Crossing the divide

Financial advisory, accounting, and the SMSF opportunity
3. Standing on the brink
   Certainty Advice Group MD Jim Stackpool considers two industries on the threshold.

4. The watchful waiting game
   30 June is a milestone for accountants advising on SMSF. So what’s next?

6. When financial advisers and accountants work together
   The nitty-gritty of referrals, respect, and remuneration.

10. When it all just clicks
    Success stories of adviser/accountant collaboration.


14. About Certainty Advisers and contributing advisers
We’re on the threshold of something big. Both the accounting and wealth industries are fundamentally transforming. With changing technology and legislation, our industries could be disrupted forever.

For accountants providing advice to the burgeoning Self-Managed Superannuation Fund (SMSF) marketplace, things are getting interesting. Recent legislative changes mean that come June 30, a lot of firms will be locked out. It appears that many were sitting on their hands.

So what’s that got to do with us as advisers? How can we look past the common idea that both parties are embroiled in a ‘territorial squabble’? And what are the implications for our mutual clients?

In this altered playing field, the advisory skills of discussion, understanding, and engagement could come to the fore. For accountants and financial planners, their more technical and transactional skills may need to be updated with these ‘soft skills’. Clients will then look beyond the traditional needs of placing insurance, investments or tax returns, and demand more valuable, much deeper advice relationships with real benefits.

In accounting and wealth advisory, re-thinking and re-evaluating is happening across the board: from collaboration, to generating referrals, to how we communicate.

This 30 June cut-off is more than what it seems. Could accountants look past the bureaucratic hoops and see it as an opportunity? Instead of guarding their old skills, could they be potentially missing the chance to better serve their existing relationships? Will they step up to the challenge to broaden their offering?

In this white paper ‘Crossing The Divide’ we hope to provide some answers in this vastly altered future landscape:

1. Can we collaborate successfully for the benefit of all accountants, financial advisers, and our clients?
2. With traditional models of wealth management changing, can we create a longer-term view of our future... together?
3. And with a younger, savvier client base, can we provide the clear direction and strategic advice our mutual clients need?

Certainty Advisers believe that above all, we need to work together for the good of our clients. Greater collaboration between accounting and financial advice professionals must be client-oriented rather than change-oriented. Exploring future approaches to best merge professional expertise, proven old ways and the new is our objective.

We believe this white paper will generate debate, spark ideas, and hopefully, provoke action and collaboration. Contact us online, via email, or on the phone with your thoughts. We’d love to know what you think.

Jim Stackpool
Managing Director and Founder, Certainty Advice Group
Jim.stackpool@certaintyadvicegroup.com
June 2016
Accountants have been slow off the mark to pick up a limited AFS license. Is this a long-term goal for firms to become accredited... or should we as advisers be looking well beyond the paperwork? Instead of driving a wedge, does this milestone mean we need to reconsider our traditional roles as competitors?

Accounting firms are on notice. By 30 June, all accounting firms who want to continue to provide SMSF advice to their clients must have applied for a limited AFS licence.

At the date of publication, 350 firms in Australia have applied, with only 90 limited licenses approved by ASIC.

Without any authority to provide financial advice, accountants who still do so may face criminal penalties imposed by ASIC for non-compliance. For accountants who wish to be financial advisers, not compliance practitioners, the exemption period has passed. But not the opportunities.

Certainty Advisers look past hyperbole to consider the real issues at play.
“Accountants fail to realise that they are in the prime position to take advantage of extending their service offering to include financial advice.”
– Annette Pulbrook, FinBiz Advisers

“Our best experiences have come when we’re both directly engaging a client for the first time.”
– Jeff Thurecht, Evalesco

The SMSF licensing storm is just the thin end of the wedge. Accountants’ reluctance to step-up quickly – driven by apathy, indecision, or just being too busy keeping up with tax work – suggests they may need to think more strategically about the issue.

The SMSF changes aren’t realistically a pressing issue for 80 per cent of most accountants’ existing client bases. For the key 20 per cent, however – the small but profitable segment that provides the signposts to every service firm’s growth – the longer-term ramifications are looming.

Can accountants embrace broader financial conversations beyond tax? Is it time to change the habits of years, and properly leverage their valuable client relationships?

Around the country, our senior Certainty Advisers have spoken to their clients, colleagues, and within their alliances to gauge the feeling on the SMSF licensing update, and what it means for the future of our professions.

Where we are now: ‘business as usual’

“For the accountants I spoke to, they’ll definitely wait and see what happens after 30 June, then make a decision as to which way they go. Some even say: ‘well how is ASIC going to find out?’”
– David Murdoch, Paxton Bridge Financial, Melbourne

“Unless there’s some disciplinary action from ASIC or some other regulatory body, there is high probability there will be no change. Some accountants are just ignoring it, and will continue to operate the way they always have.”
– Terry Powell, PF Private Wealth, Geelong

“Accountants fail to realise that they are in the prime position to take advantage of extending their service offering to include financial advice. Starting a conversation on advice around Super can lead to so much more value-adding to the client and their own business.”
– Annette Pulbrook, FinBiz Advisers

“There are a whole lot of SMSF clients who really aren’t going to have somebody to help them get sorted out. I think that it’s already happening.”
– Colin Benvenuto, Emerge Financial, Sydney

Accountants must learn a new language

In understanding the difficult process of gaining a AFS license, Travis Martin from The Wealth Designers (TWD) in Perth is unsurprised by the sluggish take-up of AFS licences.

“If an accountant’s going to play in the SMSF advice space, I don’t think anyone would question their knowledge,” says Travis. “However, learning to do things differently is going to be a huge challenge. Accountants and financial advisers have grown up in very different compliance regimes. I think accountants are basically learning a new language.

“At TWD we’ve talked at great lengths with our own alliances about what they’re going to do down the track. From the application process to the SOA production process and the compliance regime, accountants have found themselves very much handcuffed. It doesn’t surprise me that so many of them have been hesitant to apply for AFS licences. In terms of how to regulate this it’s going to be a massive learning experience for accountants, for their relationships with advisers, and for ASIC.”

Whether pulled along by the needs of trustees or pushed into it by ASIC, will accountants be able to work with financial advisers to help their clients, not only with SMSF but their broader financial future? How can we help open up these strategic opportunities?

LICENSE TO ADVISE
Countdown to the AFS license cut-off*

Number of accountants in Australia in 2016: 88,000
Estimated number of practices that need a license: 8,500
Number of applications to ASIC for limited AFS licence: 350
Number of limited AFS licences approved to date: 90

*All figures from Australian Financial Review, 24 Feb 2016
Different factors come into play when building a mutually beneficial relationship. Referrals, role assumptions, respect for one another’s work and value, looking at the ‘bigger picture’ and fee structures all play a role in elevating competitors to collaborators.

**Issue 1: The referral question**

Referrals – really good referrals – are rare. Whether it’s a large, multi-partner firm or from the in-house accountant, Certainty Advisers find mutual referral between the professions to be hard work. So we asked how to get referrals from accounting firms: What is the process? Which ones work? And what isn’t working?

**Setting up positioning and processes**

At Bravium, Scott Farmer talks through their work process with accountants, highlighting how they engage clients in context with their Advice Map™ (1) and Terms of Engagement letters. “We show them the remuneration, annual fee process and no product advice fees. We also show them how we are different.”

---

**Footnote**

(1) The Certainty Advice Group ‘Advice Map™’ captures and contains every advice client’s whole financial life on one page.
At PF Private Wealth, advisers keep a bird’s eye view as project managers. “We position ourselves to identify any complexities that might be holding clients back, says Terry Powell. “This ensures we’re acting in a project management role. We further assist by working together with other professional advisers to collectively achieve important client outcomes.”

The Wealth Designers’ referrals come from two sources: their own professional or personal networks, or a particular client’s accountant who they’ve asked for an introduction to. “The ones we know socially or through business (rather than having a mutual client) generally understand us,” says Travis Martin. “They say, ‘Oh that’s pretty good, we were looking for someone like you!’ Then they express disenchantment with the old world of advice.”

Jeff Thurecht of Evalesco says that in their early days, the bigger the accounting firm got, the harder they were to work with. “That was, I think, because we were trying to work with all the partners and be the solution firm-wide,” he notes. “Now we have good relationships with just a couple of partners within bigger firms who have ideal clients for us.”

Disenchanted with the results
David Murdoch from Paxton Bridge Financial enjoys the collaborative approach of his alliances, however finds no good referrals come through. He sees that working together in-house is no particular inducement to refer.

“For us, we’re working through a whole corporate structure with an accountant for a great client,” he says. “The accountant has a financial advice component within his practice. While there’s been no resistance, there certainly won’t be any referrals because they’ve got it in-house already.”

“We decided not to make accounting alliances our major focus. Ten years ago I said we were going to get our own sources of referrals independent of accountants.”
– Jeff Thurecht, Evalesco

“I don’t want to be dependent on referrals. I’m just too self-driven to be dependent on that sort of thing. So we decided we would try and get our clients by other means, and have ever since. I’m really happy to just find a good accountant that I feel will work well for our clients and do a great accounting job.”
– Colin Benvenuto, Emerge Financial

Issue 2: Role assumptions

“Some accountants are positioned as the trusted adviser. But when you ask them for the background we need to perform our role, they can struggle. That’s challenging for us in our relationship with the client as a Certainty Adviser.”
– Jeff Thurecht, Evalesco

There are some accountants who see the financial adviser as a threat. Most of the misunderstanding and mistrust between advice professionals are based in differing
assumptions as to what is a role of a principal adviser for each unique client. Certainty Advisers don’t assume trusted adviser status until we’ve worked to attain that role over time, and with growth. We know the skills, mindsets and approach of a principal adviser can be cultivated regardless of an individual adviser’s technical training and experience.

**Issue 3: Respecting expertise and value**

“Accountants are familiar with the financial planning process, but certainly don’t look at it the same way that an adviser would.”
– David Murdoch, Paxton Bridge Financial

Seeing the value in each other’s work is a crucial factor when developing understanding of different disciplines. Without it, relationships falter. Certainty Advisers see that clarifying roles and respecting boundaries brings about better outcomes with accountants.

Terry Powell of PF Private Wealth cautions both parties not to overlook key skills. He says: “As advisers we need to be cognisant that we don’t overstep the mark by becoming too involved in tax structural advice without involving the client’s accountant. Likewise, accountants and their understanding of our work. One of the early signals that things won’t work is when ego gets in the way and there can be potential for demarcation of who should be doing what. If everyone continues to work in the best interests of the client, then there’s a great relationship.”

Jeff Thurecht of Evalesco felt that some accountants believe that they do a lot of what financial advisers do anyway. “One accountant we’ve worked with has struggled not to try and jump to solutions straight away. As they are used to providing solutions of a transactional nature, they’ve struggled just to have an open-minded, broad conversation. Regardless of the SMSF licensing outcome, if accountants like this think they’re advising clients anyway, it can be hard for them to understand the value and the role that we’re going to play.”

**Issue 4: The bigger picture**

It all goes back to the old world of advice butting heads with the new. Given the changes coming through industry, taking a holistic approach could be crucial. We could see accountants more open to having broader, deeper conversations with clients and a new approach for the benefit of all our clients.

These are the kinds of conversations The Wealth Designers are already having with their clients, which according to Travis Martin, may create complexity for TWD. “The type of engagement we have with our clients is very, very holistic, and covers all aspects of their finances,” says Travis.

“Although it’s not under the same definition as being manufactured by a financial institution, a Self-Managed Super Fund is just a product. If someone said to us: ‘Can you set up
an SMSF for these people?’ that’s problematic in terms of our values. At TWD, we’ve also got to be consistent with our values and our client proposition around the quality of our advice, not the quality of products.

“Product advice doesn’t fit with the new world of advice, that’s the old world of advice. So trying to marry those two with your client and their accountant you need a solution. That’s a tough one to marry together. And to be honest we haven’t really got a solution for that yet.”

**Issue 5: Fee structure**

“Ultimately, remuneration dictates a lot of what the client experiences with that firm. If you understand the fee structure, then you will understand how it impacts the advice model they have.”

– Scott Farmer, Bravium

Certainty Advisers believe we can create value by delivering valuable advice. They also believe that the fee for advice should be based upon the quality of the advice provided – rather than quantity of financial products or hours worked.

This is at odds with current fees practices such as ‘fee for service’, (usually priced on quantity of financial product rather than quality advice). Certainty Adviser clients pay for their advice by opting into their advice relationships on an annual basis with fees expressed in clear amounts, not percentages.

For old-model advisers who say they “believe in being client-first” while still being remunerated by some means of product and hourly fee, clients will continue to be confused. If a client receives two different invoices and fee structures for the same work, close collaboration is required to ensure the same message comes out from both parties.

David Murdoch of Paxton Bridge Financial feels that fees are one of the biggest impediments to creating good alliances. “The biggest obstacle is when accountants know their client and their client says they don’t need that. Or question why are you charging them so much. Most of it’s backward-looking, not forward-looking.”

Jeff Thurecht of Evalesco also sees fees as a stumbling block to fully understanding the client. “One of the biggest obstacles is the narrow focus of some accountants, which is the transactional nature of their client relationships,” he says.

“They don’t have a lot of bigger picture information on the client, which we find so valuable and important to understanding and adding value, which will probably lead to these accountants questioning the fees.”

Developing useful, close working relationships means much more than two parties helping the same client. To put aside the prejudices of the past and being open to a new type of relationship with an adviser, accounting firms and their clients will ultimately be better off.

---

**4 FLAGS WHEN GETTING TO KNOW YOUR CLIENT’S ADVISERS**

1. Advisers looking for share of fees charged or a lack of transparency about fees charged.
2. Reluctance to share firm’s direction, objectives, philosophy, client niches, and specialities.
3. A transactional, activity-based approach aiming to serve as many clients as possible (rather than a focus on specific advice niches).
4. A greater interest in incidental ad hoc advice opportunities versus on-going collaborative relationships for the client’s best long-term interests.
Like bacon and maple syrup, it sounds strange at first, but it can work. While financial advisers and accountants sometimes seem to come from different worlds, collaborating and keeping an open mind keeps the client’s best interests and goals at heart.

Stop! Collaborate and listen.

The benefits of the SMSF changes are potentially huge. Beyond 2016 we could see closer collaborative partnerships between financial advisers and accountants, and even increased business to trained accountants with limited AFS licenses.

In respecting one another’s input, collaboration flows. Through one-to-one meetings, discovery meetings, or one-off meetings to discuss a particular issue, close collaboration with accountants opens new seams of understanding.

At Evalesco, Jeff Thurecht may start with a joint review to look at overall affairs, or call in the accountant later for their specific expertise. “Our best experiences have come when we’re both directly engaging a client for the first time. We’re both able to collaborate and take a fresh approach with no
pre-conceived ideas. Then we can focus on looking at the bigger picture and see where our joint skills and experience can help the client, rather than pigeonholing how it might go.”

He recently invited an accountant looking to experience his process to sit in on a discovery meeting. “He didn’t say much, which was good! He said he understands now why we go through that and said it uncovered some things he didn’t know, even though they’d been their clients for a long period of time.”

Travis Martin at The Wealth Designers agrees that collaboration goes a long way to reassure clients that all parties have their best interests at heart.

“Being able to interact, you remove a lot of their barriers and the tentativeness from the relationship. You can then brainstorm it and work to actually find a solution that works from an accounting perspective and works for the client’s goals and aspirations. You get a better outcome for the client where there’s no conflict. It makes the conversation a lot more free.”

Manage your discovery meetings

While some Certainty Advisers welcomed accountants to sit in on client discovery meetings, many others preferred to keep the different forms of advice separate to retain clarity throughout the process.

“We normally don’t do discovery meetings with the accountant,” says Travis Martin of The Wealth Designers. “We find it more productive to deal one-on-one with either the accountant or either the client. It gets messy: we’ll talk one language with the accountant and a different language with the client.”

Certainty Advisers take the time to ensure all meetings and all advisory relationships are open and constructive for us and the client. We know the value of accountants going through the discovery meeting process just with the adviser, which in turn allows them to be aware of what the conversation will be down the track.

David Murdoch of Paxton Bridge Financial wants to be ‘across the table’ from the accountant. “Though the client doesn’t need to actually sit in between the two of us if we talk together,” he notes. “I really see it as an opportunity to secure the client in a far better position than they’ve ever had in the past, because they know the two parties are actually communicating.”

Establish trust

“Gathering trust is a big issue. They are not thinking about us at all. They are thinking about how busy they are and about tax. So we identify a client where our firm can add significant value, and get them to think about that client and their needs.”

– Scott Farmer, Bravium

Terry Powell at PF Private Wealth lists his best experience with one particular accountant. “I work strategically around the clients’ Super funds and then involve the accountant and his team to ensure we’re all singing out of the same hymn book for strategy; effectively using them as a second pair of eyes,” he says.

Terry works more closely with the clients at a personal level, helping them get clearer around their own personal aspirations. “Why it’s worked well is that we have a healthy respect for each other’s area of expertise, meaning that collectively we work together as a team in the best interests of the client.”

Colin Benvenuto of Emerge Financial says: “One particular accountant we work with is absolutely clear about what her role is. And she’s really, really good at it. She’s genuinely collaborative and helpful, respects our role, and does her own role really well.”

Know that they get ‘it’

Certainty Advisers are a collaborative, forward-looking group who seek to further the aims of their clients. Their point of difference, however, can be hard to drive home in a crowded marketplace. Do their alliances understand what makes a good cultural fit?

Jeff Thurecht says his accounting alliances focus only on his firm’s ideal clients, who already understand how Evaleesco work. “Our accountants only send us clients they know are like the other clients they know we’ve enjoyed working with,” he says. “So we don’t get as many referrals from them. But when we do get them, they’re ideal clients. They understand the process that we go through, and they’re ready to go. It usually turns out to be a pretty good relationship.”

At Bravium, Scott Farmer looks to the language used by the accounting firm. “It’s pretty obvious to see where their focus is. We want to see if they know what is happening in our industry, the challenges. We can and usually pick up from that discussion whether they are culturally with us or not.”

“Just don’t hold old prejudices against these new world of advice firms,” says Travis Martin of The Wealth Designers. “Advice firms such as Certainty Advice Group are substantially different to the old world of advice.” He recommends
accountants go in to each engagement with a fresh set of eyes, and listen how to collaboratively build better outcomes, firstly for the clients and also create better businesses for each firm in the alliance. “To put aside the prejudices of the past and be open to a new type of relationship with an adviser, their business and their clients are going to be better off for it.”

Take a total, holistic approach

Certainty Advisers believe the advice industry has been starting relationships with both alliances and clients with the wrong questions. We first seek to understand why there is a basis for an ongoing advice relationship, and only then do we seek to understand the technical opportunities and needs.

“We take a more holistic approach,” says Jeff Thurecht of Evalesco. “We talk about empowering our clients to be healthy, wealthy, and happy, which sets us up to look at things outside purely wealth. Our discussions around money also involve how smart decisions about finance can impact other aspects of their life. We also like to play a role as a project manager. Inherent in that is partnering with specialists and other professionals to get the best outcome for our clients.”

The Wealth Designers are similarly broad in scope. “We’re not focused on just one particular product area,” says Travis Martin. “We make sure all the complexities our clients face are dealt with. We’re not there just to do an investment or Super or an insurance piece. I think that, more than any other differentiator, has been the one that has been the most appealing to the accountants we work with.”

In seeking to understand before being understood, accountants will create new opportunity for growth. To be open-minded, all parties will understand that there are opportunities for all when working in the best interests of mutual clients.

WHAT MAKES A SUCCESSFUL ADVISER/ACCOUNTANT ALLIANCE

1. Establish, maintain and review outcomes for the alliance every year. Base these outcomes on client outcomes and satisfaction – not financial outcomes for either alliance partner.
2. Establish and maintain clear understanding of the client profile that best suits the advice alliance.
3. Maintain regular communication. Share work in progress, client experiences, and project management timelines. Respect the different roles and work flows of each professional firm.
4. Share professional insights, experiences and approaches to help each firm achieve more for their selective client bases.
While things look uncertain in mid-2016, the ASIC decision to revoke accountants’ AFS licensing exemption could be the shake-up the advice industry needs.

Without a doubt, trying to get referrals from accountants can be frustrating. When managed professionally and with mutual understanding, however, collaboration can be the most rewarding experience for accountants, financial advisers, and all their clients.

Traditional models of wealth management are shifting.

Around Australia, Certainty Advisers caution accountants to be open-minded about upcoming changes, both in legislation and technology. In combining our different skillsets, we can enhance our mutual understanding about our clients, discover new professional insights, and create a longer-term view of our future.

Our client base is also changing.

Our clients are getting younger and sharper. More households, many with both partners working, are far more financially savvy. Rather than setting up a Super fund and touching base 12 months later, smart Australians want more direction. Above all they want contact throughout the year and strategic advice on far more than tax returns and compliance.

Working with forward-looking and thinking financial advisers such as Certainty Advisers could be rich with potential for like-minded accounting firms.

Now, more than ever, we need to consider the future of financial advice for everyone.

www.seekingcertainty.com.au

“There are a whole lot of SMSF clients who really aren’t going to have somebody to help them get sorted out.”
- Colin Benvenuto, Emerge Financial
About Certainty Advisers

Certainty Advisers are accredited, skilled and regularly reviewed to ensure their financial advice adheres to standards of what they refer to as Fourth Generation Advice.

Everything Certainty Advisers do starts from a focus on serving each client’s greater good and best interest without any real or perceived conflict. Thereafter they seek to provide a broad overall advice position without favour to one particular advice approach, and often work with other advice professionals to cater for all financial needs of their clients.

**What are the four generations of financial advice?**

**First generation advisers** specialise in advice surrounding specific financial product or services. These advisers may be experts in self-managed superannuation, or investment management or underwriting or property or a combination of these skills. These advisers generally have excellent people skills and product knowledge. Their remuneration model or fees are usually calculated as a basis of the product they are recommending.

**Second generation advisers** are similar to first generation. However, underpinning their advice is often a specific investment, product or services platform. These software platforms provide reporting convenience for clients as well as build an asset value for their firms as increasing amount of their client’s product accumulates on ‘their’ platform. Custodians of these product platforms can achieve significant sale values when the ongoing stream of incoming client’s monies are ‘purchased’ by other existing platform providers.

**Third generation advisers** are usually well-established advisers often serving a specific niche of clients whose primary focus is a ‘liquidity’ event or buy-out of their advisory firm either by another platform provider, financial institution, or new market entrant seeking financial product distribution opportunities via stock market listing, or sale.

**Fourth generation advisers** have as their single main priority their clients’ needs, best interest, and greater good. The advice is impartial, uninfluenced in any real or perceived manner by products recommended, alliances they work with, hours they work, platform they recommend, or their own longer-term firm sale value. This generation of financial advisers engage as a principal adviser, or work in conjunction with other principal advisers to serve their clients’ financial needs. They engage annually with each advice client and adhere to clear and agreed terms of engagement.