

# The “Transition Conundrum”: the role of planning software

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Everybody is talking about “transition”. Whether “transition” means thinking about what hoops need to be jumped through in order to move to “new model” financial planning, or what the “restricted advice” model will look like and how it will work in practice, the penny has now well and truly dropped: RDR, in some form, is here to stay, that 2008 DID happen and the world will never be the same again.

The year 2008 was a massive wake-up call for an investment and planning industry that, it can be argued, had grown complacent in the years of plenty. It had fallen into the trap of believing its own hype about “adding value” through “managing” investment strategies and making the “look how much we made for you last year” approach its over-riding appeal to their clients.

In the (tongue-in-cheek) words of one purveyor of stochastic modelling solutions, “2008 was the year that statistically couldn’t have happened” – so in the wake of the fall-out the industry faces a future of still-turbulent markets, failed risk models, shrunken client wealth and unfulfilled expectations. There is a common perception that financial advisers have somehow escaped the full public opprobrium following the economic downturn and that this is exclusively reserved for the Banks. However, my sense is that there is a “plague on all your houses” mentality that financial planning firms and their service providers ignore at their peril. A relative of mine, a recently retired headteacher, at my behest was persuaded to seek advice on his retirement planning from a local, fee-based financial planning firm. Despite careful explanation of the holistic nature of the advice on offer, the first question was still: “so, tell me, how much of my money would YOU have lost in 2008?”

If we accept that the double-whammy of regulatory change and loss of public confidence and esteem mean that, change is, to paraphrase Barack Obama, coming to financial advice, then we have to look beyond the mere structures that RDR will impose. It isn’t only about higher qualifications or removing the link between the cost of advice and the product arising from it. More critically, it is about considering how the new world of advice will look from the perception of the end-user, i.e. the client. What do we believe the future financial advice client will look for from their adviser? What do we all need to do to restore confidence?

From all we're hearing, the key to the question is simple to say, but perhaps more challenging to achieve. It is to put the client at the epicentre of the planning process. In the US and, we are beginning to see, in the UK also, clients, especially those at the higher end of the wealth spectrum, are becoming more and more likely to want to make, or at least participate actively in, their own financial decision making. A 2009 survey by Price Waterhouse found that 53 percent of private clients surveyed said that their primary source of financial advice was on their own research and knowledge. With the internet increasing accessibility to information on all aspects of financial decision-making, this statistic is illuminating and represents both a challenge and an opportunity for the financial planning professional.

The challenge is simply to persuade the discerning client that top quality financial planning advice genuinely adds value; the opportunity is, once the value-add has been established, that better informed and more engaged consumers should make better and potentially more lucrative financial planning clients.

It is precisely because consumers are beginning to use the internet to access information and guidance for themselves that the solution lies in leveraging that same technology. It can be argued that, in the past, technology had failed to serve financial planners to best advantage. "Clunky", hard to use, inflexible desktop applications and disjointed and disconnected on site calculators combined to give an impression of a market that understood the potential of technology but had little idea of how to use it effectively.

What has changed is the emergence of a new generation of web-based solutions that can empower the adviser to build understanding and engagement with their clients. The contrast with "older" legacy solutions couldn't be starker. First, by using powerful, interactive graphs and charts, it is now possible for the client and the adviser to engage in a visual, collaborative process. From the ability to build, review and adapt their personal financial timeline to being able to view and understand their own investments and planning strategy, and understand the financial implications of when and how key planning decisions are taken, the client is placed firmly at the core of the process. There is a genuine "me factor"; the client can perceive that the planning is based firmly on their actual needs, goals, aspirations and risks.

The next step forward will undoubtedly be the ability for different, but complementary solutions, for example, the financial planning presentation software, CRM and transaction platforms to integrate data and interact and exchange information with each other. This would allow the adviser to view and demonstrate to the client an end-to-end, joined up, consistent process that is genuinely capable of saving the adviser time on data input and provide consistent, robust and meaningful advice and information to the client.

This holistic approach goes several stages beyond pure "cash flow modelling" or even life planning, both of which are valuable elements within the overall solution. The financial planner of the future will use financial planning technology as a key element in their client proposition but its key value must lie in the ability to put the client first, rather than simply as a means to help the adviser create reports, maintain audit trails or keep records.

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