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Advice practices need succession plan: Research

BY [DARREN SNYDER](#) | MONDAY, 1 MAY 2017 @ 12:47PM



Financial advice practices remain bullish on business outlook but few hold any long-term strategic plans to capitalise on expected industry growth.

A report published by knowITdigital and Business Health shows one-third of advice practices have a long-term business plan and even less (30%) have any documented succession plan.

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Business Health's Rod Bertino said about all of the 226 participating practices featured in the study were looking to increase profitability and key client numbers.

He said half were looking to introduce income producers to the business as well as bring other advice providers to their respective practices. Forty-six per cent are going to recruit additional support staff.

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Interestingly two-thirds of practice principals said they're not looking to expand their solutions suite in the next 12 to 24 months.

Bertino said although this bullish outlook was testament to advisers' and practice owners' resilience, there must be caution because "most of them don't have solid plans on how they're going to achieve those outcomes."

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"How on earth are they going to realise an acceptable return on their 20 or 30 years of investment. How are they going to realise reasonable capital value if they haven't started thinking through what a successful outcome even looks like," Bertino said.

The Future Ready VII report shows the average age of practice owners is 60 and 71% reported that at least half their revenue came from fees, not commissions.

For the first time in the report's 14-year history, Business Health has assembled a Practice Health Index. It shows the 'health' of Australian planning firms is sitting at 62%, which is deemed healthy according to report co-author Terry Bell.

"It is nevertheless towards the lower end of the 'health' scale. While uplift in revenue and profitability reported by practices over the period (2015-2016) was pleasing to note, as we delve deeper into the fundamentals, it's clear that practices aren't on as solid a foundation as they might first appear to be," Bell said.

knowITdigital chief executive Wayne Wilson said: "What has become clear in the latest report is that the areas that will most impact a practice's success are investment in people and investment in technology. Those businesses that prioritise these areas are more likely to deliver greater profits. Time for action is now."

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