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Research reveals advisers lag on efficiency



Advisers could improve business growth in several key areas

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Advisers were progressing well against the 2019 deadline for the industry's new professional standards regime, but were lagging in several key areas that could improve their efficiency and profitability in the face of further regulatory change, according to new research from Business Health and knowITdigital.

Speaking at a launch event for the Future Ready VII report, which assessed the extent to which 230 advice practices had future-proofed their operations, Business Health owner Rod Bertino said the firm's data revealed advisers were taking the industry's transition to a fully-fledged profession seriously.

"We were pleased to see the shift to professionalism is very much on the way – when you look at the majority of the market, 96 per cent of advisers are members of professional associations and 71 per cent of practices reported at least half of their revenue is coming from fees as opposed to commissions," he said.

"Another one of the big changes we saw with this report is that 69 per cent of practices are issuing an invoice for the preparation of a statement of advice – a lot of expertise goes into those documents and it used to puzzle us why so many advisers would give those away for nothing."

While advisers were getting better at recognising the value they provided clients, many were letting the opportunity to diversify their income stream pass them by, Bertino said.

"In the average practice 53 per cent of clients are over 60 and 44 per cent are already retired – if you are building a business based off superannuation and life insurance, those clients now have different needs for advice, and unless the adviser evolves their offer to address things like aged care and estate planning, those needs could be being served by another professional," he explained.

"What's concerning for us is two thirds of practice principals are not looking to expand their solution suite in the next 12-24 months, so in their mind they have all the solutions their client base needs currently."

Human resources was another area where advisers stood to capture more benefits, as the average practice spent almost \$500,000 a year on staff salaries.

"There are areas where businesses can get better at leveraging that return – only one in three practices said they had a formal position description for every role in their business, and almost half said they didn't have individual performance objectives for all of their team," Bertino said.

"Everyone needs to know what they are responsible for and how it will be measured – without that you have good people working hard but on slightly divergent things from what the principal wants and needs."

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