more authorised representatives (ARs) more advice needs to be interrogated, in sheer volume alone, in a formal process via advice vetting or audit. Where a multi-office exists with multiple ARs, resources should be allocated for additional compliance personnel for the supervision of the ARs in their advice activities. Without additional personnel these tasks fall to the responsible managers who invariably are also advice practitioners. As a result, we're seeing increased adoption of advice compliance tools to pre-vet and audit advice in these businesses.

The large advice business/AFSL

In the modern, thriving large advice business (greater than 20 authorised representatives) there is a dramatic step up in a key area of advice technology and it's in the advice regulatory technology space.

With more advice being delivered, more risk is being absorbed by the large advice business. We see the risk managed in multiple ways:

- additional advice compliance processes and personnel
- deployment of a compliance software platform designed to support paraplanning, compliance teams in pre-vetting reviews and to facilitate audits of advice files
- integration with the CRM, workflow systems, and reporting dashboards to record the advice compliance activity, results and trends, and
- the use of AFSL governance software dashboards for managing and documenting the AFSL governance processes.



Large AFSL solution:

- similar choices to the single office and multi office solution PLUS
- advice integrity early warning system AND detailed AFSL governance platform.

List of online technology solutions used by advice businesses

From our exploration and consultation with multiple advice businesses of varying size, we've compiled the below list of technology solutions available online. By no means is this a recommendation or endorsement. While we love many of these solutions, this list is simply an observation and documentation of what we see advice businesses using.

With all technology buying decisions it's good practice is to consult the FPA Technology Buying guide found at: fpa.com.au/fintech/. And remember, some key questions to ask yourself:

- What does this solve?
- Is it a must have?
- Will it make things easier?
- Can the system I currently use do this, and do I just need to invest the time to learn how?

Office operation	microsoft.com/en-au/microsoft-365/sharepoint/collaboration worksorted.com/ fin365.com.au/
SoA	fpa.com.au/the-future-of-the-soa/ dash.com.au/i-am-a/adviser
Modelling and engagement	morningstar.com.au/products/adviserlogic plutosoft.com.au/ adviceintelligence.com/ https://www.planwithvoyant.com/content/en_US_2/index.html astutewheel.com.au/ lumiant.com.au/ myprosperity.com.au/
Governance	adviceregtech.com/ fourth-line.com.au/ 3lines.com.au/ fintechbi.com/
Cyber security	theycybercollective.com.au/ securityindepth.com.au/
Client portal/data collection	www.advicerevolution.com.au/ Wealth Central – contact IOOF Alliances by emailing Andy Marshall at: andy.marshall@insigniafinancial.com.au Best New Advice Technology Award at: ioof.com.au/financial-advisers/news-and-insights/adviser-news/articles/august-2021/investment-trends-award
Practice Reporting	practifi.com/au/features/ xeppo.com.au/financial-planners/ powerbi.microsoft.com/en-au/ fintechsps.com/services

Conclusion

Advice technology can be complex. There is no one size fits all approach and there is no silver bullet.

The complexity of systems utilised is often tied to:

- the size of the advice business
- the advice complexity of the client base being serviced
- the inertia to move from heritage systems
- the barriers to change when system migration is required
- the fear of losing control of data, often a misplaced concern as businesses adopting multiple advice technologies have already diluted the control of their data
- the shiny object syndrome.

In a cluttered advice technology landscape, any discussion of introducing new technology, whether in replacement or addition, should start with an assessment of the advice business, the type of advice dispensed, and the client experience when interacting with the advice team. This discussion provides clarity on what type of data is required, how to source it and what modelling power is required.

From an engagement point of view, active decisions should be made about how the advice business wants to demonstrate the value of advice, or showcase outcomes, to a client. Ultimately, they are deciding on how the advice document, in whatever shape or form, is used as a tool in engaging the client and held on file by the advice business.

“ These decisions can dramatically change and shape the technology decisions made by an advice business ”

These conversations are live, ongoing and transformational. We encourage them in our community of AFSLs in IOOF Alliances and seek to foster these discussions and share across businesses, which benefits the advice professional, their business, their teams, their families and their clients. Positive outcomes drive us and will continue to drive these types of discussions.

IOOF Alliances supports and understands the complexities of self-licensed financial advisers and advice businesses. With membership of **IOOF Alliances** you'll can source everything you need to run your business model and provide quality advice tailored to your client needs. Our support services help you with everything from applying for your AFSL and responsible manager training to growing your business while operating compliantly and efficiently.

Please go to our website for more details on what we offer ioof.com.au/ioof-alliances

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