Rapid Advice Delivery: The Next Generation of Financial Advice

By Cameron O'Sullivan
Provisio Technologies

The delivery of financial advice in Australia is on the verge of a massive change. The combination of intense pressure on fees and commissions with new legislation such as 'Intra-Fund Advice' will force all financial advisors, dealer groups and major superannuation providers to find faster and more efficient ways to deliver advice services to clients and members.

Financial advisors, in particular, will face new pressures on the common “holistic” advice model and need to consider new approaches that are faster and more flexible. The prize for those groups that evolve rapidly will be the ability to engage with members seeking advice, but not willing to pay for existing advice structures, and capturing their single or multiple superannuation accounts.

RAPID ADVICE DELIVERY IN ACTION

The advantage of implementing new rapid advice delivery (RAD) processes already has some funds generating Statements of Advice to members in as little as 10 minutes. This is not just restricted to the implementation of ‘Intra-Fund’, but also defined scope advice.

On the flip side, it seems those funds that already invested heavily into software built for full advice processes prefer to tinker with their existing systems. Yet simple advice may still encompass between one to three hours of an adviser’s time, and these groups will soon realise this patchwork model lack scalability and profitability.

Many funds have yet to determine the threats and opportunities within this new landscape and, with no plans formulated, run the risk of losing members to the groups pro-active in developing a RAD service.

The key challenge for advisors is to move focus from providing ‘holistic’ financial advice to a specific, ‘transactional’ model. Many advice providers previously believed the holistic model provided better advice and less compliance risk. But there is now a shift toward the exact opposite: an understanding that by clearly scoping the advice to a certain strategy or issue, the client often gets clearer and more concise advice.

Cameron O’Sullivan is a director of Provisio Technologies, a company providing advice software solutions for some of Australia’s largest superannuation funds. O’Sullivan is also a financial advisor with a strong focus on financial strategy, risk management and technical systems. Before entering the advice industry, he enjoyed a stint in financial and information risk management with Deloitte Touche Tohmatsu. He has been recognised nationally as a leading practitioner in providing valued advice to clients on technical strategy, has won numerous Value of Advice awards and was the recipient of the inaugural Rising Star Award by Financial Wisdom in 2008.
By not trying to consider everything, the chance of legal ramifications may be much less.

Colonial First State Advice Business general manager, Paul Barrett, in an Australian trade publication, acknowledged that holistic advice is not necessarily the ideal model for the financial planning industry:

“At times we rush to provide fully holistic advice to every client who walks in the door, and often clients don’t want or need that. Obviously providing holistic advice when a client’s needs are simple is going to incur additional costs and slow things down.”

Transactional advice requires radical change in advice delivery, via a new ‘rapid-advice model’ which provides high-quality advice faster. For many, this may be a phone-based service that can potentially complete the entire advice process in 10 minutes; for others a web-based advice solution allowing members to generate the advice. Some may wish to persist with a face-to-face approach, but even if the meeting goes for an hour the whole advice process will simply take an extra five minutes following the meeting. The best solutions will likely include an element of all these approaches.

A major challenge to achieving this will be developing entirely new systems that integrate all phases of the advice process. Too often in the past, funds have provided calculators to both members and advisers but have not integrated these tools into generating the actual advice document; adding potentially many hours to the implementation and delivery of advice.

The most important parts of this process are the ability to do the following:

1. **Quantify the benefits of the strategy quickly**
   If a member rings with a query about a strategy such as transition to retirement, the fund should be able to advise the actual dollar benefit for them in seconds. Therefore, tools which automate much of the strategy formulation for the adviser are required; determining detail such as how much to contribute to super (both before and after tax), and how much pension to draw, to maximising the tax savings to the client.

   As the pressure to move to fee-for-service increases, the ability to quickly quantify the value of your advice will only become more important, regardless of how advice is being delivered.

2. **Generating the advice documentation**
   The tools used to talk the client through the strategy and explain the benefits must also be the same tools that generate the complete advice documentation, in order to eliminate the large amount of manual work presently required to move from basic strategy formulation to a complete advice document. Best-practice solutions will do this in a matter of minutes.

3. **Implementing the advice**
   In many cases, clients actually value the assistance in implementing the advice more than the actual advice itself. The next generation of advice service will need to acknowledge this by successfully integrating it into the advice generation. While straight-through processing (STP) will become more common in future years, for many funds simply producing pre-completed paperwork that only requires a signature from the client would substantially improve the value of their service to both the client AND the adviser.

**ADVICE DELIVERY IN SUPERANNUATION: THE DAWN OF INTRA-FUND ADVICE**

Looking at the models already in development with industry and retail superannuation providers, advice will be delivered to members via three methods.

Many funds already have tiered advice processes, and some may already have an offering utilising parts of these three channels. But the level of integration between the three, and between the advice, the documentation, and the implementation is failing compared to new generation RAD models.

---

**Figure 1. The best RAD systems will do all the following:**

<table>
<thead>
<tr>
<th>Advice Discussion</th>
<th>Advice Documentation</th>
<th>Advice Implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Explain the strategy</td>
<td>Same system then generates a tailored Advice Document or Statement of Advice, with an absolute minimum of manual input.</td>
<td>Same system then produces pre-populated forms and letters for the employer or payroll, and ideally straight through processing (if possible).</td>
</tr>
<tr>
<td>• Quantify the Benefit</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Answer Questions</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
WEB-BASED ADVICE CHANNEL

Web-based advice will be significantly different from that of existing offerings. The old ‘calculators’, which never successfully engaged the membership, will be replaced with an advice process that finally implements the advice for the member and provides an appropriate advice document. It will ideally also have the following characteristics:

- Advice generated through this system is the same as that received via the RAD, or even comprehensive advice. E.g. If a member is seeking assistance with an appropriate salary sacrifice strategy, then all channels use the same tool to automatically optimise the best level of salary sacrifice and after-tax contributions, maximising both the government co-contribution and tax savings. The recommended fortnightly or monthly amounts are the same from all three channels.
- Links to the RAD Service so that members can seek assistance at any point during the web experience, and the RAD team member can plug in to whatever stage the member has reached and simply assist them in completing the process.
- This system is also most likely to exist behind a secure login, ensuring the advice is being supplied to existing members (a key component in restricting legal and compliance issues). Additionally, the system can pre-populate as much of member’s information as possible into the strategy tools, advice documentation and any required forms or paperwork.

RAPID ADVICE DELIVERY (RAD)

This will, in many instances, be delivered over the phone, and allow transactional type queries to be dealt with greater efficiency and lower cost for the fund. Much of the discussion in this area has been centred on intra-fund advice but in reality many superannuation funds are electing NOT to use this legislation, and instead provide ‘Defined-Scope’ advice instead.

In reality, the difference in terms of the systems and processes required to deliver each is negligible and as a result the term rapid-advice delivery should encompass both models.

Intra-fund specifically allows for the provision of advice to existing members in the following areas:

- Making contributions to the fund
- Choosing an investment option within the fund
- Choosing an appropriate amount of insurance within the fund

ADVICE DISCUSSION

Web-Based Advice

- Fully member driven
- Far more than a ‘calculator’
- Interface tailored to client

Rapid Advice Service

- Phone based
- 10-15 minute SoA’s
- Interface tailored to Adviser

Comprehensive Advice

- Leverages other channels
- Faster SoA’s
- Integrates the Adviser and Para-Planning

ADVICE DOCUMENTATION

Regardless of which service the advice comes from, the client gets the same:

1. Strategy

Funds do not want different answers resulting from the Web compared with RAD, so all channels must use the same tools

2. Advice Documentation

The Advice Documentation received by the client should ideally be similar regardless of which advice channel they used.

ADVICE IMPLEMENTATION

Regardless of which service the advice comes from, the client gets the following:

1. Pre-Completed Forms

Implementing advice is part of the challenge for a member. Simplify this with production of all forms, including letters for the employer/payroll in relation to Salary Sacrifice amounts.

2. Straight Through Processing (STP)

The ultimate goal in integration, as this fully automates processing the advice; may be limited.

(Investment Choice)
Those funds that have already built a RAD offering generally have elected to use defined-scope advice. This has allowed them to add one or more of the following services:

- Transition to retirement
- Superannuation adequacy/Retirement planning
- Super switching/consolidations
- Ongoing client review

Each fund will need to consider the needs of their membership, and then decide exactly what services they will allow to be offered via a RAD service. In many instances they will not need to provide all of the services listed above. Another important consideration will be exactly where the RAD service sits. Already within the industry we have seen several different implementations:

- The fund offers the RAD service directly
- The fund administrator builds a RAD capability that encompasses several of the funds they host
- The fund takes over providing this service on behalf of advisers for a fee
- The advisers are provided with the tools and compliance framework to offer the service directly to clients.

For many industry funds the option of deploying a service via their administrator or existing advice channel may be attractive, as offering it directly may mean building up a new advice team and infrastructure.

For the large retail and corporate funds the decisions may be more challenging. Some may be reluctant to offer an advice model that directly competes with their advisers, and many will be unwilling to allow their advisers to provide advice via a RAD model. It is these institutions that have been largely responsible for the current 80-page statements of advice in the first place. But change will be necessary if they are to compete for clients in this transactional arena.

**IMPLICATIONS ON COMPREHENSIVE ADVICE**

The impact on this channel will be profound. In many cases there will be far less need to refer a client for comprehensive advice so the numbers of referrals may fall. However, these new tools may provide a referral counter-balance with a fund engaging many more of its members, and identifying clients who may have special needs that warrant comprehensive advice.

The most important thing will be to maximise the efficiency gains for the comprehensive service through the following:

- Leverage off the work already done via the web and RAD channels, so that if a client is referred, then the adviser receives all of the calculations and strategy work completed via the previous channel.
- Integrate the advice documentation into the tools used by the adviser when sitting with a client and formulating his strategies. The correct software can be used as a point-of-sale tool to enhance the client’s strategy and benefit understanding, and then also generate the SoA when the client leaves.
- Allow for integration between the adviser and para-planning so that para-planning can generate the advice documentation using the same tools and calculations performed by the adviser. Best practice models will achieve this in a matter of minutes.
- By integrating the advice documentation and the implementation of advice, the actual time required to service the client should drop considerably, along with the cost of advice.

**CONCLUSION**

It is an exciting, and potentially threatening, time in the financial advice world. Funds are now going to have the legislation and tools to provide advice to millions of members who would never have received advice before.

For the funds that embrace RAD, an excellent opportunity exists to both attract new clients from other funds, and to lock in existing members so that they are not easily exited around the life phase of retirement or ‘transition-to-retirement’.

Funds that are slow to adapt to this new landscape, or insist on trying to persevere with systems built for the previous generation of financial advice, will find that they are unable to achieve the efficiency required.

Members may receive lower quality advice at a higher cost than their peers, and may seek other providers for their superannuation.