

# THE PLANNING BACKBONE

Paraplanning has traditionally been the foundation of an advice practice's back office and a career stepping stone. What does its future look like?

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Having steadily evolved over time, the traditional role of the paraplanner is no more.

With advice practices demanding more from support staff, the benefits of outsourcing becoming increasingly apparent and a constant drip-feed of financial planning software enhancements, to suggest that paraplanning is at an inflection point would be an understatement.

Revered as the backbone of an advice practice's back office, paraplanning was typically seen as a stepping stone for people wanting to gain a foothold in the advice industry before transitioning to other roles.

Now, it is seen as a career in its own right with the titles of "paraplanner" and "associate adviser" now interchangeable.

Having discussed this among paraplanners she works with, IOOF head of group paraplanning Melinda Bates<sup>01</sup> says there are consistent motivating factors behind the progression.

"They [paraplanners] have a genuine passion for the value of financial advice, but don't necessarily want to be involved in client-facing roles. Being a professional paraplanner provides the opportunity to apply the same level of knowledge as an adviser to a client's situation without necessarily having to deal with clients directly," she says.

However paraplanners working in-house are taking on more client-facing roles as their responsibilities evolve. From producing Statements of Advice (SoAs) and performing administrative tasks within a practice, paraplanners now regularly sit in on client meetings and are updating model portfolios.

"The role of the paraplanner has become increasingly integral to the success of financial advisers and their businesses. They are effectively implementing the advice, administration and collateral development, leaving the advisers to focus on developing client relationships and attaining new leads," Bell Direct chief executive Arnie Selvarajah<sup>02</sup> says.

Despite this, the Investment Trends 2017 Planner Business Model Report shows 59% of advice practices employ paraplanners in-house; 30% have just one paraplanner on staff, while the balance employ two or more.

Offering a possible explanation – and making the evolution even more interesting – Is the fact this is happening in tandem with technological innovation, with potential for complete automation of the paraplanning functionality fast becoming reality.

Another major factor is the shift to independence being observed across the board. According to Rainmaker data, in the 12 months to December 2017, the number of advisers using non-institutional licensees increased by 11.9%, while institutionally-owned licensees saw adviser numbers fall 4.4%.

Non-aligned licensees saw 877 new advisers added to their collective roster, 656 of which departed aligned counterparts. As a result, the proportion of advisers associated with non-aligned licensees increased to 36%.

Assuming the majority of advisers that switched established their own businesses, it makes sense that an in-house paraplanner may not be a viable option. Research from Kaizen Recruitment shows, depending on experience, a full-time paraplanner can command anywhere from \$55,000 to \$110,000; not always an easily justified expenditure for a small business owner.

Contract Paraplanning Services director Hayley Knight<sup>03</sup> says when she bought her business in 2013, demand for in-house paraplanners was high, which in turn drove up salaries.

"Some in-house paraplanners are actually taking home similar salaries to what an adviser might...From that, there was an emergence of advisers seeking lower-cost alternatives, particularly for those without the volume to warrant a full-time, in-house paraplanner," Knight says.

In the last five years, outsourcing has gained significant traction and it's not difficult to understand why. Predominantly used for SoA production, a contract paraplanner's sole responsibility is to prepare the advice; their time is their own and is not dictated by other tasks within a practice. As a result, outsourcing is both cost-effective and efficient, with many outsourcing firms charging flat fees and guaranteeing speedy turnaround.

The paraplanners themselves also benefit, with those working onshore generally paid on a



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"per plan" basis, earning between \$60 and \$90 an hour. Given the structure, the faster a paraplanner works the more they can earn, with annual salaries estimated at \$75,000 to \$120,000.

Even more recently, offshore outsourcing has become increasingly appealing to advisers looking to scale their business. By engaging the services of paraplanners overseas – largely in the Philippines – advice businesses are paying a fraction of the cost for SoAs, even when compared to onshore providers. However, it can be argued this model is most commonly used for basic SoA preparation with little complex advice being prepared offshore.

As demand for paraplanning fluctuates, advisers can use these services as they need them. Further adding to the appeal, advice clients would be none the wiser to the fact their advice was written off-site; outsourcers work with the adviser, using their own or their dealer group's existing SoA template.

At Contract, an adviser client is paired with a paraplanner from day one, meaning they will always work with the same paraplanner and can also contact them directly whenever they need; debunking the misnomer that all outsourcing firms simply have a pool of SoAs lying around for any contractor to take on when they feel like working. This ensures consistency and also requires minimal supervision on the adviser's part.

"I like to think that we're the opposite of a cookie-cutter approach," Knight says.

"We work with the adviser to get what they want out of an SoA. If they work with one of the larger dealer groups and think their SoA template is too long or too confusing, then we will tailor it to what they want and ensure it's still compliant with dealer group standards."

The median price of an SoA through Contract is \$425 with a guaranteed seven-day turnaround.

Knight says this is made possible by the fact that all of Contract's 22 paraplanners have previously worked in-house.

"They are specialised in the Australian advice industry, they're well-versed in legislation and they are well-equipped to challenge strategy ideas or product recommendations where and when they see fit and are more likely to do



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THE KEYS TO A SMARTER  
FUTURE FOR ADVISERS



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**05:**  
**Anne Graham**  
director  
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so because they will have established a relationship with that adviser,” she says.

In the wake of the Royal Commission, Knight says it’s more important than ever for paraplanners to call out questionable advice when they see it, believing the trend of paraplanners taking on more than their traditional responsibilities has made them less likely to pick up on or challenge recommendations.

“We really need to double down on our technical skills to raise flags with advisers when we don’t totally agree with a strategy because you always have to have the flow-on effect to the client in mind. That said, we have strong caveats that this is not our advice. We can only do so much because at the end of the day it’s the adviser that signs off on an SoA,” she says.

Likewise, the Financial Planning Association of Australia’s 2017 Paraplanner of the Year, Adriana Brink<sup>04</sup> – who has recently moved into the outsourcing sector – believes advisers would expect paraplanners to highlight when something is questionable or doesn’t meet the best interest duty.

“It’s not ethical to support a strategy that you know isn’t suitable or could be better. One of the best things about financial planning is that you get to improve people’s lives and help them meet their goals, so if you’re writing something and you fail to see how that’s going to put them in a better position then you should be questioning that,” Brink says.

Reflecting this, Story Wealth Management both employs paraplanners in-house and outsources part of the firm’s paraplanning function. Story Wealth Management director Anne Graham<sup>05</sup> recommends advisers pilot several contract providers to ensure the process will always be reliable and collaborative.

“We are currently outsourcing paraplanning to a few great onshore providers to help us manage timeframes and client expectations. This helps us manage the peaks and troughs of the business...Outsourcing is great when it works. I think you need to have realistic expectations around timeframes and having consistency in the advice and documentation,” Graham says.

Rainmaker data from December 2017 shows there is about 6000 paraplanners and support staff working under AFSLs around the country, demonstrating demand is small but significant. The maturation of the market and an evolving value proposition are also contributing factors.

The figure also doesn’t account for paraplanners that double as authorised representatives; increasingly referred to as associate advisers.

The rise of the associate adviser has seen a marked shift in the role that the paraplanner plays in a practice, supporting the broader trend of advisers moving into “counsellor-esque” roles focused on relationship management.

Brink explains: “A lot of paraplanners are becoming authorised representatives and joining advisers in client meetings. It’s beneficial because many advisers don’t have the same

technical knowledge as their paraplanner. It will often be the paraplanner that has the better grasp on the nitty gritty and so, where it’s efficient to do so, paraplanners are certainly getting more involved.”

There is now less demarcation between responsibilities of the adviser and the paraplanner. Selvarajah explains it is now common for the paraplanner to be responsible for servicing clients on an ongoing basis, including executing trades on an adviser’s behalf. As such, it is often the paraplanner having the final say on technologies employed in practices.

“Paraplanners are becoming more influential in terms of the solutions practices are using, because they’re the ones actually using it. In the past, you’d present your solution to the adviser, now it’s important to get the paraplanner or associate adviser in the room as well because they’re where the rubber hits the road,” Selvarajah says.

Selvarajah adds the challenge for product providers is developing a solution that creates efficiencies for advice businesses without diminishing the quality of the advice and the client experience.

Through the Desktop Broker platform, Bell Direct is delivering automated Statement of Advice documents as well as automated trading, minimising repetitive tasks. The platform can also automatically reject any trades attempted by an adviser or paraplanner that venture outside of a dealer group’s Approved Product List, providing an additional layer of oversight.

“The real issue here is that there a lot of people in Australia who should be getting advice today who don’t, and they don’t because they feel it is cost prohibitive or they don’t believe there’s value in it. So, by taking on some of those repetitive tasks we can effectively reduce the cost of service delivery,” Selvarajah explains.

In theory, an advice practice might then be able to have tiers of clients and provide lower cost advice to clients that don’t want comprehensive advice and may also work to grow an adviser’s client book.

“Where today an adviser might only be able to service 150 clients – which is already a stretch – technology could enable them to look after 300 clients and still in a way that is commercially beneficial to them and a positive experience for the client,” he says.

With the financial advice sector already living in a post-Royal Commission world, Midwinter managing director Julian Plummer<sup>06</sup> has a different view. Instead, he believes the key challenge facing the paraplanning space lies in the transfer of information from the adviser to the paraplanner.

“Making sure the intent of the advice is adequately conveyed is now particularly important with the increased emphasis on best interest duty,” he says.



*Full automation sounds good during a group executive meeting but it would have a different taste entirely when you’re in the witness box of a Royal Commission.*

To alleviate this, Midwinter developed its paraplanning SoA request functionality; a configurable data collection point where all data collected by an adviser flows straight through to the SoA.

“So the adviser controls the structure of the advice and the paraplanner controls the content. We get a lot of feedback about reducing the friction points of advice production so this functionality works to reduce the bottleneck while increasing advice quality,” Plummer says.

Plummer adds the larger an organisation gets, the more bureaucracy is required to monitor advice compliance.

Rather than doing post-SoA compliance, Midwinter is looking to do it pre-SoA by way of enhanced compliance functionality; the advice and the SoA is verified against a checklist of compliance rules in real time.

“There are hard and fast stops. The system will refuse to generate the SoA unless all compliance requirements are met, or unless manager approval is given to override and approve,” Plummer explains.

Midwinter is working to deliver a unified paraplanning approach, providing software that can cater to both paraplanners and external third-party paraplanners.

“Much like the omni-channel approach for allowing clients to engage with advice, we have an omni-channel approach in allowing advisers and paraplanners to produce advice – it’s the same on-ramp,” Plummer says.

This would also prove suitable for those advice practices without any paraplanning function at all; a trend which Plummer says is on the rise.

“A small number of licensees articulate their value proposition as being able to produce the advice in front of the client in real time, with the adviser completing the SoA after the meeting...The trick is to strike the right balance between simplicity of use and offering flexibility – paraplanners tend to demand the more flexible, in-depth modelling systems,” he says.

So, as technological capabilities improve and product providers scramble to be provide the most comprehensive, efficient and flexible solution, it begs the question: could the paraplanning functionality be fully automated?

As a concept, total automation has infiltrated countless industries but to what degree could it succeed in financial advice, an industry increasingly focused on the human touch?

In the 2018 Netwealth AdviceTech report, 80% of advisers said improved business efficiency is the main area technology has impacted in advice practices, followed by improved business compliance (56.07%) and greater ability to scale and grow (51.15%). See Figure 1.

The report shows advisers expect new technologies to fundamentally alter specific processes and activities in the next five years, with 46.89% saying initial advice and SoA preparation will significantly change.

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**06:**  
**Julian Plummer**  
managing director  
Midwinter



**07:**  
**Trudy Fitchett**  
paraplanner  
Story Wealth  
Management



**08:**  
**Recep Peker**  
research director  
Investment Trends

Contract's Knight admits it's something she thinks about often. While still riding the high of outsourcing, she anticipates it will be short-lived, saying it's only a matter of time before she is forced into another space.

"I know of a few providers that are already testing software that will essentially replace paraplanning. It's probably a few years off but when you consider the cost of paraplanning, coupled with the fact that a lot of advisers just view SoAs as compliance documents, it wouldn't surprise me if there was a great shift to more intelligent softwares over the next five or so years," she says.

Story Wealth Management paraplanner Trudy Fitchett<sup>07</sup> doesn't believe her role could ever be made redundant by technology.

"My personal view is that all advice should be tailored to the specific needs of clients who all have something unique about them, regardless of whether the strategy is the same. A generic, system automated advice document can't be relied upon to draw out these intricacies or the unique circumstances of the client," she explains.

For Midwinter's Plummer, paraplanning can be split into two components; paraplanners that produce simple advice and are largely document preparers and those that specialise in complex advice.

"It is the paraplanner that produces the most complex advice that will have a hard time being replaced by technology. Offshore document preparers are the ones that will need to compete with artificial intelligence over the next few years," he predicts.

He adds while automation is certainly in the cross-hairs over the next decade, it will come in incremental improvements.

"It's a moon-shot, but largely inevitable; industry growth is driven by industry productivity and as increased processing power continues to be delivered, full automation will become more probable," Plummer says.

That said; he is careful to point out advice is likely to be a different world once the dust has finally settled on the Royal Commission, clarifying that technology is not the be all and end all.

"Full automation sounds good during a group executive meeting at 4pm on a Wednesday afternoon, but it would have a different taste entirely when you are sitting in the witness box of a Royal Commission. I'm not coming out against full automation, but it needs to be a considered approach that is defensible," Plummer explains.

Likewise, while research shows that advisers are hungry for automation in their business – particularly for SoAs and portfolio rebalancing – Investment Trends research director Recep Peker<sup>08</sup> says paraplanners need not worry about full automation.

"Financial advisers are in strong agreement that automation has a role to play in their businesses, but they do not see this as a substitute for paraplanners," he says.

"Advisers want to use automation so they can focus on strategic advice, develop more meaningful client relationships, service more clients and lower the ongoing cost of advice."

IOOF's Bates agrees, saying it is unlikely paraplanning would become fully automated as paraplanners provide great value across all aspects of an advice business.

"With robust information capturing processes at the front-end, the preparation of advice documents can be highly automated, however advisers value the ability to engage with another professional to discuss a client situation and arrive at the best outcome for the client," she says.

"They value the relationship of having someone they trust working alongside them and I don't think that can be easily replicated with technology."

Similarly, Brink predicts greater innovation will serve to enhance what already exists, believing technological progress will simply streamline processes.

"You can't get everything from software; you need that human element, even in support roles. Traditionally software has been kind of clunky and difficult to use, so I think that will improve but I don't think it will ever take over," she says.

Even if it does, Selvarajah doesn't believe paraplanning and automation have to be mutually exclusive.

"My hope is that there will be more jobs and hopefully more people getting advice because we've been able to change the commercial equation with technology," he says.

"We see the paraplanner becoming increasingly client-facing and therefore increasingly valuable, so in my mind that would be something an advice business would want to keep in-house rather than outsource or automate."

The trajectory that paraplanning appears to be on suggests it is time for the wider advice industry to take a step back and reassess the value it places on this function.

University students studying financial planning or related degrees are too often being sold the benefits of becoming an adviser or accountant while little mention is made of a career in paraplanning, Brink says.

A 2016 study by Zanetti Recruitment & Consulting and Griffith University showed that – in addition to women being over-represented in the lower paid client service and paraplanning roles – not enough is being done by industry stakeholders to attract new talent across all sectors of advice.

Determined to change this, Brink has joined several community groups comprising financial advice professionals – largely paraplanners – to engage university students and, in particular, communicate the value of a career in paraplanning to ensure it does endure.

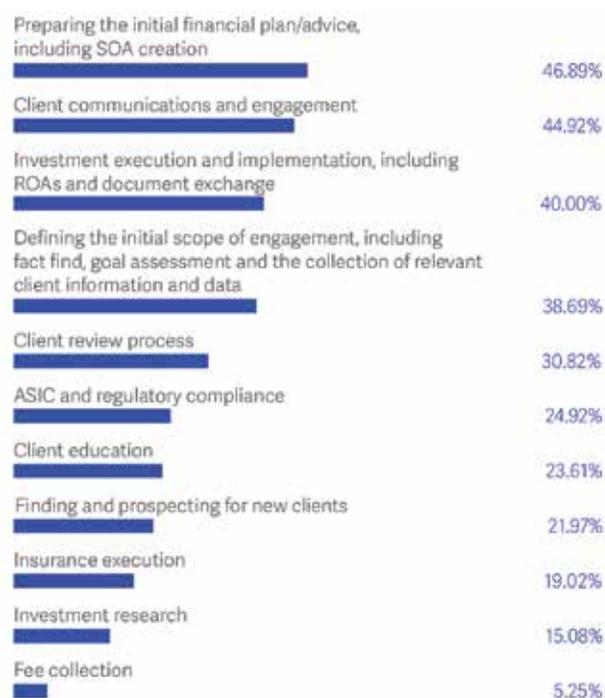
"I think paraplanning does have a really bright future. With advisers shifting their focus to business development and relationship management, paraplanners are becoming the brains and are almost like a gatekeeper when it comes to the advice that a client receives," she says.

"Not only is it an essential role, but it's also quite a powerful one." **FS**



*A lot of paraplanners are becoming authorised representatives and joining advisers in client meetings.*

Figure 1. Which part of the advice process will be impacted most in the next five years by technology?



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