



RIP: THE DEALER GROUP

We predict individual licensing of advisers will replace communal licensing. Dealer groups will morph into professional service groups, providing practices with a suite of adviser services, such as technology, marketing, document production, compliance and training. Just not licensing; the maths don't stack up.

THE BARBARIANS WILL STORM THE GATE

If you haven't yet heard of Focus Financial, then look them up. Giant foreign private equity-backed aggregators will roam the Australian advice landscape, devouring every mom-and-pop shop in their path. The veterinary and dentistry industry models are the future.

TYRANNY OF DISTANCE NO MORE

Face-to-face meetings will be the preserve of the rich and the retired. Younger and busier clients will engage with their advisers in virtual reality through their hologram phone. Virtual meetings will dominate advice, removing the need to be in expensive city-space.

EXIT THE GP, ENTER THE CONSULTANT

In 2027, most personal insurance and mortgages will be purchased online. Basic financial advice will be almost free and AI-based machines will manage portfolios for less. Advisers will become specialists, life and career coaches and expert relationship managers. Life in the mass market, to paraphrase the English philosopher Thomas Hobbes, will be "poor, nasty, brutish and short".

THE FUTURE IS YOUTHFUL, ASIAN AND FEMININE

Today's advisers are (to use an appalling phrase) male, pale and stale. In 2027, women will account for 40 per cent of advisers, second-generation Chinese investors will be the red-hot sector, and legions of talented young graduates will choose financial advice over investment banking due to the professionalism of the advice industry, its greater flexibility and the sense of making a direct impact on others.

"May you live in interesting times" goes the apocryphal Chinese saying of yore. Some call it a curse, others say it's a blessing. Whatever side of the fence you stand on, be prepared, for change is upon us. ■



We're about to COME OF AGE

THE FINANCIAL PLANNING INDUSTRY WILL COME INTO ITS OWN AND **BUSINESSES WILL CHANGE DRAMATICALLY – BUT WINNING VALUE PROPOSITIONS WILL REMAIN THE SAME.**

One of the things I found most difficult in the early stages of my career was being clear about what value I provided to clients. Why should they deal with me as their adviser and what would justify them paying a significant fee?

After quite a lot of soul searching and grappling with this issue, I realised that my (and now SentinelWealth's) value to clients is simple: Our value proposition is to alleviate any anxiety around money, so our clients can be free to focus on their lives. This drives everything we do.

Knowing this – and having it genuinely resonate at a deep level – has not only provided tremendous guidance but also has made the development of our processes so much simpler. We work on a menu-based service model with agreed-upon annual retainers from our clients. As a result, we are confident that we are well positioned for the future.

The next decade will be the watershed years for the financial planning world. The standard of advice and professionalism of providers will surpass that of all other professions. It will be the time when we truly come of age and I impatiently look forward to it.

This will be a time when there will be many more self-licensed advisers, far fewer advisers in total, a much greater use of systems for leveraging advice delivery, and consolidation of personal financial services – fewer, bigger firms using smart methods and probably charging lower fees per client, on average.

It seems obvious that there will be no free lunches, where advisers earn revenue without providing genuine services. Smaller clients will be better protected by legislation and pay lower fees for

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The more THINGS CHANGE...

TECHNOLOGY WILL DEFINITELY CONTINUE TO CHANGE THE WAY CLIENTS ENGAGE WITH ADVISERS AND INFORMATION – BUT FOCUSING ON CONSUMER NEEDS THAT NEVER CHANGE WILL PAY OFF IN THE FUTURE.

In one of those delightful chance happenings, I ran into Greg Bright on Bligh Street in early 2007, having not seen him for the best part of a decade.

He had just launched *Professional Planner* and I had just co-launched a consulting fee advisory firm. Both of us were energised by the prospect of entering uncharted territory.

And such uncharted territory it turned out to be. I doubt that either of us understood the change that we were to be part of – and contribute to – over the following 10 years.

Looking back, much has changed in the last decade and there are many more changes to come. But there are also certain constants.

KATE MCCALLUM IS THE DIRECTOR OF MULTIFORTE FINANCIAL SERVICES.

the management of their super; I don't think they will actually get any advice. Advisers will have a much greater understanding of financial psychology and there will be many more services provided in this area.

In 10 years, SentinelWealth will be unrecognisable based on what it is today. In one way or another, it will be much bigger, using sophisticated systems but with no change to the value proposition. We will have specialist advisers focused on specific areas of need and a large component of our services will address financial psychology, with at least one in-house qualified psychologist delivering a number of programs around what we call the interior of money.

As much as I can't wait to see what it all looks like, experiencing the journey will be just as good. ■

WHAT'S CHANGED?

In hindsight, the breadth of the changes in financial advice in the last 10 years has been amazing. The single most dramatic shift, I believe, is clients' appetite for fee for advice.

In 2007, when we launched, we identified a segment of potential clients seeking professional, fee-based advice. When we asked about their current advisory arrangements, that's what they told us – that paying fees instead of commissions was at the top of their wish list.

The problem was, despite their intentions, in practice they weren't ready to change. It seemed that while there was some desire, it was too early for the market to move. Building a professional business was hard, really hard.

The turning point, ironically, was the financial crisis in September 2008. The market fallout put fees on the front page of the paper. And clients, having seen their asset values perhaps halved, seemed to develop a greater respect for risk, an appreciation of professional (versus product) advice, and a realisation that 'free' advice was not so free.

While I'm not suggesting that clients suddenly liked paying fees, it did seem that they liked knowing what fees they were paying. Fee-for-advice shifted from being an impediment to an advantage.

WHAT WILL CHANGE IN THE NEXT 10 YEARS?

Without a doubt, we will face demographic, regulatory and technological changes in the next 10 years – with the most exciting and challenging being technological.

Now I'm not good at forecasting, but if I had to pick one inflection point, I'd expect to see a transformation of technology at the client front end. I think we will see increasing demands from investors regarding how they access investment products and engage with financial strategy and advice.

WHAT'S NOT GOING TO CHANGE?

I believe that, as advisers, we can benefit from focusing less on what may (or may not) change, and instead building our value proposition around the things that are constant through time.

We know our clients have complex financial lives – and that they need help to make the most of the opportunities and challenges that this brings. That will still be true 10 years from now.

We know that regulations will continue to adapt – and that our clients will want to understand how to meet new requirements and make the most of the changes. That will still be true in 10 years.

We know that investments will enjoy and endure market cycles – and that our clients will need help to navigate those ups and downs.

As advisers, if we focus on these things today, they will still be paying dividends for our clients 10 years from now. ■