WORTH PAYING FOR

Sue Viskovic CFP®

Unlocking the value of your RISK ADVICE SERVICE to ensure the successful future of your business and your clients.

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Brought to you by ELIXIR CONSULTING
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ABOUT THE AUTHOR

Sue Viskovic has had a long term love affair with business. She cut her teeth in the competitive world of performing arts and by the tender age of 22 was running a school with more than 500 students and a teaching staff of 20. Discovering her love for business was greater than for the fickle world of the arts, she then moved into commercial property leasing before finding her place in the financial services industry in 1997. Finally, Sue was able to really make a difference to people's lives through improving the delivery of valuable financial advice. Her experience includes banking and funds management, dealer group management and financial advising. Since her early days as a Business Development Manager (BDM) with Challenger International, Sue has always taken a consultative approach to providing support to financial advisers and risk specialists around Australia.

Narrowing her focus to practice management in 2002, Sue joined Bridges Financial Services in a Practice Development Manager role. Later, she decided to put her education to work and experienced running a practice first-hand. She ran the Sydney office of Prosperity Advisers, where she managed teams of financial planners and chartered accountants and provided financial and risk advice to private clients.

Sue returned to practice management at Epic Adviser Solutions/Sentry Group until she founded her own enterprise, Elixir Consulting, in 2007.

Recognising a need for independent research into adviser pricing models, and also sensing a growing need for independent practice management and business coaching, Sue brought together a team of consultants to assist advisers around Australia to improve their businesses, and therefore their quality of advice and the financial outcomes for business owners, their staff and clients.

In 2009, Elixir Consulting released Sue's world-first research report into financial adviser pricing models in Australia, and followed this with a second edition in 2012 and a third in 2015. It was this third edition that revealed a growing trend of advisers starting to charge fees for their risk advice, and so Sue focused her attention on this complex advice area. Her first book, *Pricing Advice*, was released in 2010 and revised in 2013. The corresponding online software program has already helped hundreds of advisers to create and maintain their own pricing models, and has now been updated to capture insurance pricing more comprehensively in time with the release of this book.

Sue is a sought-after speaker and regularly presents at conferences and professional development days. She has become a drawcard who consistently receives strong feedback on her dynamic, engaging and straight-talking style. She has an ability to share often complex concepts in a simple, powerful way that inspires evolved thinking and action. Sue understands the delicate balance between servicing client needs and the practical management of an advice business, and she is passionate about assisting advisers to improve both.

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FOREWORD
BY BRAD FOX AND DANTE DEGORI

The one constant in the financial advice sector is change. It makes our profession vibrant, but also challenging.

AFA and FPA members are currently experiencing significant change in a number of areas, not the least of which in the provision of life insurance advice. As with all services industries, consumers are becoming more demanding, more fickle and more aware of alternative service options. Combined with the current political, economic, technological, societal and legislative environments, it's a powerful force that is driving down adviser commissions on insurance advice.

In response to these forces, our members are being forced to rethink their business models, pricing techniques and value propositions.

As the leaders of Australia's two most prominent professional associations for advisers, we know our members realise how important it is for consumers to get quality advice and act on it so their families are protected. At a time when alternative distribution methods of life insurance have created such inferior products to the retail policies obtained under professional advice, the role of advisers is clearly vital for consumers.

Yet many advisers will find that the business models that worked in the past will be less successful under the new life insurance reforms. They must evolve their service offers and pricing policies if they are to continue to deliver much-needed advice. This will involve acquiring new skills, evolving their businesses and moving into unchartered waters.

The best way to do this is to learn from others who have succeeded, research alternative methods and seek out different views. *Worth Paying For* provides all this information in one place.

We are delighted that Sue Viskovic has chosen to share her considerable experience - and that of her Elixir Consulting team - with the rest of our profession. Having their tools, resources and research distilled into one book gives advisers who want to evolve their risk advice offer an enormous head start, and the confidence to pursue a task that would otherwise be daunting.

We need a thriving advice community to assist as many Australians as possible to achieve financial independence and live the lives they choose. Appropriate insurance is a critical parachute that will protect that independence in their time of need. As a profession, we have a duty to ensure we can continue to help clients pack their parachutes, and we are sure this book will help many advisers to meet that obligation.

Brad Fox
CEO
Association of
Financial Advisers (AFA)

Dante DeGori
CEO
Financial Planning
Association (FPA)

“YOU JUMP OUT OF A PLANE, YOU PULL THE CORD… YOU WANT IT TO OPEN, RIGHT?”

INTRODUCTION

The cover design of this book is inspired by one of my favourite analogies. You know the one: insurance policies are like parachutes – you want to select the perfect one to suit you and you want to make sure it was packed properly because you only get one shot.

You jump out of a plane, you pull the cord … you want it to open, right? If you get sick or have an accident or die, when you pull that cord you want to know your insurance is going to pay out. THAT is the only time you really know if you've got the right policy.

Personally, I would never jump out of a plane without having relied on an expert to select and pack my 'chute, just as I would never put my family at risk without having relied on a professional to select and place my insurance.

My experience in the financial services industry dates back to 1998, but my awareness of the importance of life insurance originated in childhood when my father was an agent for AMP and then Australian Eagle Insurance (now MLC). During my tenure as a financial adviser (wanting to put my CFP to good use before returning full circle to assisting advisers), I did my best to ensure all my clients were adequately insured. I've had the procrastinators, the cleanskins, the underwriting nightmares, the clients with loadings and exclusions and I've helped out with more than a few claims.

My belief is that good risk advice is vital. I've put more than one nose out of joint by saying that I believe if you're any sort of financial adviser and you deal with clients who are under the age of 65 and not wealthy enough to self-insure, then you are negligent if you don't ensure they get their insurances sorted properly. I don't care if you do it yourself or refer it on to a risk adviser, but make every effort to ensure your clients are covered.

My fascination with adviser pricing models goes back over a decade. Through my business coaching service, I have assisted many advisers to transition their business to a fee-for-service model and I have been struck by the complexities involved. The first instinct of many advisers when they start down this path is to ask: "How does everyone else charge?" In 2007, my ability to answer that question was limited to those businesses I had direct involvement with – still a significant and broad group but not broad enough. However, when I sought research on the subject, I discovered there wasn't any. So it was then that I embarked upon the task of researching how individual advice firms price their services – an onerous and rewarding task that has canvassed more than 800 businesses. *The Elixir Consulting Adviser Pricing Models Research Report* was published in 2009 and, with the help of the awesome Lana Clark in my team, revised and republished in 2012 and 2015.

I have since travelled Australia, speaking at conferences and working with hundreds of advisers to assist them along their own pricing journeys. Using my first-hand experience as well as that of my team and evidence-based research, I created the Pricing Advice™ Program, which includes a book and software program, to provide helpful advice and proven methodologies to advisers in the creation – or evolution - of their own pricing models. My system has been adopted by a number of licensees and hundreds of advisers to create pricing models tailored specifically to their own businesses. I have been thrilled to receive many emails and telephone calls from happy advisers who have found my program to be a pragmatic, effective way to evolve their pricing system and ease their transition to a successful future without commissions.

My first book *Pricing Advice* has sold more than 3500 copies and been met with generous enthusiasm by advisers right around the world. It was designed primarily for financial advisers who provide comprehensive advice to their clients, which may or may not include insurance advice. Until recently, insurance commissions were still a viable source of revenue for risk advice and I found most advisers were happy to continue receiving risk commissions in addition to charging fees for their comprehensive and strategic advice. In the last five years, however, we have worked with more and more risk-only specialists who are now experiencing some of the pricing pressure their counterparts in financial advice have been through, with the new Life Insurance Framework (LIF) reducing their commission payments and placing more onerous clawback provisions on their income.

While most advisers chose to keep receiving commissions on insurance (because they could), there has been an emerging group of 'early adopters' who have chosen to remove commissions altogether and have successfully provided their entire advice offering on a fee-only basis. Significantly, and much to the surprise of many risk specialists, these early adopters have been able to provide risk-only advice (as well as comprehensive advice that incudes risk) on a fee basis. Charging a fee for insurance advice is certainly more complex than for financial advice – there are many nuances and variables that are difficult to quantify – but it is indeed doable.

As I travelled the country in 2015, speaking at two separate national roadshows, I discovered just how dire the lack of knowledge was on this subject. So I decided to write a book that focused on pricing insurance advice. This book is written for both specialist risk insurance advisers and comprehensive financial advisers who provide advice on risk insurance as part of their offering, and is designed to help them determine the amount of income they need in return for delivering their services in risk advice. HOW they ultimately choose to receive that income is also part of the thought process I cover in these pages. Very few advisers will find that the new version of commissions will be sufficient to cover a comprehensive risk advice service – most will make a decision to either supplement or replace commission with fees.

There are a number of reasons I wrote this book:

- After researching the financial impact the LIF will have on advice businesses, and assessing the average cost of providing advice against the average insurance premiums written, I know that most businesses won't generate sufficient revenue from the new commission structures to keep themselves in business. Not only do we need to have successful, high quality, passionate advisers out there helping consumers take control of their financial future and insure their families effectively, it's incredibly important that those in business today are still here to help their clients through claims they may have long into the future.
- Due to the historical nature of insurance commissions, most advisers have never had to spend time reviewing what it costs them to deliver their services because their prices were set by the insurance companies whose products they used. While there are many who have already been charging fees (either instead of or in addition to commissions), the large majority of advisers are still grappling with the mindset that "clients won't pay for risk advice".
- Above all, my most recent reminder (to add to the many I've collected over the years) was when I lost a good friend to cancer last year. If she had received expert advice prior to becoming ill, she wouldn't have relied on inadequate group cover provided within her industry fund. Had she not had expert assistance with her claim, she would not have received benefits while she was undergoing treatment, and her three children and widower would be $200k worse off – the traumatic result of a super fund admin error that only an adviser could have picked up on and fought. Having a professional adviser at claim time only came about because of a friendship, and I know the tangible difference it made to her, to see those funds in their bank account before she passed. She knew that while it is a dreadful tragedy for children to lose their mother at the ages of 6, 9 and 19, at least their basic needs would still be met and they could remain in the family home where all their precious memories reside.

The bottom line is, professional advisers who help their clients to implement effective insurance cover, and to claim on it when required, are invaluable and critical. While you may be misunderstood by the mainstream media and regulators, many of you are unsung heroes. What you do is incredibly valuable and meaningful. I feel an obligation to share my knowledge with you and help you move through the challenges you will experience in pricing your services. At the end of the day, I want to help you continue to build a profitable business so that you can help more and more people in their time of need (and before).

I hope this book helps you move through this challenging phase of your professional career. I'd love to hear from you and I encourage you to reach out and share your story on our Elixir Consulting Facebook page **www.facebook.com/ElixirCoaches**. If you'd prefer to contact me privately, you can reach me at ***sue@elixirconsulting.com.au***.

Sue Viskovic, Author and
Managing Director, Elixir Consulting.

"IT'S TIME TO GET A GOOD HANDLE ON HOW YOU ARE PAID FOR YOUR SERVICES."

CHAPTER ONE

PRICING INSURANCE ADVICE: CHALLENGING, NOT IMPOSSIBLE

There are 27 businesses we found in our last research that provide insurance advice on a standalone basis for a fee (and receive nil commission). That's just from our sample case of 275 businesses. I've since been contacted by others who are doing the same. The one argument I always get from risk advisers on that point, however, is that these businesses are all 'holistic' advice businesses – financial planners who must be bundling or subsidising their risk advice with their wealth advice. They assume there are no risk specialist advisers that have eradicated commissions from their business, so therefore it can't be done. This is not the case. The simple explanation for this finding is that risk advisers have not been forced into charging fees and therefore have largely stuck with the status quo of receiving commissions. Why fix something that ain't necessarily broke – especially when the adviser down the road will sell their services for 'free' (as opposed to having to pay a fee plus the insurance premium)?

On the other hand, financial advisers have had practice at charging fees for their investment advice since FoFA forced them to do so with the eradication of investment commissions in 2013. They're more confident in articulating the value of their advice and asking for a fee and they have seen the positive effect this has had on their business. They *chose* to deliver their risk advice on the same basis. That is not to say there are no specialist risk advisers charging fees. There are a great many who have, for some time, been subsidising their commissions with fees in an effort to remove their reliance on policies completing and to gain greater commitment from their clients. You'll hear from one such adviser at the end of this chapter.

Advisers (both financial and risk specialists) who have always received commissions for their insurance advice often tell me they don't believe that clients will pay a fee for their advice. For many, they don't even know where to start to price what it costs them. And why should they? Necessity is the mother of invention. You've been sailing along nicely until now. If you don't accurately know what it costs you to deliver your services or how much you 'should' be making from each client, it hasn't really mattered. You've made a profit at the end of each year, right? Happy days.

Well, that's all about to change. At the time of going to print, the new Life Insurance Framework (LIF) is set to change the life insurance commission models for good. Whatever the final reforms look like, there will be a reduction in commission rates. If there's no change to the LIF, insurance commissions effectively halving within a three-year period will mean you will take a significant hit to cashflow for a number of years before the increased trail commissions kick in to offset the reduced upfronts. Depending on the ratio of initial vs renewal income in your business and the income method you currently use, it's likely you will see a decline in income over a number of years before the increased renewal income has a positive effect on your cashflow. In fact, in studies we conducted with risk advisers in late 2015, most of your peers found that it would take 5–7 years before income returned to current levels if they're using the upfront commission option now.

There has been a flurry of conspiracy theories about how the LIF came about – a popular one being that it's purely a push for greater profits by the life insurers. While some were taken by surprise, it's not hard to see that insurance commissions have been under threat for some time. Consumer groups, government and our friends at the industry super funds have been gunning for commissions for years, and while I'm sure you personally have never allowed commissions to reduce the quality of your advice, there's no denying there has been some poor behaviour demonstrated by advisers who were motivated by the insurance commission structure.

Since FoFA was introduced, there have already been challenges with insurance remuneration, as commissions were banned on group policies inside super and individual policies within default funds. The LIF will effectively halve the amount of upfront commission that advisers can earn on all other policies and we're already on notice that it will be reviewed in two years' time. If the LIF hasn't achieved the 'behavioural change' the government is seeking, further changes will occur. While there's been a lot of pushback to the LIF from advisers, let's not forget that the Financial System Inquiry recommended even more drastic changes – that commissions be capped at a 20% level structure. There are many who believe this is the thin end of the wedge and that insurance commissions will be eradicated completely within as little as five years.

I'm not going to pull out my crystal ball on this one, but you'd have to be either stubborn or stupid not to at least consider that it is time to get a good handle on how you are paid for your services. You're clearly neither of these if you're sufficiently interested to read this book.

Let me reiterate: this book is not designed to convince you to get rid of commissions altogether and start charging fees for all your risk advice. Rather, it is designed to enable you to get a better handle on the way you deliver your services, to understand what it costs you to deliver those services and to make a business decision about the best way for you to be paid for those services in future. You don't have to be a price-taker, as you may have been in the past. While getting paid by commission has worked for you and your clients to date, it is in fact a system with many flaws – and I'm talking about flaws from your business perspective. My hope is that as you work through the process in this book, you'll arrive at a new model that is unique to your business – one that reduces the impact of some of the flaws of the current system and increases the sustainability of your business.

Whether you ultimately choose to subsidise or replace commissions with fees, this book will get you to a point where you have created a model that manages the delicate balance between being attractive to your clients, shortening the timeframe in which you get paid, firming up your profit margin and reducing the amount of work you do for free (you know, those clients who don't complete after you've put in weeks of work).

I can tell you that if you've never charged a fee for your services, it is going to take you some time to get comfortable with it. Navigating this process to get clearer about your services and to make a conscious decision about how you'll charge for them will stand you in good stead, whatever the future holds.

Spoiler alert: I'm going to sum up the number-crunching parts of this book in a few paragraphs right now, to give you context before I provide the full explanation on *how* to do these items in further chapters. When you get to the point of working out what it costs you to deliver your advice, here's the nutshell approach:

1. Run a calculation using your business overheads and the chargeable staff time you have in the business to arrive at a charge-out rate (my advice is to ensure this rate includes your desired profit margin). I suggest you determine a different rate for the varied level of service providers in your business (e.g. adviser, paraplanner, support staff rates).
2. List the process you use to engage clients and get them covered.
3. Consider a 'typical' client and estimate the average time it takes to service them and get your advice implemented – again, break it down into the different service providers involved in the process (adviser, paraplanner, support staff).
4. Consider the time it takes to deliver the ongoing services that you provide to your clients and perhaps create two or three different packages to suit different types of clients.
5. Multiply the time by the charge-out rate(s) to arrive at the minimum recoverable amount you need in order to make a profit on your services.

6. Develop a methodology where you can apply a value overlay for those clients who will either be more complex than your 'typical' clients, and/or will obtain substantially greater value and have capacity to pay for that value.

If you saw me speak at the AFA Roadshow in 2015, or you've read the Elixir submission to the *Trowbridge Report*, you will recall the back-of-the-envelope calculation I shared. This revealed that after considering the work involved in implementing insurance for a client, many advisers will discover their minimum recoverable amount per client will be at least $3,400 + GST. Does that mean you can skip straight to the bit where I tell you how you can find clients who will pay you that and we're done? No. I think you already know it's not that easy. It's really important that no adviser takes this estimate as a given. You need to do the calculation in your own business to arrive at the correct minimum recoverable amount for your unique cost base, capacity and client base. And while you do that, you'll reflect on how you deliver your services, and likely make some tweaks here and there.

Note that I use the term 'minimum recoverable amount'. Let's shorten it to MRA. The MRA refers to the minimum amount of remuneration that you will aim to obtain for each client engagement. This is the income you need – and this is an incredibly important part of your process – before you make the decision whether to obtain that income by commission, a hybrid of fees plus commission, or via fees alone. Clawbacks must also be accounted for in this MRA, as should time spent to handle claims on behalf of clients if you choose not to charge each individual client at the time of claim (see chapter 21). You will need to know your MRA to service a new client, as well as an annual MRA for your ongoing services and an MRA to implement new advice for an existing client. You'll also need to know how to price your services when you have a client with more complex needs than your 'typical' client.

Before we proceed, there are a number of shortcomings in this process:

- It is incredibly difficult to estimate a 'typical' client, particularly for a risk proposition. Even if you required your staff to use timesheets accurately for months (and I advise against this), there will be variances in different client circumstances and external factors outside your control. The time required, therefore, to help one client may vary significantly from the next.

- There are times when staff may have more 'non-chargeable' time in their week due to external factors such as updating compliance and/or education requirements, IT malfunctions, etc.
- Just because your team has a certain amount of time available to do chargeable work doesn't mean you always have the chargeable work for them to do.

Despite these challenges, it's so important to undertake this process in your business, because overheads will vary. Some businesses spend more time marketing to grow their lead flow, while others spend more time fixing challenges in a mature business.

With all these shortcomings, why do we espouse this process? In all my experience, I have learnt that determining your business's MRA plays a critical function on both a technical and psychological level.

Before you can effectively restructure your business model and have the conviction to position a fee (or hybrid model) to your clients, you need to be totally convinced that it is the right thing to do for your business and for your client. If you are approaching your business restructure with the right mindset, the act of crunching the numbers to arrive at your MRA boosts your confidence to quote a fee. You 'own' it because you have seen for yourself what it will cost you if you under-charge.

If you're still mourning the loss of high upfront commissions and resisting the need to evolve your model, the psychological effect of calculating your MRA actually leads you towards the right mindset: the understanding that if you do not switch your mind to evolving, you will struggle to earn enough to cover your costs. On a technical level, the MRA defines the minimum level at which you will structure your targeted clientele and value proposition. Without this 'science' at the start of the evolution process, many advisers will underestimate the cost of their business and undervalue their services.

That said, the amount you need to make to cover your costs and make a profit is actually quite distinct from the value you're providing to your clients. If you find your MRA exceeds the value the client will receive, you will either improve your efficiencies to reduce your MRA or refer the client on to a different service provider who can satisfy their needs with a process and cost that will deliver them value. You will recognise that it's okay to refer clients with relatively simple insurance needs to a provider that can service them with a simple process and product, and you will seek to reserve your valuable advice process and knowledge for those higher up on the 'complexity scale'. Herein lies the art of pricing: to quantify value to a client when often what they value most are the intangible factors of convenience, experience, accountability and peace of mind.

While we're talking risk advice, there are many factors that are outside the control of the adviser and often even the client. As you move through this book, I'll help you quantify the challenges and give you potential solutions so that the model you end up with will stand you in good stead for whatever the legislators throw at you next.

I know an awful lot about the process, the difficulties, the emotion and the ramifications of changing the pricing model of an advice business. To charge fees for what you do, you need to be confident in the structure you have built – the only way to gain that confidence is to have a robust process.

This book will help you with the thought process and provide lots of answers to your questions and challenges. If you're serious about doing this thoroughly, you'll want to access my company's Pricing Advice™ software to crunch your numbers and manage the process. The smallest benefit of doing so will be that you collect Continuing Professional Development (CPD) points. Far more powerful than that will be the ability to crunch different scenarios – stress-testing different business conditions, overheads and growth phases. You'll gain access to all the templates you'll need to implement your new pricing model (think client engagement letters, service agreements and claims management guarantees). You'll also be able to revisit calculations each year to ensure you're staying on your game. Furthermore, you'll be able to benchmark your pricing against others in the system, to get a feel for where your pricing sits against your peers.

When you're ready, jump onto **elixirconsulting.com.au/pricingadvice** to gain access.

CHAPTER TWO
SPEAKING FROM EXPERIENCE
PJ BYRNE

Speaking from experience...

PJ Byrne joined me on the AFA Roadshow in 2015, where we talked about charging fees for insurance advice. PJ runs a risk specialist business in Brisbane – he is literally 'Mr Insurance' - that's the name of his business. He shares his experience here. *www.weinsure.com.au*

"I started charging clients fees in January 2015 because we didn't want to do any more free work. As a risk specialist business, if someone wanted a quote or insurance advice, we had to do all the running around – the research, pre-assessment, quotes and so on - then present the SOA. Then that person may or may not have proceeded, so we may or may not have been remunerated. Yet we'd already invested a lot of time, money and resources into the process.

How did we introduce fees? We took a small step and charged a small fee for initial advice and the SOA, receiving the hybrid commission option as implementation and ongoing remuneration for our ongoing care and service package. This fee simply reflected our commercial cost to have the SOA prepared by an outsourced paraplanner. Since then, we've increased our fees and are continuing to work on our model using the process outlined in this book.

When we first started charging, the most difficult part was actually asking *for the fee. And the fear of rejection - the fear of potentially losing the prospect.*

The outcome of working through that has been overwhelmingly positive. We now have a more professional relationship with the clients who choose to proceed with our advice fee, we have 100% conversion to date from recommendations to implementation, and our average premium written is significantly higher than before we introduced fees. Once someone has paid for advice, they're in a professional service relationship with you - it's totally different. They're invested. They will call you back and follow up on what they have to get done for you.

Although 30% of prospects don't see value in paying for our advice and therefore don't proceed any further than their initial enquiry, we've not used any resources or incurred any expenses on these prospects and have re-allocated our time and efforts into looking after new and existing clients.

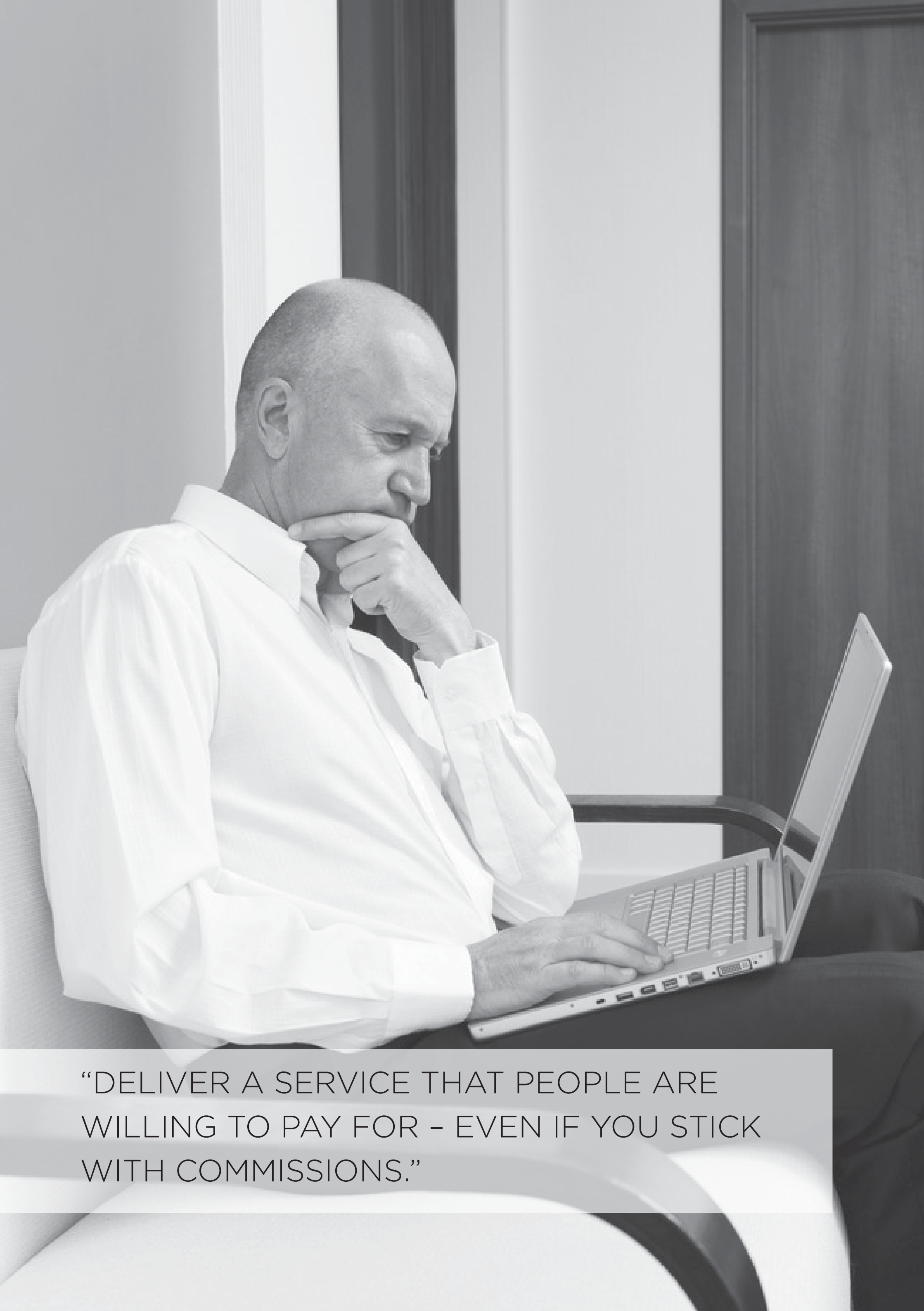
When we receive an enquiry, we talk about the value of advice and why you should pay for advice; we tell people that "we don't do quotes". Once they understand what advice is and the benefits that come with it, they can make an informed decision.

One thing we did that made us feel better is that we have a documented money-back guarantee for our advice fee. After they receive advice, if a client feels they didn't receive value, they can ask for a fee refund and we will do it, no questions asked. We explain that it's like an insurance policy for the client - they have nothing to lose. We've been doing this for almost 18 months now and to date, not a single client has chosen to act on that guarantee. That really helped us to overcome any objection to paying a fee.

In the past, we may have provided a service based purely on life insurance because that's what our prospects were asking for. Now our service has *evolved. By going through a comprehensive process, clients are aware of all their options and make fully informed decisions. They are more educated about every aspect of our advice - life/TPD/trauma/income protection, stepped and level, funding inside and outside super, they go through the whole education process. And because we've started with a professional relationship, we can already see it having a positive impact on the high retention rates we already had. If your clients don't buy you on price, they won't leave you on price.*

As business owners, you have to know how much it costs to do business then choose who you do business with. Going through this process has helped us to design the way we want to run our business and service clients. We want to determine our future and not have the industry make decisions for us. I can now get to do what I love and be profitable and sustainable so we can look after our clients for the long term.

The biggest tip I would give others starting down this path? Just start. The fear was mine, not my clients'."



"DELIVER A SERVICE THAT PEOPLE ARE WILLING TO PAY FOR – EVEN IF YOU STICK WITH COMMISSIONS."

CHAPTER THREE
WHY WOULD A CLIENT PAY FOR RISK ADVICE?

If the title of this chapter didn't immediately make you think "Why would they not?", then you should really pay close attention to the following pages.

Now, don't overreact, yell at me through the page and say "But you said you weren't going to force me to charge fees!" Just think about this for a moment. I know how difficult it seems to think about any other pay structure when you have only ever received commissions for your services. I know just how many challenges there are. Insurance is different – and there's a whole chapter on that coming up.

Your aim should be to deliver a service that people are willing to pay for – even if you choose to continue to receive commissions for what you do. So for the rest of this book, I will give you suggestions about how you can do that, all the while knowing that you may still choose to include commissions in your remuneration structure. I know that before an adviser can confidently propose a fee to a client, you first must overcome your own objections.

Those who have always been paid by commission find it difficult to imagine any other way and yet those who look on from other fields question how someone could so vehemently defend the receipt of commissions and violently oppose the need to ask for someone to pay for the valuable services they provide. If you're really not providing a valuable service, then you shouldn't be getting paid to do what you do at all!

Pretend for just a moment that you aren't in the business of advice. Put yourself in the shoes of a potential client who could gain so much from engaging you. Ask yourself: when you think of someone who gets paid by commission, what type of person comes to mind? I asked that question to a group of friends outside the industry recently. A whole range of people answered – people who would be really great clients for a good adviser. The answers they gave were: Thermomix, party plan sales, car salesman, pyramid sales, real estate agent, recruitment agent, gym membership salesperson and, yes, someone even said financial planner. Stay in that zone and then ask yourself why these people get paid by commission – and who pays them? They're all sales people. In every other instance I can think of in which people are paid a commission, they are paid by the vendor of a product on a commission basis when they successfully move the product on behalf of the vendor. The purpose of the commission structure is to motivate them to either sell higher volumes of the product or to secure the highest price.

So it's not that hard to make the link: if you expect a salesperson on commission to be acting on behalf of the vendor, all they want to do is sell you their product.

Now, get back into your own shoes. Is that really what you do? Are you just an insurance salesperson? Of course you're not. Yes, you use insurance as the means to an end to help your clients cover the risks they face, but just about every adviser I know does so much more than simply sell insurance. Even before they get anywhere near an insurance product, they provide a lot of value to clients in even getting them to consider their own mortality and put some type of plan in place to help themselves and their families in the event a tragedy occurs.

They act as professional advisers who represent their clients and assist them to find the right policies, with the right levels of cover and with the right insurance companies for their specific needs. If their clients ever need to claim, they act as their advocate and liaise with the insurers to secure a stress-free (or at least stress-minimised) claim on behalf of their clients. Advisers have been conditioned to believe that commissions work well for insurance because that's all they've ever known. The days of tied agents are long gone; today, advisers act in the interests of their client and source the best product, keeping the insurers accountable and making sure their clients get the best cover they can afford. Advisers have changed, but their remuneration model hasn't necessarily kept up.

One objection I hear often is: "Charging a fee is not in my clients' best interests because they will have to pay my fee in addition to the insurance premium, and they won't want to do that – plus it will end up being more expensive than it is now."

The trick here is to separate out your advice from the product itself.

We can take a lesson here from the advisers who are successfully providing insurance advice on nil commissions – entirely fee-based. The greatest distinction is that these advisers separate out the value of their service from the value and cost of the insurance premium itself. In one respect, they are actually 'selling' two different things – both their advice and service and the insurance. Their clients understand their adviser works for them (not the insurer) and by taking advice from their chosen adviser, they can also obtain a 25-30% discount for the life of their policy. The client doesn't compare this to insurance by itself because they have chosen to have their adviser in their corner to ensure it is all set up properly, and when it is positioned properly to them, they understand the requirement to pay for this professional service.

When I go to an architect, do I expect advice on my home for free? If I want more than just a simple, off-the-plan house built, I will engage someone to design it and potentially even project-manage it to keep the builders on schedule and honest. Do I argue against paying for the architect's advice, given the fact that I will still need to pay for the building materials to implement their advice/design? Of course not – they are two separate things.

The equivalent analogy in personal insurance is that direct or group insurance is the off-the-plan house, although every adviser knows this is much, much more dangerous, as what you see is very rarely what you get. Part of the answer in helping clients understand why your advice is worth paying for is to understand just what they're not getting when they opt for a simple, direct policy without taking advice.

I've heard on many occasions that insurance needs to be sold – it is not bought. I've heard that people don't wake up one morning and think 'I want to buy life insurance today'. That is probably right, but I guarantee you that people do lie awake at night thinking 'What will happen to my kids if something happened to me?', especially if they have someone in their close network who has suffered a catastrophe that has brought home the reality that they aren't, after all, bulletproof, and that sometimes bad things do happen to good people.

Sometimes when I speak with advisers, the only thing holding them back from receiving fees is their own headspace. Sometimes they need to improve their offering, but often they don't need to change the service they're providing at all – they simply need to articulate it better. The best way to do that is to look at the service through the eyes of someone who really benefits from it and doesn't have the depth of knowledge and experience that an adviser does.

It may seem like pure semantics, but there are nuances to a service that clients are prepared to pay for. It makes sense that you be paid in commission from the insurer if you sell life insurance, but providing 'family protection advice', a 'risk management strategy', 'crisis management plan', 'disaster recovery plan', 'what-if plan' or 'safety net plan' that will likely include insurance? That's slightly different.

Let's reconsider the sort of professional service that clients will pay for.

- Many people don't like taking the emotional journey of confronting their own mortality and imagining a world in which their children don't get to grow up with them in their life. Left to their own devices, many couples would prefer to even start an argument over who does the dishes or simply watch mindless TV rather than have that conversation. A great adviser will support their clients through that emotional discussion of confronting the 'what if's', gently forcing them to voice their fears in a safe environment and empowering them to quantify the risks and put a plan in place to manage them as best as possible.

- A great adviser will quantify the risks and reveal the alternatives that clients have in different scenarios (either one dies, both die, either/or are incapacitated). If your proposition was to analyse the risks a family faces and put solutions in place to mitigate those risks in the best way possible, insurance becomes a tool in your kitbag. Your advice includes the alternatives the family has, even if they don't get new insurance cover – most people nowadays will already have some level of cover, however insufficient that may be, and they may have some assets they can liquidate. You can also help by providing them with information on what government assistance they may apply for in the event of a catastrophe.
- You help them analyse whatever cover they currently have, educate them about what types of cover there are and what is the optimum mix for them and then crunch the numbers to determine not only the right levels of cover but the right types of cover, with the right features and benefits to suit their unique situation and budget.
- You'll ensure all the technical details of their cover are handled properly. Without you, most clients would be lost when determining the best way to structure the ownership of their policies so that they can minimise tax payable, both on the premiums they pay and also on any payout that they may receive. You can assist them to understand the pros and cons of holding insurance via superannuation, considering such things as the harsh conditions of release for TPD. You can also help them make an informed decision about whether to select level or stepped premiums, agreed value or indemnity, any- or own- occupation, bundled or standalone policies, and so on.
- You help them determine the right insurer for their needs and, if you're doing your job well, work with them to determine the right balance between the optimum mix of cover and what they can actually afford. Here's a tip: if you find that you have a high percentage of clients who only implement a portion of what you recommend, you need to rethink your approach. This is not about 'pitch high and hope for the best' –

when you truly act as your clients' adviser, you certainly highlight the optimum cover but also work with them to find the levels that will be adequate and not send them broke.

- Once you've helped them decide on what, how, and how much to implement, you help them to understand and work through the underwriting and application process, keeping it moving and often negotiating with the underwriters to get the best offer possible.
- Perhaps one of the most valuable things about having an adviser is the ability to call on you when something goes wrong. Your clients take satisfaction that you will know if they should make a claim, and you will handle the paperwork and liaise with the insurer.
- When that claim is paid, a good adviser will help ensure the proceeds are received and utilised in the most tax-effective way that will achieve the best outcome for the remaining family (think lump sum, reversionary pension, early release, and all the other options that confuse even the healthiest of people).

None of these important activities can be done through direct insurance, and they most certainly are not done when a client simply has default cover in their super fund.

Great advisers teach their clients (and prospects) that there is no point in seeking the cheapest insurance policy without an adviser, as insurance gets really expensive if it doesn't pay out at claim time.

You inherently know that what you do is really important and there are statistics to back you up.

Did you know that in 2015*, insurers paid out $7.2 billion in claims payouts to clients in need? Did you also know that $5.3 billion of that went to clients who had their policies put in place by an adviser? Think about how powerful that is!

**These are numbers quoted by the AFA from research conducted by KPMG.*

CHAPTER FOUR
SPEAKING FROM EXPERIENCE
ANTHONY WARR

Anthony Warr is a director of Warr Hunt, a full service advice firm based in Melbourne.
www.warrhunt.com.au

"Where did we start?

We've successfully been charging fixed fees and not receiving commissions for insurance advice since 2005.

We looked at the information we had in our business and used technology to evaluate the cost of services to clients of different types. We now know what the services cost, so we can then apply a profit margin reward for value-add and for business risk associated with complex cases.

We let our clients know that when we implement their insurance, they'll be saving at least 30% per annum in premium due to commission removal, locked in for the life of their product.

We spent a number of years providing insurance-only advice for clients, on the basis that we would likely take care of their additional needs over time. We found that many of those clients didn't actually engage further than their personal insurance needs, so we no longer take on clients who don't want our complete advice proposition. But we rest easy knowing all of those clients received quality advice, paid us a fixed fee, and pay significantly less for insurance than if they had received it on a commission model.

We build in a simple review service based on goals and financials, which is part of our overall financial and wealth management ongoing fee. Any major change in cover and/or product will be priced separately.

Everything is a learning experience. We use our best estimate to price each client, then we look back at what jobs have cost us and learn from the experience.

What advice would I provide to those struggling with the concept of fees for insurance advice?

Advisers need a fundamental change in mindset. Commission structures bear no resemblance to the cost and value of delivering professional advice and administrative services.

When I hear someone say "on commission I would earn $10,000, so how do I invoice a client and get them to pay $10,000 for this job?", I believe this is a legacy of the past and letting product manufacturers set the price.

Consider the fact that we are in the business of providing professional services. We must be thinking "what is the job to be done and what is the value of that job?"

We are in a unique position to change. Good advice businesses have data, and if you're smart, you should spend a few months analysing how long it takes to deliver insurance advice to a variety of clients. Once you have enough evidence to evaluate what it costs to deliver the service, then price it.

Don't underestimate the value of being paid independently of product and the trust that comes from that.

The future? There is a major disruption arising in financial services and advice. The evidence is clear that demographic, technological and economic change will impact greatly on how we do business in the future.

At Warr Hunt, we believe that, as a profession, we need to set the price for advice ourselves."

“THERE IS NO SINGLE MODEL THAT IS FLAWLESS FOR PRICING INSURANCE ADVICE.”

CHAPTER FIVE
WHAT ARE YOUR OPTIONS FOR PRICING INSURANCE ADVICE?

In order to narrow your thinking on what model you will choose to move forward with, it's important to consider what options you have for the high-level structure of your pricing model for insurance advice. The options are:

- **Commission only.** Accept the lower levels of initial commission in the new commission structure.
- **Advice fee plus commission.** Charge your clients an explicit fee for your advice and also receive the commission (either on hybrid or level).
- **Fees only.** Nil commission.

As with pricing other types of advice, there is no single model that is flawless for pricing insurance advice. The best option will come down to the ideals of the adviser, the type of clients you're working with (their needs, complexities and views), the service proposition you deliver and the outcomes you're looking to achieve for the business. You may even choose your preferred model and then give your clients the choice as to which model they choose (Adam Smith is making this work well as you can see in chapter 9).

In this chapter, I'll share some tips on how to make each of the models work and reveal some examples of models that are being used in businesses today. The next chapter on challenges provides a table that summarises which of the models work to meet the different challenges of pricing your insurance advice. With all this knowledge, you'll be able to reflect on your options and make an informed decision about what will work best for you and your clients.

The one overriding piece of advice I will give you is this: there are many complexities to consider when pricing insurance advice but your goal should be to design a pricing model that is as simple as possible. Granted, you'll need to spend more time than you probably have in the past explaining how you get paid for the amazing work that you do, but there are enough confusing things to learn about insurance itself and if you confuse people too much about how you'll get paid, you might find them backing away in fear.

Two models to avoid

While you have choices in the models you can create, I would caution you on two options to avoid.

1. Receiving, then refunding commission

The first model to avoid is charging a fee, receiving commissions and then physically refunding some or all of the commission to your clients. I know of advisers who have tried this in the past and stopped doing so because of the administrative burden it placed on their business. Not only does it require significant focus on reconciliation and GST calculations, but if your licensee fees include a percentage split of your revenue, you'll need to ensure the licensee does not take their split on the insurance commission before passing it through to you (on its way back to the client). This method is also problematic if their policy lapses early and the insurer claws back some or all of your commission. Often a better alternative is to simply charge the fee and then write the policy as a wholesale policy in order to secure a discount that is passed on to the client immediately.

The second option I would caution you strongly against is to charge by the hour retrospectively.

2. Charging by the hour

Where you charge a fee, I recommend you charge a fixed fee rather than an hourly rate. I believe that for the sake of the client, as well as for your business, time-based billing is not an appropriate charging model for risk or financial advice. I am referring here to the practice of charging clients for the amount of time it takes to complete work on a retrospective basis.

From a business management perspective, it is important to know the time spent and costs incurred to deliver advice to clients in order to ensure that the fees charged at least cover your outlay. Our suggested method in this book will allow you to do this. However, advisers should use their Minimum Recoverable Amount (MRA) as a guide only and create a fee model around it.

Clients are looking for answers and outcomes. There are numerous arguments against charging for risk advice by the hour, and I summarise them here, looking from the client's perspective first.

Hourly fees are bad for the client

- Time-based fees are perceived to be unethical – it's always in the client's best interests to get the job done efficiently, but time-based billing rewards the adviser who takes longer to get the work done.
- Time-based billing will discourage client contact. Your clients should not have to make an investment decision every time they want to talk to you. They should feel comfortable that they can ask you a question, discuss any fears, request more information or clarify your advice without having to worry about getting billed more.
- Most people hate surprises, especially when opening a bill. Time-based billing means that the client is billed after the event, when it is too late for them to decide whether they feel the amount is reasonable for the value they received. When the focus is on a long-term relationship, why create the potential for disputes over the issue of fees when it is so easily avoidable?

Hourly fees are bad for your business

- Prudent financial management says maximise your bottom line and minimise your overheads, and in an advice business, staffing costs are usually the biggest outlay. How do you minimise your overheads if you charge hourly fees? The only way to grow your business is to grow your overheads. If you are selling time, then the only way to generate more revenue is to employ more staff, whose time you will sell. Anyone who has made a poor choice of staff member will attest that staffing is one of the greatest risks in your business. The wrong people can cost you a great deal more than the salary they are paid.
- How do you account for all of the time spent that is not specifically attributed to one client, such as attending conferences, analysing legislative changes and their impact on strategies, researching new policy upgrades and different insurers? My solution is to consider this non-billable time and build it into your charge-out rate that you'll use as the basis of your pricing model.
- Time-based billing creates a significant administrative burden for a business as well as the cost to purchase software. Assuming everyone will be diligent about logging their entire day into their time sheets, once a month the whole firm shuts down to do billing – hours are tallied, bills are collated, and then clients are invoiced (or held in WIP until the job is completed). In most accounting firms, a partner will view the time billed and often 'write down' work that seems excessive, leading most to question why they bothered keeping timesheets in the first place. Invoices are then created and sent out, and someone has to chase up the debtors. Time-based billing in arrears (as it must be, by its very nature) means that accounts will vary from month to month, so an automated payment system cannot be established. Not only does this create inconvenience for the client, but it adds further administrative time and cost as previously noted.

As is often the case, there is an exception to this rule

You may set a fixed fee for your advice on the proviso that the client's situation is as it appears, and provide a timeframe (say, six weeks) for completion of underwriting. You may reserve the right to bill the client on a time basis on top of your fixed fee if it turns out that you have a lot more work to do to get them through underwriting. You may also choose to charge a time-based fee for managing claims, and we'll drill down into that in chapter 21.

So let's investigate the viable options a little further.

Commission only

If you can handle the reduction in cashflow for the first few years of the new regime until the increase in the ongoing trail commission kicks in, you may choose to keep doing business on a commission-only model. Naturally the reduction in upfronts will have a lesser impact on those advisers who have been selecting the hybrid option rather than the upfront model prior to the commission rates changing, but they will still feel the pinch to some degree.

If this is your choice, you will want to consider the following proactive measures. While many of these suggestions have pitfalls and negative consequences, I'll leave it to you to sort through the good from the bad using your own business perspective:

- **Prepare for cashflow reduction in the next few years.** You could reduce your drawings or profit share, inject some capital from cash reserves or borrowings, consider making staff redundant or not replacing any who leave, cut costs on superfluous spending etc.
- **Become more efficient.** Determine ways that you can deliver the same or better quality advice with lower costs. Utilise your software better to streamline the time it takes to service your clients, start using the tele-underwriting services of the insurers if you're not already, perhaps even look to offshore/outsource some of your administrative functions. Make sure you have a process-driven back office and get your team involved to document your procedures and shave off time by implementing their ideas.
- **Attract more clients.** If you have capacity to service more clients with the same overheads, get cleverer with your marketing and generate more referrals so you can simply write more volumes of business.

- **Aim for higher value market segments.** Get more selective about the clients you work with and only take on clients for whom the commission will be sufficient to deliver you a profit – clients with greater complexity, higher incomes, higher sums insured and therefore premium amounts.
- **Branch out.** You could also consider broadening your services into other areas for which you can charge a fee or receive additional commission – business insurance (succession planning), estate planning, cashflow management, finance broking, holistic financial advice etc.

A thought to challenge you: bearing in mind that since FoFA was introduced, commissions have been banned on certain types of personal insurance, such as group policies inside super and individual policies within default funds, how will you be paid if the best advice for the client is to obtain, keep or increase their cover in a policy that doesn't pay commission?

While there are many instances in which these policies are inferior to retail policies, they can often play an important part in a client's insurance portfolio and can sometimes be a client's only choice, especially if they're getting on in years and/or have had previous health issues.

If you're deciding to stick with commission only, what can you do to prevent bias in your recommendations and continue to build a profitable business?

Advice fee plus commission

In this case, the adviser will usually charge a fee for their advice and take the commission as a quasi-implementation fee. Often they'll explain the initial component of the commission as a 'success fee' – in that it will only be received if the client is successful in getting their cover in place. Alternatively, they may charge an advice fee, then an implementation fee (reducing or removing the upfront commission component) and receive the commission for the ongoing service component.

The ongoing component of the commission is designed to provide their ongoing care and maintenance services – usually consisting of periodical reviews and a claims management guarantee. If a review reveals the need for new advice and managing new applications, they may either include this in their service or reserve the right to charge another fee if the initial commission on the new policy isn't sufficient to cover the work. If the ongoing commission is not sufficient to cover the ongoing service package required, it may be subsidised with a monthly fee.

My advice is *not* to call your 'advice fee' a Statement of Advice (SOA) fee. You're not charging a fee to cover your administration services. The value is in the advice: how much cover, what type, how to hold it, how to fund it AND before you even get there, uncovering the risks and the emotional impact of these factors on the client. Calling it an SOA fee implies that the value lies solely in the creation of the SOA document, when in fact the SOA is simply the culmination of the process that you take clients through – and the value is just as much in the process as in the output.

Often advisers fear that clients will baulk at paying an advice fee if they don't get accepted by the insurer. I've provided a number of ways to mitigate this challenge in chapter 3, and some more detailed examples in chapter 6.

In order to implement this model, you will want to position your fee either at your first meeting, or even prior to that – in your marketing material and/or in your initial telephone discussion when you receive the enquiry from your client. You will want to obtain a commitment or agreement from your client to proceed. Whether you choose to take a deposit or simply provide an invoice together with the advice document, I implore you not to start work or part with your intellectual property until the client has at least signed a terms of engagement letter. I'll elaborate on how to do this in chapter 17, but for now it's helpful to reflect on the fact that if you do implement any type of fee structure, it will enable you to counteract one of the biggest flaws in the commission model.

When being paid by commissions only, you have a long lag time between when you do the work for a client and when you get paid. It can sometimes be months before you get a client through underwriting and their first premium is paid, and then an extra wait for the insurer to pay your licensee and the funds to filter through into your bank account. Throughout this time, the client hasn't parted with any funds to commit them to the process, and so often advisers find that they lose interest or change their mind through the application process and don't go ahead with the advice, thus leaving the adviser in the position of having completed a substantial amount of work for which they won't get paid. Obtaining a signature on a terms of engagement letter and even receiving a deposit before you start work not only reduces this risk, but it also ensures your clients are making a conscious decision to authorise you to go ahead with the work and will likely participate more fully in your process. It also sends a message to your clients that your professional services are valuable, worth paying for, and that you sufficiently respect the value of your time and expertise not to give it away for free.

A practical example of this style of model follows. This is for a business with a Minimum Recoverable Amount of $3,000 in a situation with a client with premiums of $3,400.

- Advice Fee of $1,000+GST

  Includes confronting the 'what-ifs', quantification of risks, analysis of current cover, recommendations to manage risks, sourcing insurance policies and 'Life Recovery Plan'

AND

- Receive commission as a Success Fee on implementation (e.g. $2,040 initial then $680 per annum ongoing)

  Includes managing the application and underwriting stage through to policy completion, plus ongoing review and claims management service.

Although technically 'advice fee plus commission' is just one option, it can be implemented in a variety of ways. The timing and quantum of your fee, collection mechanism and how much of the commission to take are all variables that you can play with.

Timing and quantum of your fee

You may choose to set a standard amount for the advice fee that you charge to every client and obtain varied amounts of commission, depending on your clients' insurance premiums. The suggested process in this book will enable you to structure a 'scaled' pricing model, where you have a 'base MRA' for clients with simple needs, then additional amounts to add for complexities such as company and trust structures, self-employed clients and multiple policies. I'll suggest that you use this scale internally to run your numbers, but quote your client their total fee (rather than explaining your variables).

While you won't know exactly how much commission you are likely to receive on a client's policies at the time of quoting your fee in your first meeting, you will likely find that you have some consistency in the clients that you work with, especially when you've clarified your target clientele and only deal with those who will obtain significant value from your services. You may set an arbitrary amount – say $1,000 or $2,000 (even $5,000) that you will charge everyone, or you may use discretion with each client. If you've determined your MRA and then find that you're often dealing with clients who will benefit from keeping or obtaining cover in non-commission products, you might choose to vary the set fee amount for each client. This will require some quick thinking in your initial meeting to ensure you can estimate the likely outcomes of your recommendations, but with the right process it is achievable, and you'll certainly get better at it over time.

When you break down the amount of work involved to take a client from their initial enquiry through your 'onboarding' process until their policies are in force and their Life Recovery Plan is documented and put in a safe place for that rainy day that hopefully never comes, you will likely find that there is more work involved at the advice stage of the process than the implementation stage. You may feel uncomfortable aligning the quantum of your fees with the exact timing of your work, concerned that a client may not see (or receive) much value if they don't end up getting insured, or indeed that they won't perceive that much value so early in your relationship in order to commit to working with you. We'll cover this topic more later, but for now, understand that you needn't align the split between the fee and commission perfectly with the corresponding work involved. Rather, you may decide on an arbitrary number that you know will cover you for the majority of the work involved, when considering the typical sums insured that your clients usually obtain. By asking some pre-underwriting questions early in the piece, you may be able to give your client the opportunity to cut short the process if it looks unlikely they are going to be covered, in which case the fee you receive is, after all, closely aligned to the work you complete.

For example, you may discover that your MRA to take a typical client up to the point of presenting your recommendations is $2,600, and a further $1,000 for completing application forms and managing underwriting. Perhaps the clients you work with usually have premiums averaging around the $3,500 mark. You may decide that $1,500 is your standard advice fee and count on receiving your remaining $2,100 in commission. In this scenario, you're taking some risk that you won't get paid enough for your work if the client doesn't complete (or they do and then cancel and you get a clawback), but you feel that the $1,500 is significant enough to bind them to the process and reduce the risk of them intentionally not going through with your recommendations.

A nuance of this model is whether or not you choose to charge the fee regardless of the amount of commission you will receive, or to offset the commission against the fee you will charge.

Again, you have options here. Some examples:

1. The adviser determines the advice fee they will charge, gets a deposit or the full amount from the client during the advice process (well before application and underwriting is finished) and receives whatever commission happens to be attached to the policies the client implements. The adviser may switch between the hybrid and level options if the hybrid commission exceeds their MRA by a long way, but they receive the advice fee regardless of the outcome. If policies are implemented, they receive the entire commission amount in compensation for the risk they took to complete the applications and underwriting process on a success basis. OR
2. The adviser determines the entire fee they require, separated out between advice and implementation, gets a deposit or the full amount from the client for the advice component, then when running the quotes on the policies, rebates the commission down to achieve the pre-determined fee for implementation. This will depend on the functionality

of the insurer being used, but it is possible to rebate the commission incrementally, which will reduce the premium payable by the client. OR

3. An option I would advise against is to quote an advice fee, do the work without taking a payment, then if the commission exceeds the fee, the adviser just gets paid by commission and cancels the advice fee payable by the client separately. This negates many of the benefits received when charging an advice fee for insurance. Advisers using this model will tell their clients that they will only physically charge the fee if the insurance doesn't go ahead. The problem with that option is if it's not positioned well, the client may not really understand it and think that because you go ahead with the work without raising an invoice or requiring a deposit there won't be a fee. I have heard advisers experience difficulty in chasing these fees after the fact.

Many advisers are worried about losing out on the upside of a large commission if they set their fees at the outset. From experience I've seen this is usually outweighed by the satisfaction that comes from consistently profitable engagements – when you know that every client is profitable, you no longer have to rely on the infrequent larger sums. And yet, some still enjoy these experiences as a 'bonus' that goes straight to the bottom line. You choose.

The timing of the collection of your fee is also a variable you can control. You may choose to receive a deposit or the full advice fee from your clients at the point of them engaging you as their adviser, typically straight after your first meeting (or before they leave it). Your explanation to your client might go along the lines that you will start working on their behalf when they have signed your terms of engagement and paid their deposit to authorise you to start work. In this way, you are making it easier on the client's cashflow as they are spreading out their outlay over time. Their premium payments likely won't start for at least two months after their first meeting, so your deposit or advice fee won't coincide with the week that their regular overheads increase (with the insurance premium).

Collection mechanism

How you physically collect your fee will also be something to consider. If you've only ever received commission, you might find yourself raising invoices to clients for the first time.

Many insurers are currently updating their systems in order to facilitate the collection of fees on behalf of their advisers. While this may be helpful on an ongoing basis, it won't really add a lot of value in the engagement process for new clients. Before you stick with old-school thinking of having the insurer collect the fee bundled with the premium so clients won't know any different, understand that at the time of going to print, the legal advice is that they may be able to deduct the amounts from the client on the same day, but the fee and the premium will have to be two separate transactions.

While I highly recommend you find a collection mechanism that is as simple and painless as possible both for your business and the client, having the insurer facilitate your entire fee will not solve the problem of timing.

If your initial advice fee is not collected until the client pays their first insurance premium, you will still have a long wait and potentially do a lot of work before the client pays a cent. Not only does this put your incoming cashflow out of sync with your expenses, you're increasing the risk that you don't get paid if their insurance doesn't complete for whatever reason. You might find it effective to still invoice your client for your initial advice fee (and collect it early in your process), and rely on the insurer to collect your implementation and ongoing fees when they collect the premium. By collecting this initial amount from your client directly, you are cementing the fact that you work for the client and not the insurer.

In my experience, once you set up your infrastructure to start deducting fees directly from clients and experience the benefits that come with greater control of cashflow timing, you might find the prospect of the insurer collecting your fee on your behalf less and less appealing.

Your licensee should have credit card and direct debit facilities to facilitate payment, and if you're self-licensed, either speak with your bank or check out providers such as E-Way and PayPal. When it comes to managing your debtors, you might be surprised at how much easier it will be to reconcile incoming transactions against the invoices in your system. No longer will you be at the mercy of whoever did the data entry at the insurer to be able to confirm what revenue was received from which client, and whether it was an upfront or ongoing payment.

Fees only, nil commission

In this case, the adviser charges an explicit fee for their entire risk advice service, including the advice, implementation and their ongoing services. Insurance policies are implemented so that the client's premiums are on wholesale pricing, and the fact that the client obtains a 25-30% discount on the life of their policies is an attractive element of this option.

While this option is foreign to those who have only ever received commissions for their insurance, it is one in which there can be no doubt that the advice provided will not be influenced by the size, number, provider or type of policies that the adviser recommends.

A practical example of this style of model is as follows:

- Complete Advice Fee of $4,000+GST, policies implemented on wholesale pricing, obtaining the client a reduction in premium of $1,500 per year.

Includes confronting the 'what-ifs', quantification of risks, analysis of current cover, recommendations to manage risks, sourcing insurance policies and 'Life Recovery Plan' AND managing the application and underwriting stage through to policy completion.

AND

- Ongoing advice fee of $500 per annum which includes keeping cover up to date (face-to-face appointments every second year), claims management guarantee and ongoing support.

Give your clients the choice?

Of course, once you have completed your pricing exercise and have a thorough understanding of your MRA, you may choose to remain flexible about which model you use, and give your clients the choice.

- They can either pay you an agreed amount for the advice regardless of whether they get covered and you will access the insurance on wholesale pricing, in which case you charge a fee based on your MRA (or adding a value overlay if there is still a benefit to the client) and the client receives a lifetime discount on their policy (premiums paid on wholesale rates) OR
- You share the risk. You charge a fee for the professional advice they will benefit from to establish their risk management plan and then you receive the commission only if they get accepted. It's likely you will receive more with this option but that is your reward for taking the risk of doing a lot of work and not getting paid. For the client, they're minimising their risk of paying your full fee and being left at the end of the process with no cover.

The actual numbers will vary in each client situation, but to illustrate my point let's take the example of a client for whom you determine your MRA is $3,500 and their premiums will be $4,500 per annum.

You could give them the choice of paying:

- an advice fee of $3,500 initially regardless of outcome and $500 per annum ongoing, and their insurance premiums will be $3,375 per annum OR
- an advice fee of $1,500 initially and their premiums will be $4,500 per annum. In this instance, (assuming an upfront commission component of 60% of premium) you as their adviser will actually earn more at $4,200 initially and $900 per annum, but the client is only committed to the $1,500 if for some reason their cover doesn't get completed.

If you choose to offer this choice to your clients, you're giving them a lot of complexity to get their head around, but you're also giving the client the choice about risk/reward. They could choose to pay you in full and risk not getting insurance in place, or they could elect for you to take the risk of doing a lot of work and being out of pocket if they don't get their insurance completed – a case of he/she who takes the most risk gets paid the most.

To aid in your thought process, I've highlighted here the benefits that have been shared with me by advisers who charge a fee for their insurance advice. Whether you charge simply a supplementary fee and keep the commission or are paid entirely by fees will dictate the extent to which these elements are beneficial.

- You can get paid to give clients completely unbiased advice. Whether their best options are to hold or increase existing policies in industry funds or default cover or to reduce sums insured will not impact your remuneration. Not only does this feel good as an adviser, it's a great selling point that can attract more clients, and often results in clients referring others. You're being paid to satisfy your clients' Best Interest Duty.
- If clients don't require or can't obtain new cover, you still get paid to explain what they do have and what it means for them – a service that is very valuable to the client. Gone are the days where you can spend hours (and sometimes months) on a client, only for the deal to fall over and you don't get paid a cent. Your client engagements are no longer 'deals'.
- It diverts tyre-kickers and stops you from having to provide quotes and/or do a lot of running around for no return.
- Clients are more engaged – once they commit to paying you a fee for your professional advice, they get back to you, follow up their outstandings faster, etc.
- Clients are more trusting of your intentions. They're honest about affordability as they know you're not just trying to sell them more insurance so you can earn more commission.
- You don't have to wait months to get paid anything. You can start receiving the cashflow at the time of doing the work, and your overall business cashflow becomes less 'lumpy'.
- You're less dependent on winning 'big deals' in order to supplement your profit margin – you can make a choice to only engage with clients who will be profitable.
- You don't have to worry about insurers clawing back commission on policies that clients have cancelled.

- Reducing that worry even further is perhaps one of my favourite benefits – it's quite common for advisers who charge fees for their insurance advice to experience a reduction in their lapse rates. They put this down to the fact that their clients have really bought into the need for their cover and they trust that they advised them on the best levels for them, rather than for the adviser to just make more commission, so there's less chance for buyers' remorse. While it doesn't stop people suffering situations that might give rise to the need to cancel a policy, it does mean that clients are more likely to have the type of relationship in which they will call their adviser before making any rash decisions, and their adviser can usually help them avoid the need to cancel their policies altogether (whether that be by suspending cover for a period, reducing sums insured, restructuring the policy ownership or rearranging other financial matters or priorities). This one is my favourite, not just because it secures a more stable cashflow for the adviser but because it means that clients are less likely to cancel their cover at a time when they need it most.

"I'LL HELP YOU QUANTIFY THE CHALLENGES
AND GIVE YOU POTENTIAL SOLUTIONS."

CHAPTER SIX
PRICING - CHALLENGES AND SOLUTIONS

There is no doubt there are challenges to pricing your insurance advice service, whether you decide to be paid by commission, fees or a combination of both.

No single model is flawless. The right model for your business will depend on your priorities, client base, current revenue mix and a bunch of other factors.

To help you decide, I've outlined a range of possible solutions to common challenges. The best solution for you will depend on other choices you have made. I played with a mind map, a flow chart and an interactive diagram, but in the end I just confused myself! So in the spirit of keeping things simple, I've provided a handy checklist at the end of this book so you can check you've included all considerations in your final pricing model.

CHALLENGE ONE

It is difficult to predict how much work will be required to get a policy in place. Each client and each policy is likely to require a different level of attention from the adviser to move through to completion. It is hard to predict how long this will take or how much work is required until you complete the client's personal statement, by which stage you will probably have already agreed on the fee you will charge. Even a seemingly healthy young person may have a medical condition that results in extra work for the adviser. There are also some applications that require multiple follow-ups to get the doctor's reports or to get the client to book their blood tests/complete additional forms and so on.

SOLUTION

- Set your fees based on a slightly complex case then use the same fee for all clients, accepting that those who move through more efficiently will subsidise those who require more attention.
- Ask your clients to complete a pre-underwriting questionnaire that will uncover typical issues that would cause additional time and effort to complete the application and/or likely cause their application to be declined. If any red flags arise, you can quote a larger fee and explain the potential likelihood of a loading, exclusion or decline. This will allow the client to make the decision to proceed or not before you do too much work.
- Apply higher fees to clients in a certain age bracket.
- Attach a proviso on your quoted fee. For example, include all assistance up to six weeks after lodging the application but reserve the right to charge an additional fee if the underwriting process requires more assistance than usual. In this way, you encourage your client to act quickly to fulfil the underwriters' requirements. You can still opt not to charge an additional amount if the time delay does not result in

extra work, but you may like to reserve the right if it turns out to be a particularly hands-on implementation.

- Get the underwriter to do more. Often the main variables are in the underwriting phase. Most insurers nowadays provide tele-underwriting services, where the insurer will obtain the personal statement and organise all the underwriting directly with your client. In this way, you can reduce the staff hours required. However, you may lose control of the time to get underwriting completed. You can mitigate this by ensuring your clients understand the need for – and importance of – the underwriting process and preparing them for what will be involved, to encourage them to complete their requirements as quickly as possible. You can also ensure that your staff continue to check the status of the process and do any extra chasing that might be beneficial.

CHALLENGE TWO

Providing advice and support to a client who fails to get insurance. There are many reasons why an application may not complete and it is difficult to foresee them all. The work involved in quoting, writing up an SOA and chasing up underwriting can be in vain if the client doesn't get cover. In a commission model, the adviser would receive nothing for their time and effort in this situation. In a fee model, the adviser is paid by a client who may perceive they have received no value. Many advisers don't feel comfortable about charging a client for cost recovery if the insurance is not obtained. Often the application is declined due to a previously unknown medical condition and, while the client can now seek treatment for it, being billed by the adviser may add insult to injury and impact the client-adviser relationship.

SOLUTION

- Ensure the service your clients pay for is valuable as a standalone service, even if they don't get new insurance cover. This could be achieved by providing them with a Life Recovery Plan (LRP) - if the client doesn't get additional cover, the LRP at least explains their options if they suffer a tragedy - or the Information That Matters document, which captures everything the family needs to know during a crisis. Both are explained in chapter 8. It will be less of an issue - or none at all - if you encourage clients to map out a life plan and start working to a budget to achieve it, or any of the other ideas suggested in chapter 8 (Client Value Proposition).
- Employing the pre-underwriting questionnaire as suggested in the previous challenge can go some way to reducing the incidence of these cases. Where a red flag is raised, you can empower the client to decide whether or not to proceed when they may need to pay your fee for a fruitless exercise. If the client opts not to continue the engagement, you will be able to stop work but potentially still be paid a pro-rata

amount for the time spent up to that point. An added benefit is that if the client is likely to get a loading, you can pre-position this. They will feel there is an even greater reason to do all they can to obtain cover, be thankful if they get accepted and have no problem paying the higher (loaded) premium. Naturally, if it's unlikely your clients will get cover, there's another conversation to be had about how to manage their risks without insurance. All this advice is worth paying for.

- Make it clear that your fee will be payable regardless of the success of their application. You may reduce the number of clients who proceed on a half-hearted basis then pull out of the process before completing the application.
- Charge a minimal engagement fee then a success fee that is only payable upon a successful insurance application, or only enforce your fee for successful applications. Then apply a premium to every fee charged to an insurance client; this effectively subsidises the few policies that don't complete.

CHALLENGE THREE

You choose to remove commissions entirely and charge a fee to your client, but the insurers will not reduce the client's premium proportionate to the commission you are forgoing. Therefore in the first year, it may be more expensive for a client to pay your fee AND their premium, rather than going to an adviser who receives commission (with or without an additional fee).

In addition, not all insurers have the technical functionality to enable you to rebate the commission and reduce the client's premium. It would be helpful if advisers were able to dial down the upfront and ongoing commission independently of one another, and have this reflected in a discounted premium for the client.

Those insurers who do allow the adviser to write the premium on a wholesale basis only reduce the premium to the client by 25-30%. It used to be 30%; since the LIF was drafted, most have reduced this to 25%.

SOLUTION

- If you write a policy with the commission rebated by the insurer, you are effectively securing a life-time premium reduction for your client. It is important to highlight this to your client as a significant value-add and one that will likely outweigh the cost of your fee, provided they hold the policy beyond the first few years.
- If you just received an upfront commission previously, the total cost to the client in year one may now be more, but the fact remains that all advisers and insurers will be in the same situation when the new legislation comes into play. You might be able to compare the old regime vs the new but clients won't necessarily know the difference. While all advisers are in the same situation, it is highly likely that you won't be the only adviser charging a fee to subsidise or replace the

reduced commissions, so competition may not be as high as you fear.

- By following the process in this book, you will likely find that you improve the service you provide to clients, so even though their total fees may be higher, so too will the value they receive from engaging you.
- Every insurer is undergoing changes in their systems in order to implement the new framework. While Asteron were the first to market with their complete flexibility in commission/premium reductions, you can expect other insurers to follow suit. Contrary to popular belief, the distribution that insurers obtain through the IFA market is significant and they will continue to innovate to win the hearts and minds of advisers. Their actuaries are nervous about the impact of doubled ongoing commission on their profit margins but we will hopefully see premiums become more competitive as the changes manifest. It is disappointing that (at the time of going to print) there was no requirement in the legislation for any savings to be passed back to consumers in cheaper premiums, although we would hope that market forces (if not ASIC eventually) ensure that clients ultimately benefit.

CHALLENGE FOUR

Insurers will claw back commission if a client cancels the policy within two years. If you choose to receive commissions, or charge a fee and refund the commission to a client, you may find that you end up refunding all (or much) of the income you received for the work you completed. This is now a bigger risk as the new frameworks have extended the period from one to two years. If a client cancels in the second year of holding the policy, the insurer can claw back up to 60% of the commission they paid you at the outset.

SOLUTION

- Choose a model where the client pays an engagement fee in addition to (or instead of) commission to reduce the amount of income at risk of being clawed back. The less dependent you are on commissions, the less of an impact clawbacks will have.
- Educate your clients about not shopping around for the cheapest policy. In particular, be aware of policies that look cheap in year one but jump up thereafter, so the client doesn't come in looking to move when the premiums go up.
- Make it clear to your client that should they cancel their policy within the clawback period, you will invoice them for the amount of your fee that is clawed back by the insurer. In reality, the reason most people reduce or cancel their insurance is because they no longer see the need or they can't afford it. These are both situations where they are unlikely to want to honour your agreement, so it may be argued that you would never recover this money. However, being transparent may make clients think twice before cancelling a policy in a short space of time.
- Stay in touch with clients so you can counsel them with alternatives to cancelling their policies if times get tough. If you are providing ongoing advice and support, you can assist them to make a considered decision,

weigh up their alternatives and potentially keep their policies in force, while solving their budget issues in other ways. Many advisers who charge fees for their insurance advice have found that their lapse rates have reduced, so clawbacks are no longer an issue for them.

CHALLENGE FIVE

Charging a fee when your client is sick and needs to claim. While the previous challenges relate to the initial advice or engagement process for an insurance client, perhaps one of the most challenging aspects of providing insurance advice is when you have clients who claim on their policies. Supporting them can involve a significant amount of work, yet many advisers do not feel comfortable charging a fee when clients are vulnerable.

It's imperative that you assist your clients through this process, as most people are either highly emotional or very sick at claim time (often both), which reduces their ability to process information. Many a claim would not have been paid were it not for a vigilant adviser helping the client. While it has always been accepted that the trail commission funds a claims service, it may be harder to charge a fee explicitly if advisers choose to rebate commission and charge an ongoing retainer.

SOLUTION

- In your ongoing recoverable amount calculation, include an amount that will provide for your time in the event that the client makes a claim. You may offer this as an optional fee or apply it to all clients on the assumption that only a percentage of them will ever claim so you are apportioning the anticipated cost of your claims assistance across all clients.
- Pre-position the importance of your claims support during your engagement process, determine an amount for a claims management service, then add this amount to the sum insured (say, $10,000). In this way, the client is only paying a minimal increase in their premium to ensure they will have additional funds included in their claim to pay your claims management fee. This option will not work for income protection and will only be payable in the event of a successful claim.

It's possible that you may do a lot of work to assist with the claim, only for it to be denied by the insurer. Yet clients may like the fact that your support will be provided on the basis of a 'success fee'.

- Determine a method of payment where you will not charge the client a fee at the time of claim but put in place a Claims Assistance Guarantee. This should state that for the life of the policy, if the client needs to make a claim or is unsure if they have a claim, you will assist them through the process and will not invoice them for this help regardless of how long it takes to reach the conclusion of the claim. There is a sample template on the Elixir Consulting website
- Point out the value of helping clients with claims and charging a fee to do so, rather than leaving it to the only other providers in the market – lawyers. It is a strong argument to say that an experienced adviser will be more effective and have a more comforting 'bedside manner' with claimants than a lawyer when handling an insurance claim. I know advisers who now charge a fee for their claims service, but they often charge a reduced rate that covers costs, without a margin for profit, whereas lawyers will often charge their standard hourly rates, or a percentage of the claim payout. A new trend is for advisers to offer a standalone claims service to clients who come to them purely to handle their claim. A lot of people who have received an insurance policy without an adviser (or who don't know they have an adviser) are seeking assistance and you can provide a huge amount of value at a time when they need a caring hand. The upside of this is that families often engage the adviser to provide advice on what to do with the proceeds of a claim, and support them to improve their financial future. While you may have felt uncomfortable in the past charging a fee for a claim when you received significant amounts of 'passive' trail commission, clients who come to you for help with their claim will often have no hesitation in paying a fee.
- Many insurers will provide a separate financial planning benefit fee, that they pay in addition to the sum insured, for the claimant to receive financial advice on what to do with the proceeds of their claim. While technically, this is not designed to pay for the claims support in itself, many advisers naturally include this advice when helping with the claim, and so can receive a fee that doesn't come from the client's' proceeds.

Of course the fact remains that if you continue to receive the ongoing trail commission, this will effectively double under the new framework, so you will have an even greater margin to subsidise your claims service. If you are charging an explicit fee and rebating commission, you will have a well-documented ongoing service package that will include your claims service if you choose to apply a pro-rata amount to every client's ongoing retainer. I know of a very successful business that adds $250 per year to every client to provide their claims assistance guarantee. Of course, $250 wouldn't come close to covering the costs incurred, but not every client will make a claim, and certainly not every year. Their clients simply see this as an extra 'insurance policy' that they may get the benefit from and they may not. When determining the right amount to charge if you're going to take this portfolio approach, estimate the average length of time that goes into handling a claim to determine the Minimum Recoverable Amount for each claim; multiply this by the number of claims you manage every year (an average of the past few years); then divide this total figure by the number of insurance clients you have. Apply the resulting figure to every client.

CHALLENGE SIX

Not adequately accounting for additional activities that are required if a financial plan includes insurance. Where providing insurance advice as part of a comprehensive financial plan, some advisers take the insurance commission then offset that against the fee they would have otherwise charged for the advice, failing to account for time spent on associated activities such as quoting, applications, underwriting and so on.

SOLUTION

- If you choose to offset your financial planning fees against commission received, make sure you assign at least some portion of the commission to cover the risk insurance component of your advice. By the time you complete your pricing model, you will know the minimum amount you need to charge to cover the time you spend to take a client from their initial enquiry through to implementation of their financial plan.

  Let's say you determine that a new financial planning client without insurance needs should be charged an engagement fee of at least $3,500 but in this instance, your advice includes insurance that will attract $4,000 in commission if the application is successful. It may seem tempting to completely offset the engagement fee. After all, the sum received from the insurer is greater. However, to do so would be to assume that the extra work involved in implementing the insurance is worth less than $500. You'd be taking a gamble that the underwriting process will be straightforward (a rarity), that the policy completes and that the client never needs to make a claim.

- There will be a threshold at which the commission represents profit, regardless of how complicated the application process may be. *This* is the time to make a judgement call and perhaps offset some, or all, of the financial planning engagement fee if the insurance commission exceeds that threshold. This will be an amount that you must determine.

CHALLENGE SEVEN

Coming up with the right fee to charge before doing all the research and formulating your recommendations. If you choose the fee-plus-commission pricing model, you don't know what new policies you will recommend to a client at the early stages of your discussions. My advice is, don't give away your intellectual property until the client agrees to engage you at the fee you quote. But how do you know how much to quote when you don't know how much commission you're likely to receive?

SOLUTION

- Quote your entire Minimum Recoverable Amount to your client but tell them they will only pay a specified portion of that directly to you, and that you are taking an educated guess that your recommendations will result in sufficient commissions being available to provide the remainder of your fee. Then reserve the right to invoice a higher fee if it turns out to be otherwise. In this way, if their existing policies are largely sufficient and you only recommend a small amount of top-up cover, they will be paying a lesser additional amount in ongoing premiums and only have a higher sum payable to you as a once-off, in exchange for the peace of mind that their revised insurance portfolio is suitable for their needs (or the best they can get).
- Once you've worked with a number of clients, you'll get a feel for the likely amount of work required and have a minimum figure to quote. If you use our pricing software, you'll be able to determine a fee schedule where you can price in additional work.

CHALLENGE EIGHT

If you choose to move to an explicit fee model, you will need to start providing Opt-in notices and Fee Disclosure Statements, which could add a layer of administrative burden if you haven't already been using these for your financial advice. You may also be at risk of your clients not wanting to renew your ongoing service at Opt-in time. However, if you receive ongoing commissions, you'll still get paid as long as the client holds their premium and doesn't transfer servicing rights to another adviser, and you won't be reminding them of your income every year.

SOLUTION

- Choose a model that doesn't require the issuing of Opt-in notices and Fee Disclosure Statements. They are only required if you charge an explicit fee for ongoing services. You won't require them if you choose a model where you charge a fee for your initial work (which will be disclosed in an SOA) and receive the ongoing commission to fund your ongoing service offer.
- If you follow my advice in the Ongoing Client Experience chapter (chapter 19), you will be able to demonstrate the value in engaging you on retainer. While you will still have additional administrative work to implement the FSGs and Opt-in, you can factor this into your ongoing fees. Where you have demonstrated value and cemented a good ongoing relationship with your client, they will be unlikely to decline to opt-in to your fees. This may prove to be a more robust ongoing income stream than clients who lose contact with you over time, where you can lose their trail commission if they transfer servicing rights to another adviser or cancel their policy because they didn't stay connected to you.

CHALLENGE NINE

Upfront financial advice fees are not tax deductible so clients won't be able to claim them as a tax deduction. Currently, commissions are bundled in with clients' insurance premiums, so if they are able to claim their premiums as a tax deduction, they're effectively getting your advice at a reduced rate.

SOLUTION

- The issue of tax deductibility of advice is one that is a high priority for both our industry associations and they continue to lobby for change. While it is too soon to have precedents to confirm this view, a number of insurers' legal departments have suggested your fee will be treated in the same way as the policies you are advising on. So if you're charging a fee for your advice on income protection insurance, and income protection is tax deductible, your fee will be too. That makes things a little difficult when your overall advice includes an insurance portfolio with varying tax treatments, but at the time of going to print, my best advice is to seek the opinion of your licensee and the insurers you work with before advising your clients on the tax deductibility of your fee. Naturally, it will be beneficial if your fee doesn't have to be paid in after-tax dollars. However, you will likely find this is not enough of a disadvantage to turn clients off your services. If they have a need, and you can demonstrate that you provide a valuable service to solve that need, they will still do business with you, regardless of the tax consequences of your fee.

CHALLENGE TEN

Clients won't pay for insurance advice. Some advisers believe that clients will be driven to obtain direct insurance or will go to banks to obtain their cover, rather than pay a fee to an independent adviser.

SOLUTION

- This challenge is all about the mindset of both the adviser and the client. Clients who have only ever seen you receive commissions in the past may require some re-educating, but given the fact that this change is happening across the entire industry, you might find it easier than you think to obtain their acceptance. The great thing about your existing clients is that they probably already value the work you do, and don't expect you to do it for free. If your commissions are being reduced and your clients need you to do some new work on their insurance portfolio, you will probably find they will be happier to pay a fee to keep your services than to have to find a new adviser and pay them anyway (or worse, be insured without the support of an adviser).
- Just as we saw when FoFA was introduced, often the fear around clients being willing to pay fees is in the mind of the adviser. Not only did clients expect to pay a fee for advice, this deepened the level of trust between advisers and clients and often resulted in clients referring new business to them. That is not to say that you will be able to use the same engagement techniques that you have in the past when you've received commissions as payment. You will have new conversations and will want to rethink your onboarding process and marketing materials, as outlined in this book. But remember, other advisers have gone before you and proved that clients will pay for risk advice.
- Every adviser knows the pitfalls of obtaining direct advice, both in the increased costs and the likelihood of a claim being declined due to the practice of underwriting at time of claim rather than application. Clients will also recognise this if you educate them. Make sure that in

your marketing materials, you articulate the reasons why clients should seek expert advice rather than be fooled by slick advertising.

- This is all about education. You can play a huge part in helping clients to improve their knowledge about insurance and correct their understanding of default cover, insurance within super etc. You don't need to do this individually – create blog posts, articles or explainer videos that you can host on your website, share on social media or send to your client. Just like you have had to 'sell' the features and benefits of insurance policies in the past, you now might have to educate your clients about the benefits of seeking (and paying for) your advice.

CHALLENGE ELEVEN

There are some instances where commissions cannot be paid from insurance policies. The FoFA reforms banned commissions being paid where the insurance is held within an employer default fund or is part of a group policy. If the best interest of your client is to retain or obtain cover through one of these mechanisms, you won't be able to receive commission.

SOLUTION

- Having a fee-based advice model will ensure that you're able to be paid for your advice regardless of what holding entity is best for the client to use to obtain their insurance. A fee-based model will remove any conflict – perceived or actual – in the insurance recommendations you make to your clients.

Pricing insurance advice is challenging, but it is certainly possible. And for those doubting whether clients will pay separately for their insurance advice? The answer from our pricing research is clear – yes they absolutely will, provided that the value of that advice is articulated and it is delivered well. Here is a summary of how each pricing model stacks up against the challenges.

Challenge
The amount of work required for each client can vary considerably, so it's important to be able to determine your revenue based on the actual work required.
You may do a lot of work then not get paid if the client doesn't get covered.
Clawbacks - risk of having to refund your income if the client cancels within two years.
How to get paid to assist at claims time without having to charge for it at the time?
Ability to generate leveraged profits that are not directly linked to time spent by a staff member.
Your income is affected by the level of cover you obtain for a client, not the work involved or value of the advice, so it can give the perception that your advice is conflicted.
You may find it difficult to get clients to value your services enough to pay you separately to paying their insurance premium.
You may need to issue Opt-in notices and Fee Disclosure Statements, adding administrative burden to the business.
Your ability to be paid can be affected by the holding entity that's best for your client (i.e. direct, super, group policy etc.)

This table summarises the potential pitfalls of charging for risk advice and shows how each of the three pricing models stacks up for each challenge. If you'd like to download a colour copy of this matrix, go to ***www.elixirconsulting.com.au/WPFResources***

Commission only	Fees only	Fees plus commission
✘	✔✔	✔
✘	✔✔	✔
✘	✔✔	✔
✔ provided you have a large enough trail commission book to subsidise claims	✔ provided you've factored this into the fees you charge	✔ provided you've factored this into your fees and/or you have a large enough trail commission book to subsidise claims
✔	✔ if you get your model right	✔ if you get your model right
✘	✔✔	✔
✔✔	✘	✔
✔✔	✘	✔ only if you charge a fee for your ongoing services
✘	✔✔	✔

Legend

✘ = this pricing model does not solve this challenge

✔ = this pricing model goes some way to solving this challenge

✔✔ = this pricing model solves this challenge

"DON'T WASTE YOUR TIME AND EXPERTISE ON CLIENTS WHO DON'T REQUIRE OR VALUE IT."

CHAPTER SEVEN
SELECTIVE CLIENTELE

One of the most interesting things we've found in our Adviser Pricing Models Research is the sheer volume of different views and the variety of pricing models that are working for different businesses.

In a single day, I can speak with one adviser who is adamant that they've asked their clients what they're willing to pay for and none of them will pay a fee for their risk advice. Then another adviser says that receiving commissions for insurance is unethical and their clients wouldn't do business with them if they didn't charge a fee.

I've had one adviser tell me they barely cover their costs on work they do for their professional (mostly medical) clients - even when they receive commission on $40k p.a. premiums - and others who are enjoying a profitable business with 'average clients' subsidising the upfront commission model by adding a plan fee of $550.

The thing about providing insurance advice is that you might do the same amount of work for two clients and, due to their age or the sums insured, be paid twice as much for one as for the other. Or you might have two clients with the same levels and premiums for insurance, but one takes an awful lot more work than the other to get applications signed and underwritten, resulting in zero profit, and possibly even a loss.

To date, advisers have accepted this inequity because they simply received the commissions dictated by the life company with which they placed their clients' insurance. They took a portfolio approach to their client base and usually provided advice to anyone who asked, accepting that while some clients won't be profitable, they'll be subsidised by others with larger premiums. With the reduction in insurance commissions, you won't have this luxury in future. It will become more important to understand what it costs you to provide advice, and to be more selective about the clients with whom you do business.

As I write this I can hear some of you murmuring: "I don't need to make sure every client is profitable on a standalone basis because my trail book brings in enough cashflow to subsidise the lower-value clients initially. With the Life Insurance Framework, the ongoing trail for new clients will double, so I'll earn 20% p.a. from them in future! That means they'll end up paying back the upfront work sooner than they used to, so it's even easier for me to service anyone."

That may well be the case. However, there are a few elements to consider:

1. While in the past, insurance trails have been 'sticky' money, in more recent times many advisers have found their trail books are eroding at a faster rate. There are myriad reasons why that's happening (see chapter 13), but for now, reflect on your own trail book – is it as sticky as it once was?
2. Is it more likely that a client with smaller needs will have less reason to be highly engaged with you on an ongoing basis and so therefore more likely to leave you before their trails have paid you back for the work you did to set them up?

3. How clear are you about the cost of delivering your ongoing services to clients, including claims management for that subset who go on to claim? Are you sure the trail commission is leveraged enough to subsidise other clients? With increased awareness of adviser remuneration, clients will possibly have higher expectations of your delivery of service and may well utilise more of your ongoing services in future, reducing the level of passive income that may have subsidised your new client work in the past.

Later in this book, I will give you the opportunity to take into account your recurring revenue when costing out your services and help you think through what your ongoing service offer looks like and costs, so you can make an informed decision. Suffice to say, don't dismiss this chapter and assume you will be able to take on any client who asks, regardless of the cost in the future!

Horses for courses

If you're going to create a new pricing model, you need to be clear about the type of client you are servicing, otherwise you run the risk of creating a structure that is too expensive or is generally unattractive to your target market.

You should either create a pricing model to suit the clients that you have or change your pricing model to attract the clients you want.

One of the objections from risk advisers arguing against the Life Insurance Framework is that by reducing or removing insurance commissions, the typical 'mum and dad' style of client won't be able to afford advice, worsening the under-insurance problem. They fear that advisers will be forced to start dealing only with high net worth clients who can afford to pay fees.

I can confirm that fear is unfounded. It is indeed possible to create valuable service offerings for a host of different types of clients that are priced at a level that represents value for the client and the adviser. The trick is to design the complexity of your service delivery in line with the level of complexity of the clients you choose to work with.

Let's consider a client who comes to you requesting a million dollars of life cover. Does that client need your full service offering? If they are clear about their needs and have no desire (or need) to go through your thorough discovery process, isn't it more suitable to find a simple online or phone-based insurer who will take their application and get them cover with a minimum of intervention from you?

A simple provider need not mean a direct insurer who will do underwriting at time of claim, where your clients may end up paying for cover that won't pay out. Speak to your preferred insurers about their potential offers. For example, Zurich has a direct insurance offer that is underwritten at time of application and can pay a referral fee to advisers who direct clients to it.

My point is: rather than trying to douse a match with a fire engine hose, find a simple solution that you can refer these clients to. If your joy comes from forging deep relationships with clients, for whom you can put your extensive insurance experience to good use, don't waste your time and expertise on clients who don't require or value it. There are entrepreneurs right now developing service propositions for clients with simple needs and means that can be satisfied in a cost-effective way while still making a profit. If that's not where you want to play, leave it to people who are developing clever mixes of education and technology to cater for that part of the market and will service it well.

It's not always possible for a firm to be completely selective with its new clients but it's easier than you may think. I've worked with advisers who have received referrals from a third party (or sometimes an in-house team) and feel they are not able to tell the referring parties who to source. In many cases, they discover that the referring party is keen to deliver referrals but does not know exactly who the adviser is looking for. In the absence of clarification, they will send anyone who may possibly require some type of advice. When these advisers provide more specific descriptions of the type of referrals they seek, the referring parties – usually business owners themselves – are happy to oblige.

Being particular about the type of client you work with is one of the crucial factors for success and will make the greatest contribution towards turning

a good business into an exceptional one that enjoys significant profitability and has happy clients who receive quality advice.

When you start out in business, you are trying to build cashflow and you're prepared to take on anybody you can make money from: all business is good business. There's also a deep desire to help people who need it and you don't like to turn people away who could benefit from your skills. However, in order to continue to build your business to scale in a world with lower commissions (especially if your trail book starts eroding), you will need to get selective about clients. If you're desperate to get every client that walks through the door, you're not making good long-term decisions for your business.

By taking on any client at any cost, you will build yourself a problem. More and more clients will become liabilities. They will either add to your legacy trail book of disengaged clients or won't pay enough for the number of times they call you. They prevent you from servicing your true clients, the ones who you really can deliver great value to and get great profits from.

One adviser summed it up perfectly for me – he said: "The most empowering day of my business career was the day that I turned a client away. The day that I said: 'I'm sorry but we're not the firm for you.'"

That adviser could look into the future and see that while he may have been able to make some money out of that client now, the time it would take to get them on board and service them in the long-term would be time better spent dealing with more profitable clients, seeking referral sources or marketing for new clients. His ability to say "no" to an inappropriate client meant he missed out on a small sum initially but it allowed him to invest time in activities and clients that would generate far more over the longer term. Of course the best way to say "no" is to refer the client to a service provider that is better suited to their needs, so they can still be serviced – just not by you!

There is something quite magical about finding your ideal niche market. When you are clear about the type of client with whom you work best – and you build your service offering around them – you will discover more of them. The fact your services are perfectly suited to your clients will mean that most of them will refer you to someone just like them. You will get to know what they read and how they think, and your marketing will become very targeted and effective. You will start working with clients who are true centres of influence within your market and, pretty soon, this kind of client will start seeking you out.

Your niche may be truck drivers or nurses, engineers or school teachers, medical specialists or small business owners. Whichever market you choose, you will find that people have similar needs and similar concerns and you will be able to become an expert on their issues.

Being selective about clients doesn't mean you should turn away someone who really needs you. I believe every adviser has an obligation to provide support services and give back to the community by helping people who desperately need financial advice and can't afford it. We'll explore this further in the chapter about pro-bono advice (chapter 10). However, you need to be honest with yourself about when you are giving pro-bono advice and when you are simply writing business at any cost.

If you work for an organisation that requires you to advise a range of different clients and you cannot be as selective as suggested here, all is not lost. It simply means you should create more than one pricing model – or more accurately, the same pricing philosophy with a variety of service offerings at different price points.

Who are your future clients?

You have the perfect opportunity right now to change your business model if you want to focus on a different style of client.

Take a moment to think about the clients you enjoy the most. There will be a particular group of people that you connect with naturally and where meetings and work are enjoyable. If you're working with the right type of client for your personality, you will find marketing, sales and client retention much easier and things will flow without too much engineering.

Clearly you need to be a realist. If the people you enjoy dealing with are people who generally don't need advice – or don't value advice and won't pay for it regardless of how you price it – then they're not going to be your best client to target.

Don't be too concerned if the description of your targeted client does not match your current typical client. If you've built your business on commissions (as most have) there will be many people on your books who are not clients – they are customers. They didn't buy advice from you, they bought a product, and they didn't care at the time how you were paid for providing them with that product. Indeed, if you were charging a fee, they may not have joined you. Don't confuse a customer who purchases a product with a client who is seeking advice, who sees value in that advice, and is prepared to pay for it.

Your new targeted clientele represents the future of your business.

When defining your target clients, think beyond their vital statistics. Consider their age, stage in life and so on, but also think about the qualitative aspects of their personality. Do you enjoy working with clients who are delegators – happy to agree with your analysis and implement whatever you say – or do you prefer to work with someone who will question you, research your advice and challenge you?

Also consider where you source your clients from, as this will have a bearing on who they are. If your clients are referred by an accounting firm that services farmers, it's going to send farmers to you.

Don't worry if you can't nail just one type of client to target. If you work in an accounting firm or an institution, or if you receive referrals from a variety of sources, you may need to service a broad range of client types.

That is the beauty of a segmented service offering – you can create services at various price points to suit a range of clients.

If your new definition of your targeted client types are totally different to your current clients, you will need to revise your marketing strategy and service offering to ensure you are able to advise and attract those clients.

"YOUR CVP IS ESSENTIALLY WHAT YOU DO THAT IS WORTH PAYING FOR."

CHAPTER EIGHT
CLIENT VALUE PROPOSITION

When you're clear about your targeted clientele, review what you do for them that is worth paying for and take the all-important step of defining your client value proposition (CVP).

Your CVP is a clear statement of the tangible experience a client gets from using your services. It allows your business to clearly articulate what you do and can be used with great success when communicating with prospective and existing clients as well as your staff. Even if you end up with a commission model, your CVP is essentially what you do that is worth paying for.

It's important to get your CVP right. There are some differences between a risk insurance value proposition that clients will pay for and one they will only allow you to provide if you get paid by commission. If your CVP stops at "I sell life insurance" or "I'll find you the cheapest insurance premiums", you may find it difficult to ask a client to pay for that service.

However, most advisers do much more than source cheap premiums. In fact, sometimes the things clients find most valuable about your services are things you take for granted. Think about all the things you do when you bring on a new client. For example, you'll analyse their current cover to see if it's adequate for their needs - or if it should be replaced - or if it should be maintained while adding complementary cover to enhance their protection. For many people, this is a valued service - they wouldn't know how to do this analysis.

It's important to review your CVP from two angles: how you articulate it for marketing/sales purposes (your CVP statement) and the 'stuff' that you include in your CVP - your suite of services.

Your CVP statement

This is the statement(s) you use to describe your CVP. It should appear on all your marketing material – website, brochures, email signature and even up in big letters on the wall in reception.

This belongs firmly in the marketing stage of your client engagement process. Once the marketing of your CVP has worked and the prospective client has come in for their first appointment, your value discussion must change. Your CVP statement is, by its very nature, generic. While it is specific to your firm, it is the same regardless of who the client is.

Once discussions begin, it is no longer enough to simply talk in terms of generic value; you need to clarify your value in the eyes of this client. All discussion and subsequent correspondence should focus on what they are seeking in the way of value or outcomes.

Unlike a mission statement, which details the overall objectives and services of your business, your CVP is linked to the personal values of the key stakeholders in the business. It should define what value a client will receive from your services – what it is that your practice provides for each individual that sets you apart from other advisory firms – and why they should engage you. Essentially, you're spelling out what's in it for them. It should go beyond a services description and really explain who you are and what your practice is about. A statement from the heart, so to speak, not just a motherhood statement that looks good on a brochure.

A successful CVP is created with input from your key stakeholders so they all own, and truly believe in, the final result: a powerful CVP that is congruous with the whole firm. Integrating it into the culture of your firm will then be a seamless exercise.

The final CVP will form the basis of all your marketing documents and should also be part of your induction procedure so new staff are familiar with it and live the culture of your CVP.

Creating your CVP

We use the term Client Value Proposition rather than Unique Service Proposition (another favoured 'best practice' term in consulting circles) on purpose.

Your CVP doesn't have to be unique. Don't get too hung up on defining why your service is different to all your competitors. The fact is, there are a lot of clients out there needing advice and plenty of work for the shrinking number of qualified and experienced advisers.

What *is* important is defining what's special about what you do. Your CVP should not be a bland statement about your business – "We provide risk insurance advice", or worse, "We sell life insurance". It needs to have some of your firm's personality in it.

If your clients love the fact that you share their enthusiasm for their holiday and retirement plans, build that in. If you have a relaxed manner with your clients, say so.

So your CVP might read:

"Our clients love that we give them a safe place to confront the frightening thought of a world without their fabulous selves in it, then sort out insurances and a contingency plan to alleviate the devastation that might occur, and put

that plan where it belongs – out of mind until they need it."

Undertaking the exercise of creating your CVP will do two things:

- Help explain to prospective clients what you do and hopefully attract them to you.
- Help you and your staff to truly understand and appreciate the value you bring to clients.

The second point is really important. Your clients are not going to buy you – or your fee – unless you do. Your confidence in your own value will influence theirs.

If you have not yet defined your CVP with your team, or you need to revise it, set aside some time to do so. If you are not engaging Elixir Consulting further than reading this book, access the support provided by your licensee or any practice development professional who can arrange a session with your team to create your CVP. Remember that the process of creating it will be just as important in engaging your team as the resulting statement.

Ultimately, your CVP statement should be in two forms:

- A summarised version that consists of one or two sentences that can be used where a concise statement is required (in letters, on your email signature etc.)
- A more detailed version that can be used where you have the opportunity to expand on your value (in click-through pages on your website, marketing material and so on).

Services to include in your CVP

The typical insurance advice proposition consists of a range of tasks that we consider the 'mechanics' of a service proposition.

- Knowing what types of cover are most important to clients – life, TPD, trauma, income protection

- Analysing existing cover and identifying shortfalls or irreplaceable positive features
- Knowing what levels of cover to put in place
- Knowing what they can reduce if their budget doesn't allow for optimum levels of cover
- Which insurers to select – not only choosing the cheapest options but the right inclusions for their situation
- How to structure ownership of their policies so they can minimise tax payable on premiums and on any payout they may receive
- Whether to select level or stepped premiums, agreed value or indemnity, Any- or Own-occupation
- Helping them to understand the pros and cons of holding insurance via superannuation, considering such things as the harsh conditions of release for TPD
- Being available to call on when something goes wrong; you will know if the client should make a claim and will handle the paperwork and insurer liaison
- Ensuring the proceeds of a claim are received and utilised in a tax-effective way that will achieve the best outcome for the remaining family - lump sum, reversionary pension, early release or some other option.

Some of these things can be researched online if your clients have the time, but for many consumers the risk of getting it wrong is far too great so their adviser's support is invaluable.

Value-added services

Your CVP doesn't necessarily require additional things outside providing insurance advice, but there's a fantastic opportunity to do so.

Take a moment to really think about the services you provide. Providing insurance advice is one thing, but are there other value-added services that sit perfectly with your style of service delivery and clientele?

A great way to do this is to consider your CVP from the point of view of your targeted clients. Where are their pain points in life? What are they seeking? Is there anything else you can offer that will help solve their problems or enhance their lives?

Life Recovery Plan

In the chapter on why a client would pay for risk advice, I touched on the thought of providing a service that goes further than simply identifying and selling new insurance policies - a service that would still be meaningful and valuable even if they didn't get new cover through you. This might mean changing the name of your 'risk SOA' to something more meaningful for clients, or providing a separate document that has nothing to do with product and is quite separate from your SOA.

There are a host of names you could come up with - maybe a Life Recovery Plan, or an In Case of Emergency (ICE) document.

Whatever you decide to call it, what if rather than simply detailing insurance policies to apply for, this document summarised existing policies (even if they're not ideal) as well as options your clients could take if they suffer a tragedy (assets they can sell etc.)?

Think of all the difficulties previous clients have faced when a loved one has died or become incapacitated, and provide advice and a go-to guide to existing clients that they can turn to if they are hit with a tragedy. In other words don't just provide the money, design the plan.

Even simple things like ensuring there is a cash buffer in a bank account that won't get frozen on the death of a partner is invaluable advice. And let's face it, if you've lost your partner or been diagnosed with something horrendous, you're not always able to think straight. Your life is suddenly spiralling out of control and you have an overwhelming sense of fear about your future and that of your family.

How helpful would it be to have a document or folder that details administrative things? Where the wills are stored, who the executor is, where the spare keys are, which bank accounts will still provide access until longer term arrangements are made, contact details for the accountant, lawyer, financial adviser, share broker...there are endless possibilities for useful information.

Technology is changing the delivery of advice and solutions such as this - it might be easier to collect and present this information than you think. I can highly recommend a tool that will do all the heavy lifting for you.

Estate Planning For Life[1] was designed by Gil Gordon, a fantastic adviser in NSW who ensures that every client not only has the right levels of insurance cover but provides three other services:

1. Liaises with lawyers and project manages the production of legal documents – wills, powers of attorney, succession documents etc.
2. Prepares and maintains a record called *Information That Matters*, which contains everything the family needs to know during a crisis.
3. Prepares and maintains a prioritised Crisis Management Plan which guides the family through questions that must be asked and issues that have to be resolved.

What Gil doesn't know about helping clients to manage their estates isn't worth knowing. He's taken this knowledge and built a system and business model that is both incredibly valuable to clients and profitable for the advice business as an ongoing 'fee for service' value proposition.

You can check it out at ***www.estateplanningforlife.com.au.***

Gil has written a wonderful book called *The bugger went and died on me and...I DON'T KNOW WHAT TO DO*, which can be downloaded from his website.

Estate Planning

This is a natural extension of your risk advice service. If clients come to you because they want to protect their family against the risks of losing them,

1 I provide these suggestions as I have seen first-hand the excellent service this provides when Gil assisted me to help my friend get her affairs in order before passing away last year. I do not receive a financial benefit from any readers who utilise Gil's program, or any other providers I suggest in this book.

won't they also want to know that the benefits (and their assets) will actually go to the beneficiaries they intended, with a minimum of hassle and tax paid?

You've already taken them down the very personal, emotional and sometimes frightening journey of discussing their own mortality and what might happen to their loved ones in the case of a tragedy, so why would you not capture their wishes in some more detail and take the next step to get their affairs in order?

There are a number of tools available to help guide your conversations around this. Business Health[2] has a great diagnostic tool called the Estate Planner, that will assist you to highlight shortfalls in a client's estate plan and help pique their interest in getting it sorted.

'Sorted' doesn't mean dropping the standard line of templated text into your SOA, saying you recommended they get their wills updated. It means actually making sure they get done and making it easy for the client to do so.

This could mean capturing their wishes in a file note and handing that over with a personal referral to a lawyer you trust. Or getting the lawyer to attend your offices and you acting as the liaison, attending meetings with your clients to ensure that their affairs are in place.

You could tap into a service like The Legal Hub[3], where you're connected with a lawyer via Skype. You might find your role becomes the translator of legal jargon into terminology the client understands. You may also have a better handle on how their assets and insurances are structured than they do themselves and can ensure the solicitor has the correct information when drafting their documents.

As you can see, a risk/financial adviser can add incredible value to the estate planning process.

2 Business Health - www.businesshealth.com.au

3 The Legal Hub - https://www.thelegalhub.com.au/

Cash flow/debt management and savings strategies

When a client wants to sort out their insurance, it may be their first attempt at getting organised financially. If you're not going to provide full financial advice to them, at least help them make the most of this focus on getting organised and help them work out how they spend their money.

It stuns me that so many advisers take an arbitrary spending number they've either found in statistics or that their client has plucked out of the air without any thought, and they don't educate them about the power of getting a handle on what their lifestyle costs them. For a young couple, this will arguably be far more valuable than asking how much they think they can afford. You can help them map out their budget, then understand what might prevent them from achieving that budget. You might even offer a service where you keep them accountable for it.

Doing this well will not only empower you to ensure that the cover you're recommending fits the balance between sums insured and affordability of premiums, it may also have a profound impact on your clients.

There are a huge number of reasons why people don't achieve financial success or suffer financial stress. You may be used to focusing on the stress that occurs from losing an income, but some of the top contributors of people not obtaining financial success are a lack of focus on their financial situation and having poor spending habits.

How often have clients told you they don't understand why they're not getting ahead when they're on good incomes? This is usually because they haven't planned for how they spend money (especially couples). So they live comfortably for a while then stop and realise they haven't saved much or that their credit card balances have crept up.

By looking closely at how they spend money, you can help them make better choices. And if the right advice is to get rid of credit card debt and pay off their mortgage, these are all great aspects of advice that you can provide in addition to ensuring that if a tragedy occurs, they have done all they can to ensure that the remaining parties can still live a comfortable life.

Empowering a client to stop and focus on how they spend their money will have a dramatic impact on their financial future - even if they are one of the lucky ones who never have to claim on their insurances. By providing clients with a framework in which to consider their spending, you can help them to get a much better handle on how they manage their money AND make a significant difference to their lives.

There are a number of techniques for doing this, including:

- Providing them with a very simple template
- Suggesting they visit the Moneysmart website to build their budget
- Importing their bank account and credit card statements to a software program that will highlight where and how they spend money (in my experience, this is by far the most effective method).

If you start with a clear focus on the lifestyle they wish to lead today, in the short term and in the long term, they can reflect on their spending decisions with a sense of purpose.

People don't like the term 'budget' because they think it has negative connotations of restrictions, focusing more on what they can't have than what they can. If you craft your communications with language that is honest and doesn't focus on simply reducing spending, you can encourage new behaviours in clients who are motivated by a sense of purpose. Not just how they spend, but other opportunities to attract more money. This might be discussing applying for a new job, a career change, starting a business, improving their current business, investing etc.

By doing this well, you can help clients to focus on what they really want in their lives and to consider their spending habits within this context. I've provided more information on the practical elements of making this work in chapter 17, Your New Client Experience.

Video legacy

I'll end this chapter with an idea out of left field. What if you helped your clients to create a video legacy? For my friends who have lost a loved one, one of their greatest wishes is to see that person again - either in family videos, or even better, talking about how they think, how they feel about their family, what their wishes for them are.

Note - you'll want to prevent clients from discussing their will and estate wishes on camera, and keep it to purely sharing their thoughts and philosophies as a keepsake. As explained by Anna Hacker of Equity Trustees in an article on AdviserVoice, '"If you have a written Will and supplement that with a video Will or explanatory information in a video, there can be confusion as to which is the legally binding version. If the information in both isn't identical, it may cause the written Will to be challenged – and even revoked."

Nonetheless, how wonderful would it be if, in addition to discussing the right levels of insurance cover then instructing a solicitor to establish their estate plan, you also interviewed your client on camera sharing their thoughts about their family's future and some of their philosophies on life? If you repeated this every year at claim time, you could put together an amazing personal archive that would not only be fascinating for your client to look back on themselves but incredibly powerful for their loved ones to view when they pass.

This could form part of your ongoing retainer service. Clients could have login access to a portal that hosts their own personal videos. This is called a membership site, and you might be surprised by how cost-effective it can be to establish. You could obtain an inexpensive video camera (even a smartphone will do a good job) and a tripod, and ideally an additional microphone. Then think about the questions you'd like to ask each year and start talking!

Your value proposition can be as vanilla or as extraordinary as you choose. If you know what best suits your targeted clientele, you can build a custom-designed value proposition that clients will consider worth paying for.

CHAPTER NINE

SPEAKING FROM EXPERIENCE

ADAM SMITH, SUCCESSION MATTERS

Adam Smith runs an independent, self-licensed specialist risk business which has evolved to include estate planning services, called Succession Matters *www.successionmatters.com.au*

"I started providing estate planning services over five years ago. I found that as a risk specialist, estate planning was simply a continuation of a similar conversation I was already having with my clients around their mortality. Now I build a far deeper relationship with them that is not so one-dimensional.

It's given me another string to my bow. As a risk specialist, I'm not just talking risk, I'm talking estate and business succession, which I can charge a fee for - it's broadened my offer to clients.

We now talk more about their children and priorities. You're not just focusing on them and their insurance needs but you're making sure that what's important to them is dealt with in their estate, so the assets they've built up are distributed according to their wishes and the right assets get to the right people at the right time.

I work collaboratively with my clients' accountants, lawyers and financial planners to facilitate their estate and their personal insurance outcomes.

Has it been successful for you and would you recommend other risk specialists follow suit?

Absolutely. I now get far more estate planning referrals from accountants than just risk referrals. And through our estate planning process we identify risk needs, so I actually generate more new risk business through our estate planning referrals than I do from direct risk leads.

We charge a fee for estate planning work and the fees are paid upfront so, unlike traditional risk, we're being paid before doing any work. It's terrific from a cashflow point of view but equally, it highlights the importance of maintaining the insurance arm of the business as well. The two services go hand in hand but can be run in conjunction or independently of each other - one doesn't need the other to survive.

The 2015 financial year was the first time in my career that I generated more new business income via fees than commission and that feels really good. I got to that point by charging fees for estate planning and I'm also now charging fees for insurance advice.

Knowing what you know now, what advice would you give those starting down this path?

One of the really important things for the risk specialist to understand is that the transition to providing estate planning advice is not as big a leap as some might think. It's probably a six-month process to get your service and knowledge ready, then it's up to the individual how quickly they can get their head around charging a fee.

One of the initial challenges I had, coming from a risk commission background, was that the notion of going to fees was difficult to embrace. With Sue at Elixir Consulting, I worked out the cost to deliver services and applied a profit, and it sounded like a big number. I won't shy away from the fact that I found it very difficult to get my head around how to position that fee, but I learned over time that you're better off recognising what it is and developing a strategy around how to position *the value of what you do instead of finding out what your number is and halving it.*

The challenge I set myself was that I wanted an estate planning model that was not reliant on whether I did insurance or not, so the service I provided had to be profitable in its own right. I saw my vision become reality, but I did it the hard way. Initially when I first provided estate planning I did it on the premise that I'd use estate planning as a hook to get the insurance, but that doesn't always work. There's not always an insurance need, and when you think about it, that actually provides conflict as well. Rather than charge the appropriate fee, I might discount in the hope that I would get some insurance work and commission.

So it took me a few years to get comfortable with the notion but today it's a fully independent service.

The more you do it, the more confident and comfortable you become and positioning a fee starts to become second nature. You don't have any internal issues of "I'm not worth that fee" because you know full well you are and you know the value you bring to your clients.

If an adviser is struggling with the idea, my advice is to look at it commercially. If the LIF comes into effect as proposed, then potentially within a three-year period your income will halve if you're currently receiving upfront commissions. If you want to survive, you need to start charging or branch into other areas. I believe estate planning is a great fit as it's an extension of the conversation you're already having with clients.

How do you physically make it work?

We have a network of lawyers that we tap into to draw up the legal documents. We use The Legal Hub - they have a panel of lawyers Australia-wide that we can use and we also use local lawyers. The key is using lawyers who specialise in estate planning. Don't be lulled into thinking every lawyer does estate planning well because they don't.

I think one of the keys to making it work well is to have a well-structured process. You need a great process to get the information you need from a client and then it's up to you to demonstrate your value. When I take people through my process, I get over a 90% take-up rate.

Our process starts with a one-hour high level conversation on the whiteboard where I collect their asset/liability position, entities, understand the family tree, their family dynamics, delving into whether any of their children are vulnerable in any way. Once we're engaged, all our administration and implementation work is done electronically. When we do insurance, we outsource the underwriting through teleunderwriting.

From a pricing perspective, we offer a fixed price service for estate planning. We hold an initial no-obligation discovery meeting, assess our client's situation, identify their gaps, scope a plan of action to get them from A to B, and all that is one fixed price that they agree to after the first meeting. There are three typical client scenarios that people either fit into or between - there aren't many times I can't offer a fixed price after the first meeting. We incorporate the legal costs and my time to facilitate the process, we invoice for one fee which incorporates all costs, then we pay the lawyers their fee.

There are loads of benefits for our clients. The lawyers we use provide a wholesale fixed cost so we can obtain about 30% saving on legal fees for clients and, more importantly, we give them certainty upfront about what they'll be paying. Because we get to know the client so well, we bring a personal aspect to the legal process and we intentionally make the complex simple. Our job is to capture the estate vision and ensure it's implemented properly, and we act as the go-to person between our client and the lawyer, accountant etc. to get the right outcome.

It's not just high net worth clients who come to us for this service. We work with a lot of younger wealth accumulators who have insurance and estate planning needs. Sometimes we do estate planning only and sometimes even self-funded retirees have insurance needs. For example, there may *be an estate equalisation required - certain assets are going to one beneficiary and the remaining beneficiaries need to be compensated so insurance provides a solution. This is quite common in farming families - often the farm goes to the son and the daughters get the off-farm assets, which are often lower value, so insurance can equalise that.*

What are you doing with pricing risk business specifically?

On the back of the success of our estate facilitation model, I built an insurance facilitation model to position fees for risk. I've just started charging fees for risk. Six months in, it's early days, but we charge everyone an initial advice fee, and so far I've had 30% take-up of the full fee model. It hasn't scared any clients away.

What we do for all clients initially is charge an advice preparation fee of at least $1,100 (to do the SOA, initial processing, due diligence work), then I position them with the choice of how we get remunerated and allow them to choose between us being paid by traditional means (commission) vs a full fee for service option. I clearly lay out the pros and cons of each and the premium differentials.

We break our service and fees into three components. One is for advice and everyone pays for that initially. Then in the advice document we outline the options for how we get paid for the second stage (implementation) and the third stage (the ongoing service). So far, all those who have opted for fees have chosen fees for implementation and ongoing services, but we do give them the choice to mix and match.

The way I position the fee model is that clients are paying for my implementation service, not for a success outcome, because that's what the traditional model is. In the past, as the adviser I'd back myself to get a successful outcome i.e. if I succeed, I'll receive commission from the insurer and if I'm unsuccessful, I won't get paid.

The fee for service model says we will provide you with a wholesale *premium, which means you'll receive a 25% discount on your premiums, both upfront and ongoing, and in return we'll scope a fee for our service. We scope that fee to recommend and implement cover but, regardless of whether we get you covered or not, you pay the fee because you're paying for our time commitment. We also position an agreed fee to provide the ongoing service and we outline what those services are.*

To make this work, it's imperative that we pre-assess all our clients early in the process, and this is part of what our advice fee covers i.e. I tell clients I'm going to seek three opinions from insurers.

My view is that if someone opts for the commission model you should receive more because you're taking more risk that you could do a lot of work for nothing. With the fee model, we typically charge on average $2,500+GST per person, so $5,000+GST for a couple. For the ongoing service we charge $1,200pa+GST, but this varies. Our process allows me the opportunity to give thought to it before quoting the number when we do up the SOA. Again, we have to demonstrate the value otherwise people won't proceed.

I really think it's a healthy conversation to have with clients because there are pros and cons for each option. My thinking is: why not provide choice and educate the client and let them make the right informed decision for them? You're laying your heart on the table and you're giving them option A or B and allowing them to make the choice. I've found it interesting - some people I would have thought would be a shoe-in for a fee have opted for commission. Just recently I had a white collar medical professional opt for commissions, then a young couple I thought would opt for commission due to cashflow preferred the fee route. So I've learned not to make assumptions and simply provide clients with a choice.

Have you found that people are put off by your initial fee?

Again, if I take them through my discovery process and do it properly, I *typically demonstrate value easily and get close to 100% take-up. When I get referrals I'll have an initial chat on the phone to see how we can we help. If they say "I just want a quote", I always tell them we're not a quoting service: we provide advice and we like to build ongoing relationships, and I explain what that means. Then I say that if they just want a quote, they should go online and do lots of research to know what they're buying, but if they want advice on the pros and cons of different insurance and different providers and how to structure it, we charge a fee for that service. Most people are comfortable with that and if they're not, you just have to walk away if that's the way they want to business.*

Why did you wait so long to start charging for risk?

I had to go through crunching the pricing numbers, road test stuff, and be really confident that we had our processes right. I wanted to do it when I had it right so I could put my hand on my heart and know exactly what it costs us to deliver a service and what profit margins we want to make. We refined our processes, designed our marketing collateral and once all that was done, we just had to start doing it. I made the call we'd kick it off on 1st January and that's what we did.

My pricing model is still evolving but we offer fees to every client now. The longer term plan is to build an estate planning licensee with a risk focus and attract risk advisers who are wanting to evolve into a similar model and expand their opportunities. I really do see it as an opportunity and that's why I'm in the process of succeeding Mike Sayer from The Corporate Will Company - part of this role will be to mentor the new advisers as Mike did for me when I started out."

"RUN A PROFITABLE BUSINESS AND YOU CAN AFFORD TO GIVE TRUE PRO-BONO ADVICE."

CHAPTER TEN
PRO-BONO ADVICE

We've discussed the need to be selective about the clients you deal with by identifying your target client market and only working with appropriate clients.

However, you may choose to continue providing advice to non-profitable clients when they are referred by - and especially if they are related to - your more valuable clients. You may find these clients would be happy to think that the fees and/or commission you generate from their affairs are subsidising the advice to their children/ less financial friends etc.

One of the great benefits of getting your pricing right and running a profitable business is that it allows you to provide true pro-bono advice. That is, assisting people who really cannot afford to pay you but are in desperate need of your help. Providing advice and support to non-advised clients at claim time can be a perfect area for pro-bono advice.

Many advisers choose to deliver pro-bono advice as they feel privileged to be in an industry that has given them so much opportunity: they want to give back to those who may have been less fortunate. I'm often told by such advisers that they feel they gain just as much as the client does because, in simple terms, it makes them feel good to know they are using their skills and experience to change someone else's life. Pick up any book on the pursuit of happiness and giving to others will be in there - it touches on a part of us that sometimes gets lost in the 'busyness' of our lives.

There are several ways to source clients who need your help. I'd look first to your association. The FPA has a structured pro-bono advice service that links members with people in need. The AFA is part of the Pro-bono Financial Advice Network that also provides a structured framework to connect advisers with Australians undergoing financial hardship. If your association doesn't provide this service, you could mention in your newsletter that your firm takes on so many pro-bono clients per year and invite clients to refer people to you if they know someone in need. Or you could register your details and intentions with a charity organisation. Perhaps your licensee has a structured pro-bono service.

The only reason you should NOT deliver pro-bono advice is if you are doing it as a marketing exercise - to promote to your community what a good citizen you are. Gaining community respect may be a nice side-effect but the desire to give pro-bono advice should come from a purely altruistic motivation and should be delivered with dignity and respect.

The decision to deliver pro-bono advice should not be a true business decision, but I can't help but throw in a business-based justification to encourage you in this area. It is this: pro-bono advice can be a great opportunity for young planners to learn about advising, as well as humility, and to see first-hand what can happen to people if they do not or cannot seek good advice.

"PROCESS PROCESS PROCESS = EFFICIENCY AND BETTER CLIENT ENGAGEMENT."

CHAPTER ELEVEN
REVIEWING YOUR PROCESSES

We're about to get down to the science of pricing your advice - the part where you crunch numbers to determine the Minimum Recoverable Amount (MRA) that you need to earn for the work you do with your clients. You'll take a good look at the processes you use to bring on new clients as well as how you provide ongoing service, then cost it all out.

For some advisers, this is the first time they've stopped to consider how they deliver services to their clients. It's not uncommon for a business to fall into the trap of getting comfortable with the way things are done, not stopping to consider if there's a better way.

By utilising new tools or services, or simply by changing the way you communicate with clients, you will probably find you can improve both your efficiency and - more importantly - the quality of service you're providing. Now that you may be asking clients to pay a fee for your service, you will need to demonstrate value from their very first communication with you. If you don't have a consistent process, or if you feel your process could do with some improvement, this is the perfect opportunity to restructure your standard procedure for inducting new clients into your business, as well as how you provide ongoing service.

It's remarkable how many advisers (who make a living out of helping clients protect themselves against the risk of the income earner not being able to work) run their businesses as though they will always be there to get things done and their staff are all bulletproof.

Now is the perfect opportunity to renovate your processes and capture them in documented form. If you've read any of my other books or articles you'll know that I'm a big fan of documenting repeatable, scalable processes for everything you do in your business. I know this doesn't always happen in a small business because we're all busy doing three different jobs at once, but it is definitely one of those situations where, by taking the time to actually stop and design your processes properly, you will save a lot of time from that point onwards. By using a well-designed process that is delivered consistently to every client, you can actually deliver a more personalised service as the admin and process elements are systemised and seamless, allowing you to focus on the individual needs and personality of every client.

Think of it as an investment in the future profitability and quality of your business. You'll find there are some great methods locked away in the minds of team members who have been with you for a while. When you ask them to contribute to designing the processes, you'll also find that they know which areas are inefficient and may have ideas about how to improve things. At the very least, you'll be able to identify which elements need some improvement so you know where to start looking for a better solution.

The cost of complacency

Why am I so adamant about this? Well, as a business coach, I've seen what happens to businesses that are happy to allow each staff member to do things their own way. Sometimes this results in mediocrity, other times it's disastrous. I know how harsh that sounds - no-one delivers mediocre services on purpose. All the advisers we work with have their clients at the heart of everything they're doing, but because they haven't got their heads together to leverage off everyone's great ideas, and haven't encouraged a culture of continuous improvement, they've been getting by with 'the way we've always done things' on the strength of personality and a good work ethic.

Their clients like these advisers personally, and the fact that their staff are dedicated, hard-working and get stuff done. But they're not delivering a 'wow' client experience every time and they're often making too much work for themselves and their team. I've seen disastrous consequences when staff leave (either temporarily or for good) and no-one knows how to do their job; or worse, when even the best of intentions haven't been enough to make sure that things weren't missed.

One client fired their adviser because they hadn't forwarded the proof of income details to the insurer so the underwriting wasn't completed before the client went on holidays for a month. Another costly error was when someone didn't confirm a new policy had commenced before the old one was cancelled automatically because the super balance had been rolled over.

Having robust processes in place won't guarantee that mistakes will never happen, but they will include checks and balances to reduce the likelihood of them and improve the quality of your client relationships.

A better client and staff experience

Reviewing and documenting how things are done is about getting your technical, administrative and back office processes humming to reduce both mistakes and the time you take to get each client from enquiry to completion. It's also about engaging clients better so you receive more enquiries, convert more enquiries to clients and develop deeper, long-lasting client relationships.

Once you've documented your processes, you'll be able to get really effective and convert them into workflows in your advice software, CRM or productivity apps. This means your process is broken down into a series of tasks, and when the workflow thread is commenced for a client, the next task is created for the correct person as the last task is marked complete. If you have simultaneous tasks, your whole team can easily see which tasks are allocated to each team member and what progress has been made.

If you're not ready to get this efficient just yet, at least start with reflecting on how you service your clients and look for ways to improve. Talk to your staff, licensee and insurers about ideas and tools that are available to improve your processes.

This is not about tossing the baby out with the bathwater. There will be things you keep doing because they are fantastic and they work. Just imagine how much more you could do if you had no limitations on how you wanted to service your clients. If you had a clean sheet of paper, how would you design the way you take care of clients and the experience you want them to have?

Even within the boundaries of your compliance framework, you can create a wonderful experience that is not only enjoyable for you, it is so enjoyable for your clients that it almost guarantees they will refer others to you.

CHAPTER TWELVE
SPEAKING FROM EXPERIENCE
PIPPA ELLIOTT

Pippa Elliott is the founder and MD of Momentum Planning, a financial advice business in Perth with three advisers and three support staff. Since its inception 14 years ago, Momentum has always been a fee for service business. *www.momentumplanning.com.au*

"While we've always been fee for service, our pricing has changed over the years. To quote a favourite saying, we're going for progress, not perfection. I wouldn't say our pricing is perfect and I don't think it ever will be.

We write a lot of insurance as 77% of our client base are accumulators and we always rebate 100% of the commission; that is, we dial down commissions to zero during the quoting process. We started out by taking the commission and refunding it to the client. That was good in the early days as a marketing strategy, but over time it built into an administrative nightmare for the business. As the sheer volume grew, trying to track it, annualise it then refund it got way too time-consuming. We now dial down the upfront and ongoing commission to zero and build an insurance fee into our ongoing calculation of fees that we charge directly to clients.

Do you do the same for risk-only advice?

We don't do any scaled advice or one-time advice - we provide holistic advice only. We'll refer on anyone looking for just insurance because we see so much value in all the issues being dealt with together. We see that they all interrelate - a client's decision in the investment space has implications in the risk space - for example, if you buy an investment property, you'll have more debt. Your cashflow, decisions about how much you work and spend, how long you want to work, where you're sending your kids to school and so on all have an impact on your total asset position today and the future value of your superannuation. We feel we'd be doing a disservice to clients if we provided risk-only advice and didn't assist them to get a handle on their other financial affairs.

The reverse is also true. If a client says they don't want to look at insurance, we'll refer them elsewhere. We recently had a client who said they had only just done their insurance with a specialist - we said we'd review it anyway as a matter of course. When we did so, we saw they had zero TPD or trauma, and the lack of TPD cover could have been particularly disastrous in their case. They ended up completing their suite of insurances with TPD and trauma. They had a 20% increase in overall premium, but they know now that they have everything in the right place to pursue their objectives, even if something happens to one of them.

I don't know if they declined the TPD and trauma with the previous adviser or if the adviser made an assumption that the TPD and trauma was going to bump up the cost of their cover so didn't recommend it, or presented it as being optional. But I do know that we modelled out their cashflow with the additional premiums and empowered them to make their own decision. They decided it was worth spending more now in order to know they were covered. They knew that we will reduce the cover down as their need for it decreases so it's not a permanent hit to their cashflow.

We believe in, and value, knowing everything about a client - everything starts from talking about their current position and future plans and *goals. We map out the strategy achieving those goals in the perfect scenario where their good health remains, then do risk at the end - if something were to happen to one of them, how would we keep this plan going? Then we do the insurance recommendations.*

People generally aren't coming to us looking for insurance, they're coming for a life plan. They say: "What can we do, we have all these things we want to achieve - this is what we earn, and it seems to go through our fingers". They want to achieve things in life; they don't see insurance as part of what they're looking for. It's an important step but it's the last thing we do, to ensure that if a disaster occurs they can still achieve the life they want.

How do you structure your service and how much do you charge?

In our first meeting, we discuss their life goals, timeframes and choices. Once they're really passionate about wanting to achieve these things for themselves, they see that it's so important to protect them so then they see insurance as a non-negotiable step.

For the full gamut of advice, our average engagement fee is $4,500+GST. If we have someone who is just about to retire and their position clearly doesn't warrant insurance, we will often discount that fee to $3,000+GST as there is reduced complexity with super options as well as insurance, income and working related challenges.

Our average client fee per annum is $7,000. Our minimum fee for a couple is $4,500 then we add to that base if there's insurance, SMSF, small business etc. We add at least $590 per person per annum if there is an insurance need and we also add a complexity fee. For example, if it's clear there is business, career or health complexity we'll add to that minimum insurance amount. Another example is if they have insurance with five different insurers. That's a lot of research every year and right now, not many insurers feed into XPlan so there's a lot of extra work to *look up the latest info from each of them and re-assess their suitability.*

It's important to note that the amount we charge for insurance is a premium on our 'base fee'. The amounts we add would not work standalone in an insurance-only framework because a lot of crossover of content, client information and conversations occur in our process and our minimum fee already caters for that.

For that fee, as part of our annual review process we'll re-look at our clients' needs. If they've had a good year of reducing debt or their income has changed, we'll reassess if the levels are still right. We tell clients that ideally this first level of insurance should be the highest they'll ever need, then as life unfolds and they build their assets/reduce debt we can reduce cover (unless they take on more debt or their circumstances change).

We don't charge extra to manage claims - we accept and acknowledge that there will be periods of high workload for the client across the whole business. For example, we currently have a client diagnosed with breast cancer who has had a double mastectomy; this year we'll do a lot of work for her, but last year we didn't need to. We tell clients that our fee is what it's going to take to have us here when you need us so when the time comes, we'll be all hands on deck for you. We manage that by having a maximum number of 70 clients per adviser.

When it comes to client types, 50% of our clients are under 50, 13% are self-employed, 23% retirees and the rest are accumulators on salary and wages - mostly professionals, people in small businesses, government, mining, oil and gas.

Do you have clients who push back on fees and prefer that you receive commission?

We don't get any push-back and I imagine it's because of the holistic structure of our advice. I can imagine it might happen in an insurance-only based model. People know we're fee for service: it's on our website, in our

FSG, we mention it in our first meeting. We could be talking about the savings they're making on their insurance premiums but we don't - we haven't found we've needed to do so in order to help the client.

I think you have to be mindful that you can't charge a top line fee for service figure and expect to get the commission too - clients won't tolerate that over a long period of time. It might be nice for cashflow but it won't be sustainable.

Have you found this approach to be good for business?

I set out to be fee only from day one; being paid by commission was never going to be our model. I see that it creates conflict - how can it not? If the client genuinely doesn't need insurance any more and a business is reliant on income from that, how inclined are they to reduce their levels of cover?

Over 14 years of fee for service we have certainly experienced the scenario where you're five or six years into a relationship and the client calls and says "We're just so happy with where we're at, you guys have set us up well, we're really well organised and we can handle it from here". When that happens, I wonder if we've articulated the value of the fee vs commission over the years - they get those discounted premiums for life once they're in place. We haven't really highlighted that to them to date - I'm not sure if it occurs to people or not.

We have maybe one or two instances a year where people say "Thanks, we're good now", and we're bringing on an average of 24 new clients in the business per year. So we're still growing. We have had a few come back a few years later because the financial advice journey is just that - there are periods where things are going swimmingly then something happens and they really need our support. All our clients know that our retainer works so that we manage their affairs in good times but they will also have us when they need us and won't be charged extra for the privilege. I don't think people expect to jump in and out of an advice *relationship then access the same level of care and support. We had some lovely clients for a few years then they said "we're good" and left; we heard 12 months later that one had been diagnosed with cancer. We got in touch and let them know that if they needed anything we'd be happy to help. They didn't at the time then six months later they called and asked to re-engage. They're now back on board and we're happy to help - they were so grateful that we'd helped them get their affairs in order and had the right insurance cover to support them when they needed it.*

Our lapse rates? We haven't looked at that and we have no idea how much insurance we write per year, I can't tell you what our inforce 'book' is because it's not relevant to our business. We're reducing cover all the time for clients - we're consistently reviewing each client annually. And yet we're told by the insurers we work with that we're on their best supporter panels; we're on advisory boards with insurers where we get invited every quarter to talk about new product initiatives, we participate in working groups.

We use three insurers on a regular basis; every now and again, based on the client, we might go outside those three. Every year we analyse the marketplace in terms of benefits and pricing, knowing their claims experience is really critical. We use IQM in XPlan to do some thorough testing to determine who our preferred insurers will be for most cases. This has direct benefits for our clients: we get preferential treatment for them and premium service from insurers. For example, one insurer will waive up to 75% of their normal loadings for our clients."

"DON'T GO INTO BUSINESS SELLING TIME BECAUSE IT'S THE ONE THING YOU CAN'T GET MORE OF."

CHAPTER THIRTEEN

NUMBER CRUNCHING - DETERMINE YOUR CHARGE-OUT RATES

Whether the pricing model you're working towards for providing risk advice is commissions, fees plus commissions or replacing commissions altogether with fees, it's vital to understand the cost of delivering your services. This will enable you to arrive at your Minimum Recoverable Amount (MRA) for each client or activity.

The MRA refers to the minimum amount of remuneration that, as an adviser, you will aim to obtain for each client engagement. Once you know your MRA, you'll be able to make a decision about how to obtain it.

Let's look at an example. You choose to subsidise commissions with fees, using an MRA of $4,000.

You may decide to charge a minimum fee of $2,000 for your initial advice and to only work with clients for whom you know you'll receive at least $2,000 for the initial hybrid commission. The cut off point may not be exactly in line with your process as you may have to complete work worth more than $2,000 to get to the point of commencing implementation. However, you need to arrive at a good balance between value and cost.

How much are you comfortable asking for, and how much do you think your clients will commit to as a separate fee to their insurance premium?

You don't need to set this figure in stone. Once you know your MRA, you may choose to vary the amount you will receive as a fee in different client circumstances. A client who is a 'flight risk' (you're not totally convinced they're committed to the process) may be quoted a higher advice fee to test their commitment than one who is fully engaged with you and provides all the information you request. If your 'flight risk' clients choose not to proceed, at least you've saved yourself from wasting time and effort on something they were never committed to.

You may also take into consideration a client's household cashflow when deciding how much to receive as fees vs commission or give clients the choice of whether they wish to pay commission or fees.

Even though you're unlikely to use time-based billing (read Chapter 5 again if you're still contemplating this!), it's important to start by getting an understanding of what it costs you to deliver your services, and the first step is to determine your charge-out rates.

Our research has consistently shown that advisers' charge-out rates and total fees vary dramatically, and so they should. The costs of rent, staff and every other overhead differs from one business to the next. Rather than attempting to select a fee based on what you've heard is 'about right', you should drill down into the actual costs of running *your* business.

If your eyes glaze over at the thought of determining these calculations manually, our online Pricing Advice™ program includes calculators to undertake this process and allows subscribers the ability to stress-test their pricing model in a variety of different situations, such as moving premises or adding/removing staff. It also enables you to benchmark your pricing against hundreds of other advisers in real time and includes video and audio files to help you work through the subjective elements. Visit **www.elixirconsulting.com.au/pricingadvice**.

There are a couple of different ways to calculate your charge-out rates. A common mistake is to simply consider the salaries of the staff completing the work, but it is important that you also include your business overheads, including the employment costs of non-chargeable staff (book-keeper, receptionist, IT manager and so on) *and include a profit margin.*

Working it all out - one approach

Step 1: Work out costs

Separate your chargeable staff costs from your passive overheads.

Chargeable staff are those who undertake tasks for individual clients: advisers, paraplanners, client services/administration staff. When calculating the employment costs of chargeable staff, include all their direct costs: wages, commissions, bonuses, leave entitlements, salary sacrifice payments, superannuation and so on.

You may determine that handling mail and greeting clients should be evenly distributed across the client base; someone who fills a pure receptionist role would then be classed as non-chargeable, and included in passive overheads.

Passive overheads are all your costs other than those for chargeable staff. Use your most recent profit and loss (P&L) statement to work this out. In addition to all expenses that aren't related to chargeable staff, look out for overheads that are listed as cost of sales on your P&L and only include them if they are likely to be repeated in the coming year.

Significant changes: Remember to allow for any changes that might occur in the coming year, such as increases in your professional indemnity premium.

Passive income: You may wish to take into account a portion of your current cashflow that is derived from passive recurring income; that is, trail commissions for clients who are not on an active ongoing service package. This is likely to be legacy income from clients who are not really engaged with your firm and you are not required (or expected) to deliver an active service in return.

You can account for this by reducing your passive overheads by a portion of this passive income, which will reduce the minimum fee you need to obtain from each active client. Be warned however: in the current environment, passive income is not as 'sticky' as it once was. There are myriad reasons why you should expect it to decline over time:

- Products may be cancelled or cashed out by clients, causing the trail commission to cease
- Clients may sign over servicing rights to another adviser or a commission rebating service provider
- Changes in legislation may alter previous commission arrangements. While historical income has been grandfathered so far, there is no guarantee this won't change
- You may choose to sell part or all of your trail book and not reduce the expenses it was subsidising or helping to service
- With product enhancements, clients are starting to be able to switch off ongoing commissions on existing policies without the need to rewrite them
- You may at some point re-engage some currently inactive clients on a service agreement, in which case the passive trail will be replaced by an ongoing service payment that is on the new pricing you are working out now.

If you do wish to take into account some of this passive income, what percentage do you want to rely on receiving next year?

The final calculation for this step looks like this:

Total expenses (excluding depreciation)
+ cost of sales
+/- significant changes
– total chargeable staff employment costs
– (passive/legacy income x retention rate)
= subtotal passive overheads

Step 2: Factor in your wish list and profit margin

Wish list: Think about the things you want to do if you can find the time and money.

Perhaps you tightened your belt last year or there are things you've always wanted to do, such as:

- Conference costs for your staff
- Rebuilding your website
- Education costs for you and your staff
- A business coach to help you achieve greater outcomes
- Flat screen or Smartboard in your boardroom
- Video equipment to record clients and for marketing communications.

Now is the time to plan for these items. Some may be one-offs, but add an amount that would be an appropriate annual figure so you can regularly upgrade your tools.

Profit margin: Add an amount for inflation and for your desired profit margin. For the purposes of this exercise, the profit margin will be the percentage of your total revenue (excluding GST) that will represent your pre-tax profit.

When considering how much profit margin to build in, consider a number of things. The fact that you have taken the risk to run your own business, to employ staff, to do all the things you've done to create a vehicle through which you can provide quality advice to your clients: all this should mean you're rewarded appropriately.

As far as businesses go, advice businesses may not require the capital outlay to fund warehouses or carry perishable stock, but ask anyone who has been on the losing end of a Financial Ombudsman Service (FOS) case and you'll get a new understanding of risk and just how expensive your Professional Indemnity excess can be - and that's when it actually pays out!

Your profit margin is also a critical factor in the valuation that will be used by future purchasers of your business. While multiples of recurring revenue have always been the preferred valuation methodology, there is an increase in the transactions of businesses being valued at a multiple of EBIT. If you're planning on selling your whole business in future (and not just a book of clients), the profit margin you build in here will likely have a direct impact on the capital value you ultimately realise from all your hard work.

You'll find there's the ability to boost this profit amount when we talk about a value overlay in chapter 16, but for now, incorporate a base level.

We find most advisers aim for a profit margin of at least 35%–40%.

{Subtotal passive overheads x (1 + inflation rate) + wish list}

/ (1 - profit margin)

= total passive overheads

Step 3: Allocate chargeable staff costs

Separate out your chargeable staff costs among advisers, paraplanners and administrative support staff.

By doing this, you'll be able to determine an appropriate charge-out rate for the three different functions, assuming you have people who undertake the three different functions. If you outsource your paraplanning, you should instead include these fixed costs when you calculate your minimum engagement fee.

Use one figure that totals all advisers, another for paraplanners and a third for administrative support staff.

If you would like to give your staff pay rises next year, allow for this in your total figures – and don't forget to add your profit margin.

(Total adviser employment costs + pay rise)
/ (1 - profit margin)
= subtotal adviser overheads

(Total paraplanner employment costs + pay rise)
/ (1 - profit margin)
= subtotal paraplanner overheads

(Total admin employment costs + pay rise)
/ (1 - profit margin)
= subtotal admin overheads

Step 4: Work out chargeable hours

If you run timesheets, you will have an accurate picture of chargeable hours. However, most financial planning businesses don't, and don't really need to in my view.

Our aim is to determine a reasonably accurate charge-out rate. We will only use this as the basis of your fee model – not the entirety – so it's not absolutely critical to get this correct down to every six-minute block.

Calculate potential chargeable hours by determining the number of weeks worked by advisers, paraplanners, admin staff etc. Typically, you should allow for the loss of eight weeks a year per person: four weeks' annual leave, two weeks' public holidays, one week sick leave and one week for conferences/

professional development (PD) days. Note that PD days are not for general reading or Continuing Professional Development (CPD) – these can be picked up in non-chargeable time. Whilst full time staff are entitled to two weeks' sick leave per year, it's rare that all your staff will take this each year, so allowing for one week is usually a conservative estimate. You may also choose to drop the week of professional development for admin staff.

If you have staff who take additional holiday leave in their employment package, or if your advisers spend more than one week out of the office on conferences and training courses, allow for this.

Estimate actual chargeable hours worked each week by each team. Chargeable hours are those spent working on a specific client, whether meeting them in person or working on their affairs (checking their SOA, researching their current holdings etc.).

Before thinking that you and/or your advisers don't have a lot of non-chargeable time, consider the following:

- General ongoing CPD
- Product provider briefings and general product research
- Staying on top of legislative updates
- Marketing, building centres of influence and prospecting
- Unsuccessful applications or introductions
- Client communications/engagement/education
- Staff management
- Travel time
- Coffee and bathroom breaks
- Checking personal emails
- Chatting to other staff members, weekly team meetings etc.

Many of these things help to make a good adviser but it is too difficult to allocate this time per client job. By omitting them here, they will be accounted for in the final hourly charge-out rate.

For admin staff, non-chargeable time also includes reception duties, checking PO Boxes and other general admin support tasks. For paraplanners, non-chargeable time includes time spent updating planning software, researching strategies and so on.

According to a survey by salary.com, 89% of respondents said they waste time at work every day and 57% of those waste over an hour – every day. Are your staff on social media?

Advisers: **Number of weeks worked**

x chargeable hours per week

= chargeable adviser hours

Paraplanners: **Number of weeks worked**

x chargeable hours per week

= chargeable paraplanner hours

Admin support staff: **Number of weeks worked**

x chargeable hours per week

= chargeable admin hours

Step 5: Total the chargeable hours

Determine the components that will make up your final charge-out rates. Start by obtaining the total number of chargeable hours in your practice:

Chargeable adviser hours

+ chargeable paraplanner hours

+ chargeable admin support hours

= Total chargeable hours

Step 6: Work out the cost per hour of passive overheads

To determine the component for passive overheads, use this calculation:

Total passive overheads

/ total chargeable hours

= passive overheads per chargeable hour

Step 7: Allocate passive overhead costs

To keep things simple, we'll distribute the passive overheads equally between advisers, paraplanners and admin staff. If you want to be pedantic, you could weight them in accordance with the value of the work they do. We allocate them evenly as the passive overheads tend to stay relatively constant, regardless of the ratio of advisers to support staff.

Determine the variable component for each group:

Total adviser overheads

/ total chargeable adviser hours

= adviser staff cost per adviser chargeable hour

Total paraplanner overheads

/ total chargeable paraplanner hours

= paraplanner staff cost per paraplanner chargeable hour

Total admin overheads

/ total chargeable admin hours

= admin staff cost per admin chargeable hour

Step 8: Finalising your charge-out rates

Total the passive overhead rate with each of the staff rates to determine your charge-out rate for each team as follows:

Passive overheads per chargeable hour
+ adviser staff cost per adviser chargeable hour
= Adviser charge-out rate

Passive overheads per chargeable hour
+ paraplanner staff cost per paraplanner chargeable hour
= Paraplanner charge-out rate

Passive overheads per chargeable hour
+ admin staff cost per admin chargeable hour
= Admin support charge-out rate

These charge-out rates should be sufficient to cover the entire overheads of the business – both the passive overheads and the staff costs, which vary according to the person's role and experience.

If you feel these hourly rates are too high or too low, double check some of your inputs. Pay particular attention to your profit margin, your wish list and the non-chargeable time for your staff.

If you have used the correct figures, these hourly rates really are the minimum that you should be recovering on client work.

If all your chargeable staff are working at what you have calculated to be their capacity, and are charged out at these rates, you will achieve your desired profits.

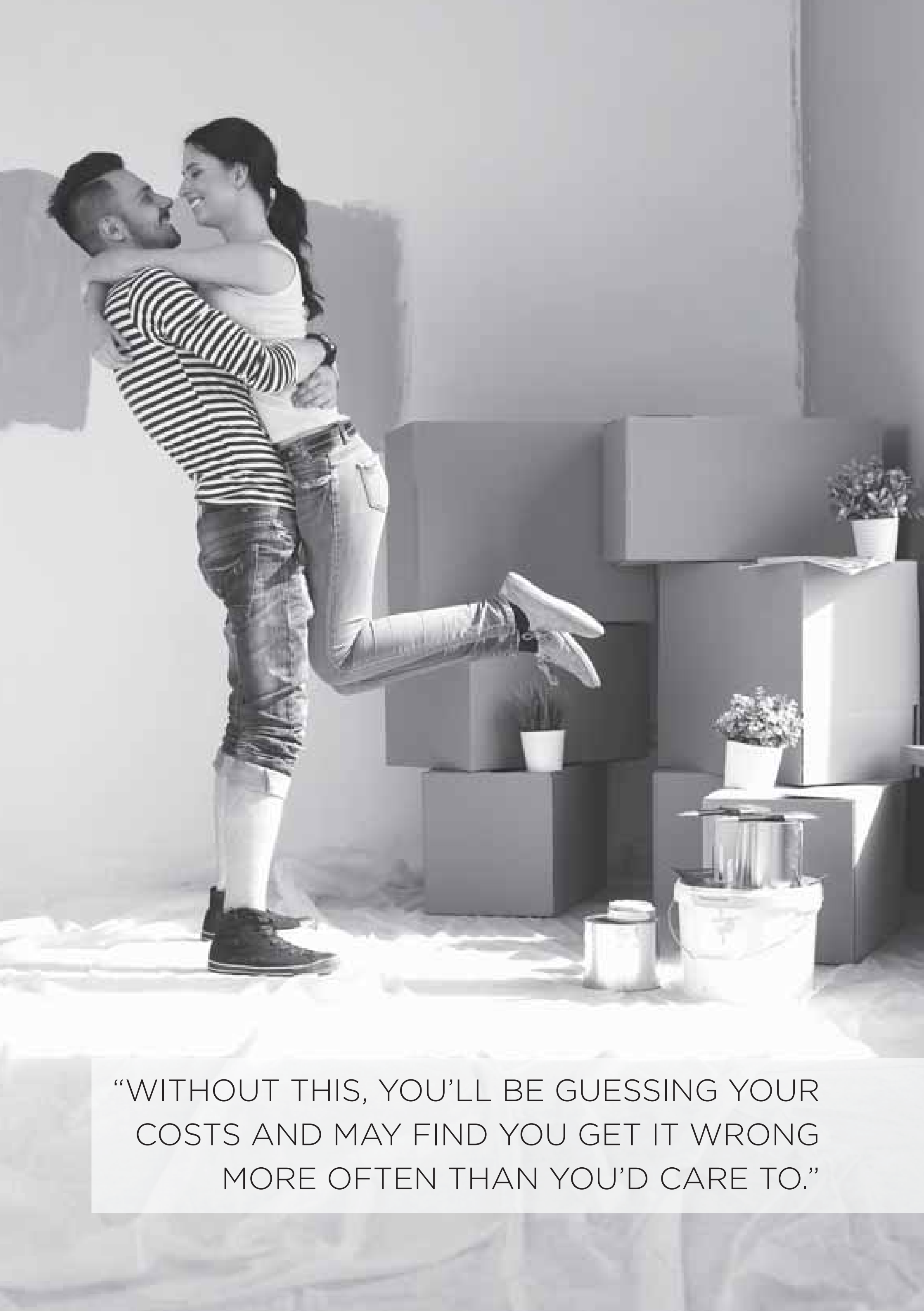
Elixir Consulting's *Adviser Pricing Models Research* (third edition) showed that the charge-out rates used to calculate fee models around Australia in 2015 ranged from $150 to $550 per hour for adviser time, $80 to $330 for Paraplanner time and $30 to $250 for support staff time. Note that less than 10% of respondents had used Elixir's services to determine their pricing models, so they may not have calculated their charge-out rates on the same basis described here.

In reality, you can't control the exact number of chargeable hours that your staff work. There will be workflow peaks and troughs and you may not always have enough clients to keep them at full capacity. When they get to capacity, you need to employ a new team member, then everyone is working below capacity again until there are enough clients to fill that person's day, at which point you again need more staff.

This is a balancing act that even the most seasoned bean-counter will struggle to get right, and is another argument not to rely simply on charging by the hour.

Remember, do not stop here and simply bill out your client work in arrears based on the hourly rates you have calculated. It's essential that you do this exercise so that you gain a thorough understanding of the *minimum* amounts your staff should be generating.

Remember too, we haven't yet built in a value overlay. You may choose to apply a premium to the charge-out rate if your senior advisers are working on particularly time-consuming or value-adding issues, such as complex estate distribution management. Arguably, this work should be more highly valued by the client than a simple life insurance application. Don't spend time on this just yet – we'll cover this point when we get to chapter 16 - Adding a Value Overlay.



"WITHOUT THIS, YOU'LL BE GUESSING YOUR COSTS AND MAY FIND YOU GET IT WRONG MORE OFTEN THAN YOU'D CARE TO."

CHAPTER FOURTEEN

NUMBER CRUNCHING - PRICING YOUR ENGAGEMENT PROCESS

You now have all the information you need to determine the Minimum Recoverable Amount (MRA) for the initial work that that you do for your clients – your onboarding process.

Firstly, you need to determine how long it takes to service your 'typical client'.

You might wonder why you're doing this when we have already convinced you not to charge time-based fees. The reason is simple, yet incredibly important.

Many advisers are discovering they should be generating more income than they have in the past to bring on new clients. Even when taking the upfront commission option, advisers have rarely applied minimum case sizes. They will take on new clients regardless of the net figure they receive instead taking a portfolio approach to their risk clients, relying on a trail book to subsidise their new work and/or the big deal they get from time to time.

While this approach may have worked in the past, there are at least three reasons why it may not work as well in future:

1. Trail commission books are not as 'sticky' as they once were, as we discussed in the previous chapter.
2. In order to minimise the attrition of your trail book, you'll likely want to deliver a more proactive ongoing service to these clients which will utilise resources in your business, meaning there is less surplus income from the trail book to subsidise your new client acquisition.
3. With reduced commissions, not only will you be earning less from your 'typical' clients, but the big deal you get from time to time may no longer be sufficient to cover the work on your smaller clients.

Many advisers are surprised when they discover what it actually costs them to deliver their services but they find it difficult to start charging clients these amounts at first.

Elixir Consulting pricing research showed that advisers who went through a similar process to what we're sharing here to create their fee model had a better understanding of what it cost them to deliver their advice. They then found it much easier to charge appropriately as they had a basis on which to justify their fees – more to themselves than anyone else.

We'll discuss value-based fees later because before that, you need to have a base from which to start. Without this, you'll be guessing what you need to recover in order to at least cover your costs and may find you get it wrong more often than you'd care to.

Same, same but different

Before starting this exercise, list the typical processes you undertake with each new client, from their initial enquiry until implementation is complete.

I know every client is different, but if you stop and review the last four clients you worked with, you'll probably find similarities in the time required for each.

Some client types will be more common among your clientele. There will be a standard process and a typical amount of time that you'll spend to bring these clients to your firm. Complete this exercise with these clients in mind. While a 'cleanskin' is very rare these days when it comes to implementing insurance advice, you can still estimate the average length of time it takes you to bring on your typical client. Not a perfect science by any means, but a really important step in the process nonetheless.

It will be easier if you have a consistent, repeatable process that your whole team delivers every time. You will be able to make a more educated guess than if you use a different method each time you work on something. You'll also find that you can reduce anomalies if you complete that pre-underwriting questionnaire with your clients early in your engagement process. If you use the tele-underwriting service provided by most insurers, you'll also be able to outsource the workflow element that has the highest rate of variability.

If you feel you would benefit from external assistance with this exercise, talk to the PDM at your licensee, or contact Elixir Consulting to speak with one of our coaches. Investing time and effort in this area can increase your profitability as much as getting your fee model right.

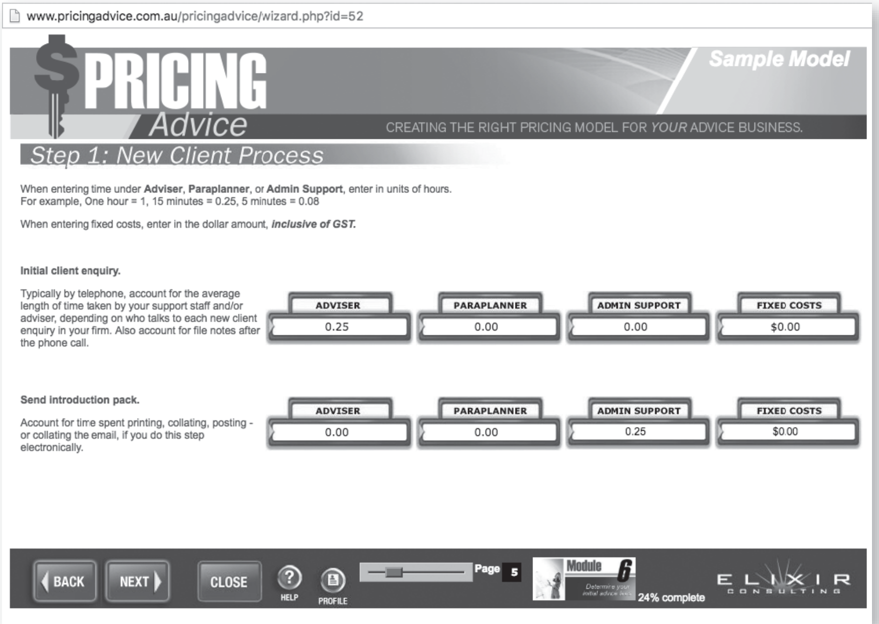
Step 1: Minimum base fee

This establishes your minimum recoverable amount to bring on a new client.

Using your list of the steps in your new client process, estimate the length of time each task takes, segregating them according to whether they are carried out by advisers, paraplanners or support staff. Include time spent preparing for each step and completing file notes after the event.

When estimating the amount of time it takes to complete each task, timesheets are a great help but don't worry too much if you don't use them. If you have neither the patience nor the resources to track timesheets, take a stab at the average time spent. Please get your staff to assist you – they will have a much more realistic view of the time each task requires. If you get them to document the time it takes to do each task they work on over the next month, you're likely to be surprised how long some tasks take.

The screen shot from the Elixir pricing software demonstrates what we mean.



First client meetings: Most advisers will conduct first meetings with prospective clients ‘at their cost’, as an opportunity for the client and adviser alike to determine whether they wish to work together. Should the client subsequently engage, the meeting time can be included in the recoverable amount.

First client meetings that don’t proceed can become a significant cost to the business. This is especially true if advisers do not adequately train their Centres of Influence in who to refer and if they choose to meet with anyone who enquires without first screening them.

Some advisers are choosing to charge for this meeting. Their theory is that their time is valuable and that by charging immediately, they weed out the ‘tyre kickers’, so most meetings with prospective clients will result in that client choosing to engage them. They also state that most first meetings result in their providing some sort of advice to clients, even if it is only general advice.

At the very least, clients get value from the opportunity to stop and reflect on their current financial position and their goals for the future, so they feel it is appropriate to charge for the adviser's time. Consider how often clients have asked at the end of a first meeting what they owe you: this should help to formulate your thoughts on this issue.

Doing the calculations: Tally the number of adviser, paraplanner and support staff hours required to bring on a new client and multiply these hours by your respective charge-out rates. Include any fixed costs (exclusive of GST) and apply your profit margin mark-up.

The resulting figure is the minimum amount you should recover to bring each 'standard' new client to the business.

If you find that your 'typical' client will generate less than this in new business commissions, you can decide if you wish to charge an advice fee in addition to receiving commission for the implementation of your advice, or if you'll charge a fee for the whole amount and write premiums on a wholesale basis.

If this amount is considerably more than you expected - remember, this is before we account for additional levels of complexity in your client's affairs - don't panic. It's important to continue through the rest of this process to truly understand your cost to serve before you make informed decisions about how to implement your new pricing structure.

Notes:

- The final figure will be exclusive of GST given you used costs from your P & L statement.
- Fixed costs include outsourced paraplanning and gifts that were not captured in your passive costs when you determined your charge-out rates. If you incurred outsourced paraplanning fees last year, you may have already included these costs in your passive overheads.
- If you prefer to apply paraplanning costs on a per-client basis, deduct them from the total expenses figure used when you determined your charge-out rates and apply them here in your calculations instead.

- If you pay a licensee split (percentage) that was not already accounted for in your calculation of passive overheads, gross up your result by your split i.e. divide by (1 – the licensee split %).

Step 2 – New client complexity

This step will help you to build a calculator to add to this base level if you have a client with more complex needs.

Now you've accounted for the work you would complete for a client with simple needs, you need to consider additional work that may be needed for one with more complex affairs.

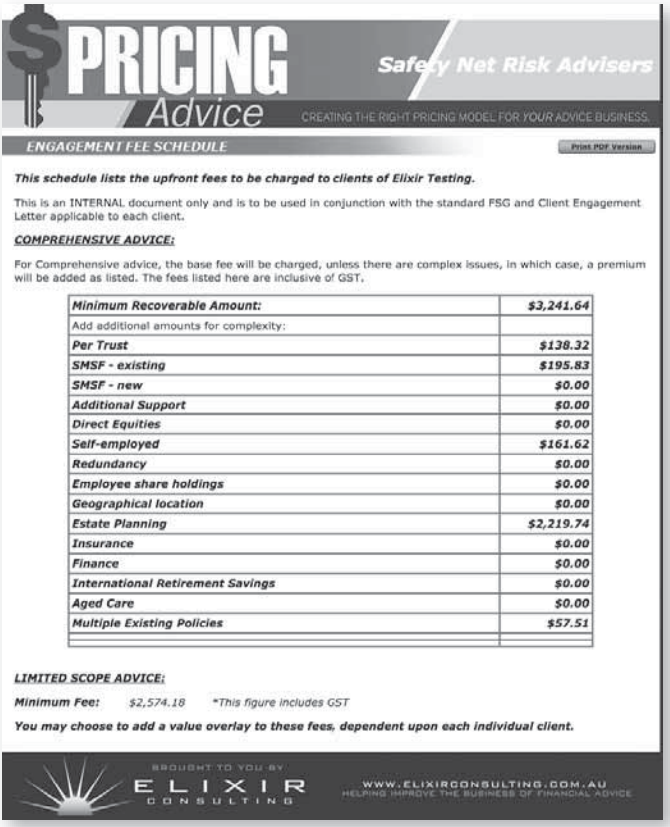
What might affect the amount charged to a client on an upfront basis? A range of issues may affect your price, including:

- **Trusts (family, trading):** It can be difficult and time-consuming to get a thorough understanding of the money flows and actual worth of the client if trusts are involved.
- **Existing SMSF:** Additional work may be required to establish insurances within the fund, if that is appropriate, including a review - and possibly amendment - of the Trust Deed.
- **Self-employed clients:** These may require additional work to understand the income flows and ownership structure of their affairs. They may also require additional due diligence in assessing their succession plans, buy/sell agreements etc.
- **Geographical location:** If you visit clients at home, you'll want to include travel costs in your standard MRA; you may also vary charges for clients who live a long way from your office if you travel to see them.
- **Estate planning:** If your new client process includes additional work for estate planning, such as arranging and/or attending solicitor meetings, add this in.
- **Multiple existing policies:** If you need to research seven existing policies before formulating your advice then arrange six super rollovers, this will take your admin staff a lot more time in the discovery and implementation phases.

Once you determine the additional layers of complexity that may add to the engagement fee for clients, create an MRA calculator that incorporates all the costs that are specific to your firm.

You'll be able to use this with each new client to determine the appropriate fee to charge. Most advisers prefer to use their schedule 'behind the scenes' and only quote the total fee to the client, although some choose to use it with a client as they feel this justifies the additional fees required for more complex advice.

As an example, I've shown the engagement pricing schedule template that is included in the Elixir pricing software. The figures are populated when the subscriber has completed their data inputs.



This schedule lists the upfront fees to be charged to clients of Elixir Testing.

This is an INTERNAL document only and is to be used in conjunction with the standard FSG and Client Engagement Letter applicable to each client.

COMPREHENSIVE ADVICE:

For Comprehensive advice, the base fee will be charged, unless there are complex issues, in which case, a premium will be added as listed. The fees listed here are inclusive of GST.

Minimum Recoverable Amount:	***$3,241.64***
Add additional amounts for complexity:	
Per Trust	***$138.32***
SMSF - existing	***$195.83***
SMSF - new	***$0.00***
Additional Support	***$0.00***
Direct Equities	***$0.00***
Self-employed	***$161.62***
Redundancy	***$0.00***
Employee share holdings	***$0.00***
Geographical location	***$0.00***
Estate Planning	***$2,219.74***
Insurance	***$0.00***
Finance	***$0.00***
International Retirement Savings	***$0.00***
Aged Care	***$0.00***
Multiple Existing Policies	***$57.51***

LIMITED SCOPE ADVICE:

Minimum Fee: *$2,574.18* **This figure includes GST*

You may choose to add a value overlay to these fees, dependent upon each individual client.

“ENSURE YOU’RE REGULARLY IN CONTACT WITH CLIENTS AND MAKING THEM AWARE OF THE ONGOING VALUE YOU CAN ADD.”

CHAPTER FIFTEEN

NUMBER CRUNCHING - PRICING YOUR ONGOING SERVICES

The final step in your number crunching is to cost out your ongoing services. This is an important step, regardless of whether you're planning on removing commissions and charging an explicit ongoing service fee or on keeping the commission.

While the recurring commission under the new hybrid model may be more than you've received in the past if you took upfront commissions, it's still important to understand what it costs you to deliver ongoing services. It's also a timely opportunity to review these services and ensure you're regularly in contact with clients and making them aware of the ongoing value you can add.

To calculate your ongoing MRA, you need to include not only the services that are definitely provided, such as review meetings, but also make provision for those that may or may not be. These might include responding to client calls, following up missed payments and updating credit card details and claims management support.

If you're going to state that your ongoing remuneration covers you to be there to handle all these things and not charge extra for them at the time, you'll need to factor in an allowance for these each year so your MRA will keep you in profit.

Once you've determined your MRA for ongoing services, you can reflect on your typical client and make a decision as to whether or not the ongoing commissions you'll receive in the new hybrid model will be sufficient to cover this amount. There may also be clients where you've recommended they retain some or all of their cover in their default employer super funds or other policies that don't pay you commission. These policies will require a greater degree of vigilance and ongoing review, as conditions and definitions can often change without prior notice. It would certainly be of value to a client to pay you a fee to ensure their cover continues to protect them.

If you provide risk-only advice, you may find you only require one ongoing service package then a complexity allowance for clients who have SMSFs, default cover policies and the like. By contrast, if you provide risk protection advice as part of your comprehensive advice offer, determine the additional work you do for your clients' risk policies so you can factor that into your ongoing service packages.

Determine your base ongoing MRA

Just as you did when pricing your upfront fees, start by determining the approximate average time it takes you to deliver ongoing services, based on your segmented service offerings.

You'll need to have your ongoing service offering to hand. If your business hasn't created or documented this, put it on your to-do list! It's becoming increasingly important to not only articulate the ongoing services you'll provide but to have processes in place to ensure you deliver what you promise.

If you choose to use the Elixir online pricing tool, you'll have the opportunity to build your ongoing service offer with the elements suggested in the software.

Here are some of the common factors to consider when working out the time and costs involved in providing ongoing services.

Client review: Risk-only clients don't usually need to do a face-to-face review every year. You can provide a structured service package that alternates between a phone review one year and a face-to-face review the next, although you'll need to decide how you will price your service if a phone review reveals the need for new advice. Your review time should not only include checking if there are changes to your clients' lives that require action but also their policies, particularly if they have default super funds.

New advice: Decide how to handle situations where a review reveals the need to generate new advice - say your client needs to revise their levels of cover or change policies altogether. It may not be such an issue where you're writing a new policy or increasing cover as the year one component of the new hybrid commission may cover the work for an existing client (because you don't have all the get-to-know-you steps in the process). However if you need to generate an SOA and resulting paperwork to decrease cover, you may find this extra work is not covered by your ongoing remuneration.

Communications: Providing regular communications and putting on information events ensures clients don't forget who you are and what your service provides for them. They also take time that needs to be factored in here.

There are some great newsletter services where you can email a regular communication with timely articles on topics of your choice. Provide articles of interest and education that don't get caught in spam because they're selling something - provide something your clients read with interest. Think lifestyle and educational pieces that will confirm the wise choices they made about having cover. You could even feature a client story on a regular basis – alternating between clients with interesting lives (and perhaps quirky insurance requirements) and clients you've managed claims for. Some advisers create a real community with their clients and host regular functions such as family days, movie nights and information evenings. If you don't charge clients a fee to attend these events, factor a per-client amount into their ongoing MRA.

Administration: Provision a small amount of time for ad-hoc calls or admin tasks for each client each year.

Claims management: Perhaps the most important factor in your ongoing service offer, claims management is such an important facet of your risk service that I've dedicated a whole chapter to it (chapter 21). For the purposes of crunching numbers, if you're not going to charge a fee for claims management support at the time of providing the support, you want to factor an amount each year into your ongoing MRA to cover a possible future claim.

There are two ways to do this.

1. Roughly estimate the time required to take clients through a claim, knowing full well this varies a lot. Just take a guess at the average. Then multiply this by the corresponding charge-out rates (adviser/paraplanner/admin) to arrive at the average cost to your business of managing a client through a claim. Multiply this by a factor representing the likely frequency of claims in your business. That is, if 1 in 20 clients (or 5%) historically makes a claim, multiply by 5%. Add this amount to the ongoing MRA for each client who has risk insurance.

2. Include an average amount of time spent each week/month handling claims when determining your non-chargeable time to arrive at your charge-out rates. The downside to this option is that if you have clients who don't have any insurances, they will effectively be subsidising the service for other clients who do.

Neither option is a perfect science, especially as you have no way of predicting how many clients may be on claim at any one time and how much work they will require. However, choosing one of these techniques will go some way to ensuring you're spreading the cost of managing client claims across your client base.

Other services: Take each other service listed on your ongoing service offering and determine the average length of time it takes for your team to conduct that task, segregated into adviser/paraplanner/admin support. You'll be able to refine your estimate later on to account for clients who may require more phone calls than average or who take longer in reviews. If you alternate between a phone and face-to-face review, include an average figure per year rather than fluctuating it. Remember to account for all the time that occurs with each task. A client review might include admin time to book the client in for their meeting and prepare their file; a paraplanner may review the policies; the adviser will spend time before the meeting reviewing the client file and adding file notes afterwards.

Fixed costs: Include an allocation for fixed costs where you have a client-specific expense to add to your fees, such as external paraplanning fees for a review SOA. Note that costs to implement similar services across your whole client base – such as newsletters, financial planning software and telephone bills – will have already been accounted for in your passive overheads, assuming you incurred these costs in the previous year.

Variations: As stated before, if you only provide risk-only advice, you will most likely only have one ongoing service package that is designed for 'typical' clients, with add-ons for more atypical complex situations. If your advice tends to be more comprehensive, you may offer several servicing packages e.g. Platinum, Gold, Silver and Bronze, or Young Families, Empty Nesters etc. The time allocations and frequency for each service may differ so you will need to conduct this exercise for each of them.

Finally, multiply the total time it will take for your ongoing service by your charge-out rates.

Congratulations! You've arrived at the base ongoing MRA you need to recover next year from your clients.

The value overlay

While working out your base ongoing MRA focuses on the time taken to deliver your services, it is worth reiterating that we do not advise you to start charging services out by the hour. There are many reasons why charging by the hour may be bad for your clients and for your business, and although this exercise is imperative to obtain an educated estimate of the minimum amount of revenue you need to recover, if you stop at this point, you're effectively packaging up an hourly rate for your services.

If there's one piece of advice we support for every adviser, it's: 'Don't go into business selling time, because it's the one thing you can't get more of!'

Be sure to read chapter 16 on applying a value overlay before finalising your pricing model.

Paperwork

If you choose to charge a fee for your ongoing service, whether this be instead of or in addition to commission, you'll need to adhere to the disclosure rules in FoFA.

Specifically, you'll need to issue Fee Disclosure Statements (FDSs) and ensure your clients Opt-in to renew your ongoing fees every two years.

While this sounds difficult to the risk-specialist adviser, effective systems will make this task a lot easier. Opt-in is rarely an issue, as your clients will be well aware of the fees you'll be charging. It will become a natural part of your review process to ensure your current service level remains appropriate for them and you both sign a new service agreement.

"THE HOLY GRAIL OF BUSINESS OUTCOMES - YOU GET LEVERAGED INCOME - AND IT'S RECURRING."

CHAPTER SIXTEEN
APPLYING A VALUE OVERLAY

The problem with costing your advice purely on a time basis is that the length of time it takes you to formulate your advice, run the numbers then deliver your advice in a compliant manner often has very little correlation with the value of that advice.

Clients don't care how long it takes you to do something, provided it doesn't take too long. They're only concerned with the outcomes of your advice. They come to you with issues or problems, seeking solutions. Your time is not the only thing they need; they need your intellectual property and your ability to consistently coach them in making – and carrying out – the right decisions about protecting their family.

You might ask: "So why did the last three chapters focus on the time it takes me to do everything in business?"

Well, until you've had lots of practice, it's difficult to simply pluck a fee out of the air and be sure it will cover your costs, let alone provide some profit.

As discussed already, we've found that advisers who've undergone a cost analysis of their business are far more comfortable with charging fees as they have a thorough understanding of what it costs them to provide advice, and thus a solid basis on which to formulate their fees.

So don't just stop here and use the MRA you have just calculated - otherwise you may as well just charge hourly rates.

Not only would you simply be charging clients for your time rather than for your expertise and the resulting outcomes, but there are a number of other flaws in using a time-based calculator alone. They include:

- There may be factors outside your control that affect your overheads, which may increase by far more than you have built in for inflation.
- You may have staff turnover, which will mean far fewer chargeable hours in your practice than you expected while you find and train replacements.
- You may not be able to find enough new clients to keep your staff working at maximum capacity.
- You may have miscalculated your chargeable time for each staff member.
- You may have miscalculated the time it takes to complete each step in your advice process.
- You may have a licensee fee that varies according to your earnings and number of authorised representatives, and this may not have been adequately accounted for when you determined your charge-out rate.

Let's not forget that the value of risk advice businesses is still sitting at around 3-3.5 times recurring revenue. Compare this to the typical accounting business - they're lucky to get one times revenue, while the typical financial advice business will get 2-3 times recurring revenue. Why?

It all comes down to LEVERAGE!

The typical accounting practice is limited by their human capital; their fees are a derivative of the hours they have to charge out. However, advice businesses are able to leverage their time and resources.

The amount of income you generate has little to do with the amount of time you spend generating it. Receiving commissions means you might spend roughly the same amount of time on getting two policies in place, but due to their value, one might pay you twice as much as the other. That makes for a great business model that's the holy grail of business outcomes - you get leveraged income and it's recurring.

I would also argue that the difference in valuations also comes down to the nature of the relationship and service. In most cases, an advice relationship is long term and forward looking; clients sign on to recurring relationships rather than having transactional work done and historically, risk renewal books have been 'sticky'. Many clients will hold their policies for the long term but not necessarily require you to do a lot of work unless they need to make a claim.

We've already covered why that income may not be as 'sticky' in future and the fact that clients are more likely to change or move their policies if they don't have an ongoing relationship with their adviser.

Why am I raising this? Because the value of the asset you're sitting on will not only be a reflection of the revenue model you use, it will also be impacted by the level of service and engagement you have with your clients.

Even those of you who wish to move to a fee basis and remove commissions altogether should be able to at least maintain this leverage in your income and the recurring nature of it when you articulate your ongoing service well.

We don't have much evidence of the valuation multiples for fee only practices given it's a relatively new model, but the last thing you want to do is lose that leverage and recurring revenue. If you limit your revenue to time-based methodology, you will likely miss out on leveraging your revenue and may inadvertently reduce the sale value of your business.

Regardless of whether you intend to continue your practice for a few years or decades, you should always run it as though it were for sale. Don't let the decisions you make today affect the future long term value of your business.

The fact you may no longer be paid purely by commissions should not prevent you from achieving leveraged revenue.

To maintain some leverage in your business, you'll want to develop a methodology where you can apply a value overlay for those clients who will either be more complex than your 'typical' clients, and/or will obtain substantially greater value and have capacity to pay for that value. Of course, you won't share this with your clients; rather, you'll go through the thought process before arriving at the number you will quote each client.

So how do you arrive at that number?

The solution is to use the MRA we have calculated so far as your bare minimum then apply a value overlay by adding a premium to your MRA for some clients. The resulting value-based fees are predicated on the outcomes a client will obtain by engaging your services.

This is good news for those of you with atypically complex clients. The bad news is that applying a value overlay is the hardest part of pricing and the part that varies most among clients.

If you want to read in more depth about value-based fees, I'd recommend US consultant Alan Weiss's book *Value-Based Fees*, which is available from Amazon or from Alan's website, ***www.summitconsulting.com***.

People often say that something is worth whatever people are prepared to pay for it.

While there is some truth in this saying, it's possibly more accurate to say that people attribute value depending on the cost of something.

Advisers constantly find themselves surprised when they go to a new client meeting and quote a higher fee than they've charged other clients in the past. I've lost count of the number of times I've heard something like: "I don't know what I was so worried about – the client happily accepted that fee without batting an eyelid!"

The reason for this is that if the client has no preconception of what the fee will be and the adviser successfully demonstrates they can provide a quality service that will benefit them, then the client will accept that this service is worth whatever price the adviser puts on it.

Of course, they may discover another service that is cheaper. But if you have demonstrated the quality of your advice – and the reasons why you are the best adviser for them – then they may dismiss a cheaper adviser as being inferior or not experienced enough to handle their affairs. In the same way as they may choose to drink only espresso coffee instead of instant, they are prepared to pay more for what they perceive as quality.

People will pay different amounts for what is seemingly the same thing but they value it differently, and that's where the value overlay comes in.

Consider motor vehicles. Why do some people pay $15,000 for a Kia while others spend $150,000 on a Mercedes? Both cars have four wheels, a gearbox and a steering wheel; you put fuel in, you drive from A to B. Of course, one has higher safety ratings, can go faster, will last longer and looks nicer than the other, but at the end of the day, they do the same job.

The fact there are both types of car on the road is partly about the balance of quality and affordability but also about the value placed on them by the purchaser. There are many people who can only afford a Kia so the Mercedes doesn't even make their list, but there are others who could afford a Mercedes but choose to buy a Commodore as they don't value the prestige or driving experience.

People's definition of what they can afford varies wildly too. One person may consider they can afford a Mercedes because they can manage the monthly repayments and still put petrol in it, while someone else may feel they can afford it only when they've paid off their home and can pay cash for it without dipping into their savings and reducing their spending money in retirement.

The fact is, there will be some clients for whom it is appropriate to only charge your minimum fees. Provided you've helped them to estimate their spending budget properly, you're the best person to determine the value that client will receive from your advice and what they can afford to pay.

You may decide not to apply value overlays to every client. However, when you consider them one at a time, you will find that some clients can afford to pay you more than your minimum fees, that they will indeed receive value that far exceeds those fees, and will be happy to pay them.

There are a number of ways to quantify your value overlay to arrive at the fees you will charge each client.

- Increasing the charge-out rate if you are working on complex issues that require a greater level of expertise than the norm by using your fee calculator but applying a higher hourly rate against the adviser time to arrive at a higher fee.
- Using your gut instinct about how much a client will be prepared to pay and still see value in the advice provided.
- Asking the client if they have any pre-conceived notions of what the fee is likely to be.
- Arriving at a fee based on what you think the client can afford. Someone who is accustomed to spending thousands on their clothes or to paying high prices at exclusive restaurants rather than dining at home is likely to be happier paying a higher fee for advice as long as they can see value in it. I'm talking here about clients who can genuinely afford a premium lifestyle. The fact that people choose to spend money doesn't mean they can afford it. If you're dealing with a client who's living beyond their means, then you owe it to them to earn your fees. Charging them what you think they will pay will only exacerbate their debt accumulation unless you forcefully help them rein in their spending in the appropriate areas, get their credit cards under control

and start building their assets rather than debts and tax.

- You may find that by receiving commission you will receive a higher value than your MRA for some clients so you can decide on a case-by-case basis whether to rebate some of this excess or receive it as a value overlay.
- If you choose to write policies on a commission-free basis, you may simply apply a fee to some clients that exceed your MRA if you feel they will still obtain substantial value from your services at that rate.

A final note on this issue. If you're going to charge premium prices, make sure you can justify them. Are you more experienced than your peers? Have you studied more extensively? Do you specialise in a particular area? Have you won awards? Are you completely on top of every piece of legislative change that may affect your clients, and does your advice always provide the most effective strategy for them to achieve their objectives?

"I MEAN SELLING YOUR ADVICE AND WINNING A NEW CLIENT, NOT SELLING AN INSURANCE POLICY."

CHAPTER SEVENTEEN

YOUR NEW CLIENT EXPERIENCE - HOW TO MAKE THE SALE AND WIN A CLIENT FOR LIFE

Let me start this chapter with an important distinction. When I refer to making the sale, I mean selling your advice and winning a new client, not selling an insurance policy.

Adjusting your model to include a fee - or indeed, adjusting your entire value proposition around risk advice - will require different conversations to those you have now. As already suggested, the process you take clients through is just as important as the conversations you have and the documents that promote your advice.

Don't expect to get it right first time. It will take a few goes to be able to explain your new pricing model and service proposition well, but with the right preparation, and perhaps some new tools in your kitbag, you should have no problem in being paid what you're worth.

In our experience, having one scripted, off the shelf engagement process doesn't work that well for Australian advice businesses. Is this because every adviser thinks they're different and can do it better than others? I think it's more because we realise that the best way to create clients for life is to be authentic and genuine. Clients will 'buy' an adviser in part for their process and expertise, but largely because they feel a personal connection with them and that they can trust them. These feelings come about as a result of being genuinely listened to by an adviser who asks questions and presents information in a way that's comfortable.

There's also the importance of being able to read an individual's body language, pick up on their reactions and refine your questions to a style that each client will respond to.

Our preference at Elixir is to provide a whole bunch of ideas and a range of suggested questions and frameworks so that each adviser can implement the parts that appeal to them and incorporate them into their own unique onboarding process. Some elements work best when implemented in a particular way and, when we coach, we help craft that process. We make sure it's perfectly suited to the adviser who will be using it, taking into consideration the clients they're working with and the relationships they're wanting to build.

I've provided a smattering of ideas in this chapter that you might consider when you refine the way you onboard clients. You may already be doing some or all of these things or you may pick up one or many new ideas. Take from it what you will.

A note here for risk specialists who've chosen not to deliver comprehensive advice: don't discount this chapter as being only suited to financial advisers. You have a great opportunity to have an even more profound impact on every one of your clients' lives - even those who never need to claim on their insurance. A lot of the suggestions I've included will help you make a better sale (of insurance), and will also help you put the skills you already have to good use to deepen the value you provide to your clients.

Deconstructing the process

When redesigning your onboarding approach, start by looking through the eyes of a potential new client who phones with an initial enquiry and walk through the whole experience in their shoes.

- What are they feeling and fearing?
- Can you demonstrate concepts in a better way than just talking about them?
- Would an engagement tool help them determine their best sums insured, need for estate planning or the future financial impact of different types or levels of cover?
- Are they aware of the work you do behind the scenes between meetings?
- Do they know what to expect from dealing with you – how long it will take, how you will act on their behalf and not the insurers', how you will get paid?
- Do they know why coming to you is so much smarter than taking up the online direct insurance offers?

Of course, your onboarding process starts even before you receive an initial enquiry or referral. It begins with marketing, and you can provide clients with all of the above information via your website.There's a marketing agency in the US called Duct Tape Marketing which has a great quote:

"The net effect of all of our marketing is that we get the clients we deserve or create based on how and what we communicate before, during and after the sale."

We'll explore this further in the chapter about client education - chapter 18.

When you pull apart your onboarding process, you might discover there is a better way to engage clients than sending them your FSG then filling in a fact find and presenting a 60-page SOA. Before you call in the compliance police, I'm not saying you don't need these documents, but they are rarely good communication tools or point of sale materials. While a two-meeting process might result in a signature and the sale of an insurance policy or two, you've probably not built a firm enough foundation for a strong ongoing relationship. You may find that slowing down and expanding on your engagement process will enable you to really educate your clients beyond why they need to implement an insurance portfolio. You want them to understand that a deeper engagement will provide value even if they don't implement new insurance policies.

Differentiated service offerings

One of my suggestions is to have two different service propositions: one for clients who haven't previously looked closely at their risk needs and one where you're offering a comprehensive review of an existing insurance portfolio.

Your marketing messages will be different for both propositions, so it's likely your engagement process and pricing structure will be too. A client who has sought advice in the past and is already paying premiums will have more knowledge than someone who hasn't (although not always), and their reasons for seeking you out will be different. They're probably finding their premiums are getting expensive and they're not sure what cover they still need, but they're fearful of cancelling or reducing cover in case they won't get underwritten again. For the insurance novices, the motivator is to address the risks they face and mitigate them as much as possible.

Even if you do end up with two different offers, don't assume that the client looking to save money on their existing policies won't want your full service (cashflow, modelling, estate planning). Make sure you give them the ability to understand the full extent of your skills and services so they can choose which option they prefer.

New clients with existing policies

You may decide that for clients who stick with the option of purely reviewing an existing portfolio, you will charge separately for two stages of your process: the analysis of their current situation and the implementation of new advice if they deem it necessary. For example, you could offer an initial meeting and high level investigation for a fee - say $1,250. For this, you will:

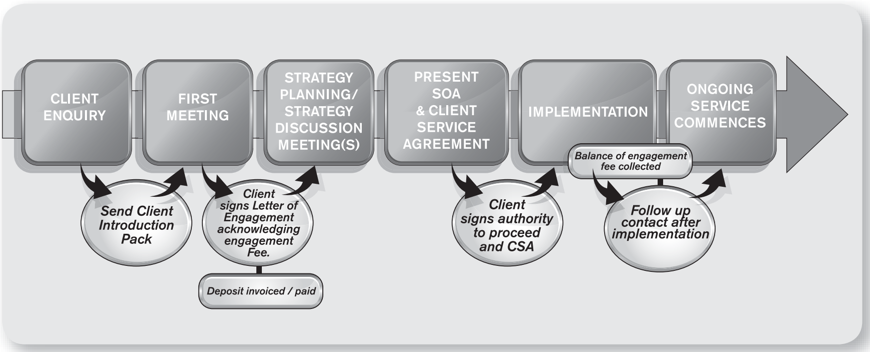
- Meet once with the client/s
- Get a basic understanding of their current position, including pre-underwriting screening
- Do some basic research on their current holdings
- Highlight any shortfalls in their current policies
- Run some simple quotes with insurers you know will be a good fit for that demographic of client (at that point, just to get a feel yourself if you can improve on their current premiums)
- Present an advice document that: summarises your recommended levels of cover; compares this to their current portfolio; highlights reasons why they should keep existing cover or replace it; and recommends a course of action – without recommending the actual replacement products.

You'll probably need a simple SOA template for this as you're providing advice in relation to their current holdings, but you're not yet providing replacement product advice. Worst case scenario is that your clients will receive a summarised document of their current holdings and an up to date summary of the importance of them. While you may not be able to provide them with the reduction in premiums that they were seeking, you will have at least given them a better understanding of what they hold and guided them through the decision making process of whether the cost-benefit ratio is still in their favour.

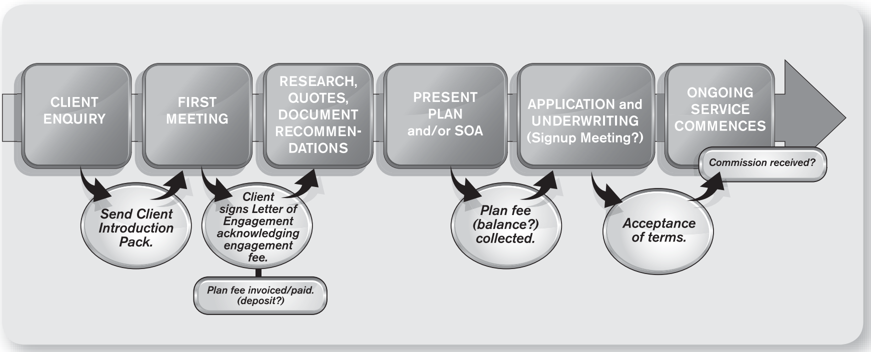
If it turns out to be worth their while to replace their current policies, your clients can then make a decision to instruct you to seek alternative products, and you will present your advice and implementation service for a fee or on a commission basis.

If they opt to keep their existing cover you may choose to offer these clients the ability to assign you as their ongoing adviser. This could mean switching the adviser servicing rights to your business so you collect the trail commission. Alternatively - where the product provider allows - you may choose to switch off the trail commission, reduce the premium and charge a separate fee for your ongoing service and claims management guarantee. If you choose to switch the trail to your business, make sure you articulate the services they will receive in return (ensuring any ongoing trail commission is sufficient to cover the work you'll do.)

If you're providing risk as part of a comprehensive advice proposition, your process might look like this diagram.



If you're providing a risk-only proposition, your process might look like this diagram.



Please note - these diagrams are designed for adviser/office use only. You may like to use a client-facing flowchart as a point of sale tool to assist your clients to understand the process of engaging with you. Visit ***www.elixirconsulting.com.au/resources*** for a template that you can customise with your own process and branding.

Depending on the complexity of your clients' affairs, you may meet them once after their initial discovery meeting to discuss your recommendations and perhaps their Life Recovery Plan, then again to sign off on the final SOA and application forms. If their needs are relatively simple and scoped, perhaps your second meeting is the presentation and acceptance meeting combined. If you're going to charge a fee for some or all of your work, you'll want to get your letter of engagement signed prior to moving forward and should ensure you explain the timing of your invoicing and fee collection.

Think outside the box here - there are some fantastic tools that can enable you to interact with your clients in ways other than bringing them into your office (or eek! travelling out to their home). Most clients are familiar with Skype or Facetime. Have you tried Suitebox[1] yet? It's a secure system designed for professional advisers, where you can conduct a video meeting with a client, share your screen if necessary and even have them sign documents in real time. You can also easily record some or all of your discussion (for file notes for you or education purposes for your client). You probably won't use it for first meetings or for your entire onboarding process, but it can come in handy for part of the process, and certainly to engage with established clients. It's one of my favourite tools - and I have found the quality of the streaming is usually better than Skype.

The client journey - some thoughts along the way

1. Initial enquiry

When you first receive an enquiry from a potential client, take the time to discuss their initial needs over the phone and get a feel for whether you can help them. Some advisers choose to have their support staff take this first phone call, but if you allow them to simply book every enquiry into your diary, you miss the opportunity to start a relationship with clients you wish to do business with. You also miss the chance to screen them. If it turns out they're not the type of client you'd like to work with, this ten-minute phone call has saved you both significant time and you can refer them to someone better suited to their needs. If the reason for their call is simply to buy insurance, you'll be able to explain that you're not just a life insurance salesperson and

1 Suitebox. www.suitebox.com

summarise what you do – you may convert them to the idea of an adviser relationship.

If you feel you can help the caller, I suggest confirming your first appointment with an email that includes a link to an informative video, brochure or blog post. This could explain what you do, why you do it, the process you're about to take them through, and why it's important they bring their shoebox of statements with them to the meeting.

If you've got a great software system, you might even send your prospective new client a link to input their basic data directly into your system: names, address, dates of birth, children's names and so on. This will save time and make your business look efficient.

2. The first meeting

The majority of the first meeting should be spent with the client/s talking. If you've positioned your business and services well, you'll have far greater success if the client speaks for at least 80% of this meeting while you listen. A true professional doesn't need to go overboard selling their skills and services – the client will get a sense of your professionalism and expertise through the way you ask questions and handle their needs.

Ask lots of questions about what has brought them to see you in the first instance, their fears and aspirations, the life they live now, what they would like it to look like in 3-5 years and longer term (e.g. retirement).

Structure

We've found that structuring the discussion into the elements of Career, Lifestyle/Timetable, Finances, Important Relationships, Health and Happiness is a great way to get a well-rounded discussion in as short a time as possible. When you get to the finances section, keep it simple: what they earn, what they spend, what they have in place to help if they couldn't earn, what they own and what they owe. In many cases, what they spend will be the area that stumps people.

If you have a well-structured fact find document and you're really familiar with it, you might allow the conversation to flow and flick back and forth as you fill in data in the right spots. As an alternative - or an additional option - you could let the conversation flow and record the information in a mindmap. Also, map out their family tree as you discover their most important relationships and note whether any of their dependants are vulnerable. Then photograph or scan their statements.

You may prefer to take notes on paper and complete the fact find document later, emailing it to the clients for their signature to confirm the data is correct.

In our experience, letting your fact find govern the questions and order of your meeting will only lead to a dry discussion that doesn't help clients get to the heart of what's really important to them. Uncovering this is the most important thing, because it will enable you to create deep trust on which to build a good foundation for a long term relationship.

Approach

If you're seeing a couple, a good strategy is to give each partner 15 minutes to talk about what they want out of life as an individual. Ask them to talk about their personal priorities, the things and experiences they'd like to have in their life. You can ask questions to help them flesh it all out, but the one rule is that their partner can't speak until it's their turn. Ideally, you'll get them to drill down into why they want these things as well as the things themselves. When their time is up, their partner gets their turn without interruptions. You then follow these individual discussions with additional discovery questions for them as a couple. Your job then is to help them both understand the decisions and choices they should make in order for their desires come to fruition.

How powerful do you think this discussion strategy is? I heard about this strategy from a couple who went through the experience with a new adviser. This couple talked about things they hadn't even visited since before they got married and it sparked a very deep and bonding discussion on the way home. They decided immediately that they were going with this adviser, even though they hadn't received a single piece of advice at the first meeting. They terminated their relationship with their previous adviser and delight in telling anyone who will listen about their experience.

Talking about money

As these clients are sharing their financial information as part of this meeting, you may find that their current money management will prevent them from achieving the goals they are sharing so passionately with you. It's highly likely that they've never stopped to think about how they spend money so they're not currently where they'd like to be financially. Now that the images of what they really want are still in their minds, it's the perfect time to inspire them to sit down together after your meeting and work out a budget for what they want to spend on an ongoing basis. This is not just to document what they are currently spending, especially if they are already spending everything they earn. It's about giving them all the categories of spending to reflect on and allowing them to decide what they think is reasonable. For example, they may decide that buying one latte a day is fine but discover they've been buying a takeaway caffeine hit three times a day and how much that is costing every year. Once they've placed their awareness of this fact into the context of the life they're working towards, it becomes a positive motivator to change the cafe-run habit rather than a negative one of being restricted by a budget.

If the act of thinking through a budget has had the desired effect, they will likely arrive at an expenditure pattern that better suits their longer term objectives. While they may have spent everything they earn to date, the act of reflecting on their spending in the context of achieving the life they wish to design will usually mean they make some decisions about what is more important to them, and set themselves some achievable limits within which they will restrict their outgoings.

You could use manual tools like providing clients with a spreadsheet to complete, or directing them to ASIC's Moneysmart website, or you could direct them toward mobile phone apps, or even more comprehensive tools where you can import datafeeds of their bank accounts to get an accurate view on how they've been spending to date.

Having this level of clarity about their cashflow will provide you and your clients with much more accurate and powerful information from which to make some decisions. You'll be able to demonstrate how they can achieve the life they're wanting to build AND pay their insurance premiums (and your fees if need be) in the process. This doesn't mean spending every spare cent on insurance premiums; it means structuring the policies and premiums in the most cost effective and tax effective way possible, with the highest likelihood of a successful claim should they need one. If it turns out that your optimum insurance portfolio requires more cashflow than they have available, you can revise your recommendations to give them the best outcome they can afford while still building a nest egg.

I'd like to make a point about psychology here. If the meeting is with an existing client wishing to review their existing policies, you might find a big difference in these conversations from those you had with them in the past. Back then, they saw you as someone wanting to sell them insurance so they may have said they didn't have much surplus income, even if they did. By repositioning yourself as a personal adviser who can help them achieve the life they want and protect their family in case things go awry, the conversation will be quite different. It will deepen your relationship with them and they are likely to be more open and honest.

3. Pre-underwriting questionnaire

You want to do a pre-underwriting questionnaire quite early in your onboarding process so you can identify where there might be red flags. If you identify that the client is a high risk insurance applicant, you can empower them to make an informed choice whether to proceed with the application process, knowing they may get declined. It will also give you the opportunity to pre-position a possible loading or exclusion. You might be surprised that if you've developed a true risk management service, clients will pay for the advice to mitigate their risks. If it's unlikely they will get cover, you can discuss how to manage their risks without insurance.

4. Presenting your advice

Once your clients have completed an accurate picture of their spending budget, you'll do the same work you would have in the past - calculating sums insured, getting preliminary quotes etc.

Rather than going straight to the SOA stage, I recommend sending your clients some education materials on concepts you know you're going to explore (see chapter 18 on client education). Then conduct a strategy discussion meeting to walk your client through your recommendations and educate them about why you've made these particular recommendations. You're looking to gain buy-in from them at this second meeting; it will quickly become evident if you have suggested an inappropriate strategy or one that doesn't suit the client.

Regardless of whether you go straight from the first meeting to your SOA presentation or add in this strategy discussion, when you present your recommendations, using flowcharts or mind maps will give clients a visual representation of your advice that is more compelling than talking through a long and very wordy SOA.

If you don't currently provide cashflow modelling for your clients, I highly recommend looking for some tools to build into your process. Using modelling software can help clients to understand the ramifications of your advice and the importance of it. Look first to your advice software for a solution; if that's not effective, look further afield. Don't confuse your staff's inability to use a system with its effectiveness - sometimes it just takes some new training.

When using modelling tools, you can plug in your suggested strategies to get a clear picture of whether or not your clients can afford their optimum levels of cover. If they can't, you can model out an alternative strategy that they can afford. If your pre-underwriting suggests the likelihood of a loading, potential exclusion or decline, run some scenarios without the insurance cover (but with surplus income used to pay off debt), and with the premiums at the loaded rate. If you remember to include your fees in these calculations, you'll never again have a client tell you they can't afford your advice. Ideally, you'll find a solution that enables them to start saving money or paying down debt over and above the insurance premiums.

Another outcome of showing this modelling is that the clients can see the predicted result of implementing these strategies and gain comfort from knowing they won't always have to pay for their insurance. As their debts reduce and their assets grow, they'll be able to consult with you and reduce their levels of cover over time. Not only does that make today's buying decision easier, it helps them to see the value in engaging in a long term relationship with you. The outcome is that you can continue to have a profound impact on their lives as well as generating ongoing recurring income.

Of course, writing a budget is one thing - sticking to it quite another. You could go a step further here and really provide a worthwhile service by helping them to figure out how they will keep themselves on track. Ask your clients how they think they will be able to manage their spending and give them alternatives. You might come up with two or three different options and give them access to resources that will suit their personality and preferences. It may be simply that you set up direct debits for their insurance premiums and savings then review how they progressed at their next review. Or you can suggest free phone apps to track what they spend. Sometimes the simple technique of having a spending account each that is linked to their debit card works, with everything else going into and coming out of an account that's not linked to a card. If their spending accounts go dry they can cut back until their next pay goes in. Alternatively, you may set them up with a system like My Prosperity or Moneysoft, complete with bank feeds, then have a regular coaching call or meeting to look at how they've been going and keep them accountable.

Timing your fee discussion

If you're going to charge a fee for your initial and/or ongoing advice, when's the best time to quote this to your client?

The timing is important. Too early and they'll decide on cost, not value; too late and you'll run the risk of doing an awful lot of work without getting paid. You may have heard the phrase 'price is only an issue in the absence of value.' Structure your process so you define your fees and obtain commitment when the client has had the opportunity to experience and understand your value.

In the context of engaging a new client, you'll probably have much greater success if you discuss your fees in detail after spending your first meeting getting to know them and giving them an idea of your personality and professionalism. Nonetheless, particularly if you're providing risk-only services, it's important that you at least explain the concept of how you get paid early in the process, while highlighting why they should pay for advice. Whether you do this in your welcome video or on the phone, let them understand your pricing structure before booking in their first meeting with you.

If the first meeting is at your cost, explain that you'll scope their fee prior to them signing up, using the information you gain at that meeting. If you charge a fee for the first meeting, outline the associated value and make it clear there's no obligation beyond it.

When a client enquires about how much your fee will be prior to booking their appointment, it's a good idea to outline the structure and quote a range of fees. Then explain that your actual fees will be based on their specific needs. This technique gives you some flexibility and your potential client the ability to assess the value of working together. If you quote a total fee prior to the first meeting, the client is only hearing the cost; they don't yet have the ability to make a judgement call as to the value of your advice and thus the fee. Similarly, it is not possible for you to know the level of complexity involved. After the meeting, both of you will have a clearer picture of what the likely outcomes are of working together, you will be able to determine a fair fee, and they will be in a better position to decide if that fee is worth paying.

I don't recommend commencing work for the client and creating your SOA before reaching agreement on your engagement fee. You're missing an opportunity to obtain their approval at their critical moment of need. You're also opening yourself up to disputes at a later time.

If you're really concerned that you might get resistance, you could offer a money back guarantee like the one offered by PJ Byrne (see chapter 2).

If you don't have a templated terms of engagement letter, you can download one from ***www.elixirconsulting.com.au/resources***.

"THERE'S A CERTAIN IRONY THAT BETTER-EDUCATED CLIENTS HAVE A DEEPER BELIEF IN THE VALUE OF THEIR ADVISER'S SERVICES."

CHAPTER EIGHTEEN
EDUCATED CLIENTS ARE BETTER CLIENTS

Insurance has a lot of intricacies that most clients don't understand.

From underwriting to stepped vs level, tax treatment of different holding entities, trauma definitions, taking claims proceeds as lump sums vs income streams…the list is seemingly endless.

While you don't want to teach clients so much that they think they don't need your services, you want to educate them so they can make informed decisions. There's a certain irony that the outcome of better-educated clients is usually that they have a closer connection to their adviser and a deeper belief in the value of their services because they don't want to be figuring all this out on their own.

So how do you teach your clients about these things when they are time-poor and your time with them is better spent talking specifics about how these concepts actually relate to them and what they should do about it? For example, rather than explaining the concept of stepped vs level in theory, it would be great if your clients had a basic understanding of the concept so you could discuss what their premiums will be with either option and why you think they should go with the one you're recommending.

And wouldn't you just love to be able to ensure that every client understood that life insurance is different to insuring their car or home – that it is a privilege to be accepted as an insured - and they understood the importance of the underwriting process? If they knew in advance that it was likely to be time-consuming and annoying but was also crucial for protecting their family, they'd get onto completing the underwriting actions faster, wouldn't they?

As we go to print there is a radio ad on air for a direct insurer that is encouraging people to get life insurance 'with no blood tests and no medicals'… like that's a good thing? Even if people don't respond to the ad right now, and even if they have no views on insurance right now, this ad contributes to them developing a view that medicals and blood tests are bad. Don't you want to ensure that all of your clients know what we know - that medicals and blood tests are good because they mean that you have been underwritten at time of application, thus decreasing your likelihood of having a claim declined due to nondisclosure?

You probably have a brilliant way of explaining these concepts to clients. I never get tired of hearing advisers describe different concepts, and I love how everyone uses a slightly different emphasis or client story so the adviser makes the explanation theirs.

On the other hand, don't you hate it when you have three new client meetings in a day and by the time you get to the last one, you can't remember if you've explained a particular concept to this client or if that was the previous people?

What you need is a way to capture your explanation once and make sure each client hears it in a way and at a time that they can really absorb it.

So how do you go about educating clients on all the generic concepts involved in what you do, other than talking at them in a meeting that ends up going for three hours?

My suggestions is to make a list of all of the generic concepts or risk mitigation strategies you might want your clients to consider then create bite-sized education pieces that you can send them when it becomes evident they need to be aware of these concepts. Some clients may end up just needing two or three, others may need to understand ten of them.

You have a number of options for how to communicate this information.

Write explanations

- Create flyers or fact sheets that can be printed in your office then handed out at meetings or posted and/or emailed as PDFs.
- House them on your website as a dedicated client resources web page or turn them into a blog post.
- Repurpose the content as articles that can be published in consumer media online or in print - ideally, publications that your preferred clientele read.

Create or buy video content

Did you know that YouTube is the second biggest search engine in the world after Google? That's because video is an engaging way for people to receive information and learn new things.

- If you're comfortable talking to camera or willing to practise until you are, you can create simple video explanations for each concept. Keep it natural and speak to your client down the lens as if they were sitting right in front of you. Provided you can really be yourself, this is the best way to use video to help clients develop trust and feel they get to know you better. Your use of video may extend to using password-protected personalised video snippets to show clients how to do certain things or explain complex recommendations, or even highlight something that's coming in the mail.
- Commission some animated videos. You'd be surprised at how cost-effective this can be - I'm talking as little as $100 for a 3-minute explainer video. Look on fiverr.com or upwork.com to access animators

who are sitting around the world right now, ready to work for you. You provide a script, and either they will get a voice-over person to record it or you can record it in your own voice then have the audio file set to an animated visual. Get creative!

- Utilise one of a number of content providers where you can subscribe to or purchase videos by topic. The Financial Knowledge Centre[1] provides a membership site you can brand; 3Genies[2] has videos that you can brand with your logo individually; and Doodler[3] provides animated 'whiteboard' videos. If you're choosing pre-made videos, be sure to check the content so you're happy with the explanation of each concept.

Leverage your insurers' marketing materials

Insurers can be a great source of client educational materials, both print and video. Ideally, you'll have your own branding on whatever you use so that if it does get shared or viewed by someone outside your client base, you get the brand awareness benefits.

Use real life case studies

When you're looking into the educational materials your insurers have developed, look out for videos with clients who have been on claim. These are often powerful stories that encourage people to take action to protect themselves. You could either use these stories in your own marketing or take the lead from them and create your own videos with your own clients.

Discussing whatever led to an insurance claim will no doubt be a sensitive issue, but you're likely to find some clients who will be happy to share their story in an attempt to help others who might find themselves in a similar situation. Everyone I speak to who has dealt with a sudden death or a terminal illness has always reflected later on how silly they had been to think it could never happen to them. Sharing these stories on your website will reinforce the

1 www.innergi.com.au/advisers

2 www.3genies.com.au

3 www.doodler.com.au

need for clients to work with you. If they hit a nerve, people will likely share them on social media, getting your message out to more people.

Whatever format you provide the information in, house it on your website. When you know the particular concepts a client needs to know about, send them a link and they can do their 'homework' at a convenient time. The client process flow chart[4] the Elixir team provides for advisers actually demonstrates to the client that between meetings, while the adviser is off doing the research and optimising the best strategies to recommend, the client will have some 'homework' to do as part of the process.

If you're using printed fact sheets or flyers, you can always send your clients home with them after a meeting. But by hosting them on your website, you get a dual benefit from all this work. By developing materials to improve your client experience, you're also generating materials that will allow you to do content marketing. This is essentially a marketing strategy whereby you're generous with sharing your information materials for free, so that when people want to know something and they Google it, up pops your website.

Some people may just use your free education for their own knowledge, but when it's done well, people get an insight into your personality and how clever you are. So when they need to seek advice, they call you as they've already developed a sense of trust and respect, even before meeting you.

Website-based information materials also do great things for search engine optimisation (SEO). So if you've never received a new enquiry from your website, this is a great way to get noticed by your exact target market and get an even greater return on your investment in developing these education materials.

4 Visit www.elixirconsulting.com.au/resources to access additional tools and templates

"WITHOUT AN ADVISER, MANY PEOPLE CANCEL THEIR COVER RIGHT AROUND THE TIME THEY NEED IT THE MOST."

CHAPTER NINETEEN
YOUR ONGOING CLIENT EXPERIENCE

Perhaps the biggest concern we hear from advisers is the difficulty of demonstrating the value of your ongoing service, particularly if your advice is focused purely on risk insurance.

The initial piece of work to establish insurances for a client is always significant but it can be harder to demonstrate value for a longer term engagement, especially when your clients may not require an in-depth, face-to-face review of their needs every year. After all, if you've established their insurance portfolio effectively, there is often no need to tinker with it every year.

If you had to ask a client to pay for your ongoing service proposition, can you demonstrate enough value year after year? It's understandable that some clients only consider you're providing value when they see you in person and don't think further than this, so it's important you articulate the value of what you do outside those meetings.

So what do you actually do on an ongoing basis that's worth paying for and that provides value to your clients? You probably:

- **Regularly review their personal situation to ensure their insurances continue to meet their needs.** Left alone, clients will often end up paying too much for insurance because they don't keep it current to their needs. Alternatively, they will make poor decisions to cancel rather than revise their cover when it gets too expensive, right about the time they are likely to need it the most. Keeping you as their adviser will ensure their insurances are reviewed every year without fail, which can be done via a phone call in the time between face-to-face reviews.
- **Keep up to date with an ever-changing industry.** Apart from a client's personal situation, other changes can affect their insurance needs. Your job is to stay up to date with policy innovations and definitions, legislative changes, insurer ratings and other changes so your clients can take advantage of these innovations without having to continually study the entire market. Clients with default policies within their super funds are often surprised to learn that the cover they hold can be amended by the super trustees with no consultation with them. A good adviser will stay on top of these changes and be able to advise on a suitable course of action.
- **Protect them from themselves.** If a client experiences difficult times in future and considers dropping their cover, a good adviser will help them make considered decisions to protect their underwritten status. That may be by reducing cover or even by putting policies on hold while they get back on their feet.
- **Manage administrative tasks on their behalf.** Whether notifying insurers of a change of address, following up outstanding premiums to prevent policies lapsing (even for clients with good cashflow, credit cards expire and must be updated) or accessing tax reports and the like, your team is the single point of contact that links your client to (often multiple) insurers.
- **Answer questions about their risk management plan.** That may be a technical question about their insurance cover or something related to managing other assets in case of emergency. Often simple questions

can't be answered by Dr Google but they can be answered by someone qualified who knows the client's personal situation.

- **Help clients identify if they have cause for a claim then lodge and pursue that claim.** This can be tremendously beneficial from both an emotional and a financial standpoint.
- **Access preferential treatment for your clients.** This is based on the relationship you have with the insurer and is usually the domain of sizeable businesses. It may mean that admin tasks and claims are fast-tracked, or that premiums are better than the standard rates offered directly or through other advisers.
- **Follow up for clients with loadings or exclusions.** You'll follow up their results and lifestyle decisions and apply for reconsideration if your clients stop smoking, reduce their BMI etc.
- **Update their Life Recovery Plan or similar.** If you have supplied your clients with a compendium that houses all their important information, you will update this each year to ensure their go-to paperwork stays up to date.

Naturally, if you're adding depth to your risk management advice by adding other services such as cashflow management or estate planning support, these will add extra facets to your ongoing value.

While your service may be needed more in some years than others, there's a great deal of value in having you 'on retainer', to be on hand whenever you're needed. Pippa Elliott has a great way of explaining this - read her chapter of 'speaking from experience' (chapter 12). When you're explaining the value of an ongoing relationship, you'll want to avoid any correlation between your fee and time spent specifically on their needs.

Communication is vital

It's important that you articulate the value of your ongoing service to your clients, regardless of whether you choose to charge a fee for it or to receive commission. As we've already discussed, it's increasingly easy for clients to transfer servicing rights to another adviser or a commission rebating service, or to sack their adviser, so it's likely you may find yourself working harder to retain your clients than you've had to in the past. If you've been accustomed to throwing each new client over your shoulder and going back out to hunt for the next, only revisiting those over your shoulder every three years, you'll need to step up your ongoing service and communication a few notches if you want to keep that recurring cashflow.

This means explaining and selling the value of your ongoing service, both during the client onboarding process and throughout your ongoing relationship.

You can do this by developing marketing materials to articulate your ongoing value, using some or all of the explanations I've covered in this book. You can also provide ongoing email, video and/or social media contact to share stories and information of importance.

Of course, the best way to promote your ongoing service is to ensure you deliver it. Have a robust process in place to ensure that every client is contacted regularly for a meaningful review at least once a year and with other communications throughout. Your support staff should be tasked with ensuring these commitments are booked in - whether by phone, online meeting or in person - and you'll also want to structure a process to prepare your review documents and actions prior to and following on from your review.

You should maintain active communication with your clients between reviews in a way that is meaningful but can also be delivered efficiently. I've provided some suggestions for this in chapter 18.

The benefits of reassessment

We know that for most clients (unless you were there to advise them early on to select level premiums), insurance premiums increase with age. What most people don't understand is that they get the most expensive in the years that there is a statistically higher chance that they will suffer an event that will cause them to claim on their policy. Without thinking of it in these terms, and without having an adviser to help them make smart decisions, many people cancel their cover right around the time that they actually need it the most. Making a short term cashflow decision can often have far more expensive and long lasting ramifications than they expect.

I find it remarkable when I hear from insurers that clients who are accepted on revised terms rarely seek a reassessment after holding the policy for some time. A cynic might say this is because the adviser will lose ongoing revenue if the premium amount that the trail is calculated on is reduced, but I prefer to think this is more because of a lack of engagement in the ongoing review service, or perhaps poor file noting or workflow management.

Clients may quit smoking or reduce their BMI. They may cease dangerous activities as they get older or change to less risky jobs. If an adviser is reviewing their client properly, they'll recognise the opportunity to apply for their policy to be reviewed and potentially obtain a premium reduction, which will make for a happy client.

If you don't have an active review service, the least you can do is set a diary reminder to check in with the client at a future date to identify if they've made changes that would warrant a revision. If you're successful in obtaining a reduction in premium and you've chosen to receive trail commissions rather than charge a fee for your ongoing service, you may consider if the client needs to start paying a separate ongoing fee to continue receiving your ongoing service.

Making a difference

The relationship a client has with their risk adviser is often so close that it can affect behavioural change. As their adviser, you know intimate details about their finances, worries, hopes and dreams - even their marital problems. This creates a bond of trust that puts you in a unique position to offer personal advice that is beyond what your clients might expect but it still pertinent to your role.

For example, a client may have gained weight over an extended period of time. When applying for insurance, you will discuss with them the harsh reality of the impact of their high BMI, which could be the catalyst for them to make serious lifestyle changes.

How valuable would it be if you extended the conversation beyond the financial and gave them the opportunity to make a decision to change? You could provide some suggestions or referrals to ways they can get healthy, be around longer for their family and feel fantastic as well as obtain a reduction in their premiums. They may have not have thought about talking to their doctor (after all, they are not ill) or that their private health insurer may cover some of the costs of a dietitian, naturopath or gym membership.

You could discuss what might work for them: regular walks, joining a cycling group, finding an outdoor fitness group or an online fitness challenge, using tools such as MyFitnessPal or a Fitbit. You could even gift them a relevant book.

Avoiding the conversation does nothing to serve this person, who has spoken to you about their fears of mortality and protecting their family. You've taken the first step to providing them with financial support if something awful happens. Taking the next step of helping them reduce the likelihood of a future claim adds tremendous value to them and their family. I'm not suggesting you take responsibility for their weight loss or quitting smoking, or that you become their therapist, but I know that helping them make a decision while their head is in the right place can be a gift that they will forever be thankful for.

If you have a real interest in this area, create some relevant content on your website and direct clients to it. Sending a link in an email or information in a newsletter might be a timely trigger to a client who hasn't seen you for some time and might attract new clients who are looking into making lifestyle changes.

Client Service Agreements

In order to articulate your ongoing service, create a document that you can use to explain it to your clients in your onboarding process.

Make the effort to lay out this document so it is visually appealing, carries your branding and allows clients to read through and understand all the things that you will do for them in the coming year. You could even have laminated copies and keep them handy in meetings so you can select the appropriate service offering and talk it through with your clients.

Once the client agrees to your ongoing service package, the information should be inserted into your Client Service Agreement. The client and adviser should both sign this, acknowledging the terms on which they will work together, as outlined at the point of signing the SOA.

Make sure you also include the responsibilities of the client in the agreement e.g. they will be open and honest with you and will let you know of any substantive changes in their situation.

I'd recommend you sign a service agreement even if you choose not to charge explicit fees and receive commissions for your ongoing service. Either way, you can use it as a way to reinforce the value of having you as the adviser on their policies.

Creating a Client Service Agreement is not hard. It's simply an agreement template that you tailor for each client. You'll want to ensure it covers what you're obliged to include, but ideally it will be crafted using language that is appropriate for your clients. That means written in a way they can understand, not as though it's drafted by a lawyer. If you don't already have a template, you can obtain one from ***www.elixirconsulting.com.au/resources***, and if you're a subscriber to the Pricing Advice™ software, it's included in your subscription - simply download it from the Program Outputs section and customise it to your needs.

The Client Service Agreement can be included in your SOA or can be a standalone document.

If you're offering your ongoing services on a fee basis, you may want to insist that your agreement is for a minimum twelve-month period, to at least provide the opportunity to meet the clients a year after their first interaction with you and reaffirm the importance of their insurance portfolio. If you're fearful they may pay you an initial fee to establish their policy on wholesale pricing to obtain their discount then cancel your relationship soon afterwards, this minimum period may help to discourage these types of clients.

CHAPTER TWENTY

SPEAKING FROM EXPERIENCE

MARK RANDO

Speaking from experience...

Mark Rando is Managing Director of Rando and Associates, a full service advice business based in Bunbury, Western Australia. *www.rando.com.au*

"In 2011 we moved to a fee for service model and as clichéd as it sounds, we really haven't looked back.

Getting to that point was nothing short of painstaking but ultimately worth it on so many levels. A major benefit was that it ensured I was more aware than ever of the cost and value of the services we provide.

To develop the service fee, we scoped out everything we do for our clients down to the last detail and costed it, based on the staff member undertaking the tasks and how long it took them. We compared this to our costs over 12 months and our monthly - even daily - breakeven. As part of the process, we surveyed our clients to understand what we did that was of greatest value to them.

At the end of all of this, we were able to price our service accordingly.

A central part of the process was demonstrating the value of our risk advice service. We saw that the personalised advice we provide in the risk space adds a lot of value and has a place for the client, especially compared to the direct insurance that is on offer today.

We moved the discussion of our claims process to the beginning of our new client presentation so clients knew they were buying a product we would back them on. We have a laminated sheet of the claims we've *worked on with our clients, and that makes it very real for them. In fact, we've never had more claims – last year alone we facilitated over $2 million of lump sum insurance claim payouts for our clients.*

While insurance is often an important component of our overall financial advice, we also provide risk-only advice where appropriate - we find our clients are more than happy to pay for that advice. The value to clients is separated between the advice itself (the SOA fee) and the ongoing service.

The fee we charge for our SOA varies depending on the client and the work we're going to do. It starts from $1,350 This will increase with complexity. If they just want one-off advice and don't want an ongoing relationship, the fee will be considerably higher.

We then quote an amount for the implementation and ongoing relationship, with the choice of either paying a fee directly or having us receive it through the hybrid commission option. Effectively, we're offsetting any commission against the client's service fee. When we explain it in this way, we find most clients will opt to have us receive the commission. So far, the only clients who have preferred us to do it on a fee basis are those with SMSFs.

A key distinction of our model is that we set the price first, then determine how we collect that price. If the ongoing commission is less than the price we set, we charge the difference by way of a fee. In some cases we have refunded some of our commission when it exceeded the price of the service level the client chose.

We have four client service propositions addressing different needs - from clients who want a very limited amount of service to business clients and wealth accumulators who have a high service demand.

If someone selects our highest service proposition they get all services. These include administrative support, express turnaround times, access *to me and a full annual review, with no additional fee if the review results in a new SOA. This top service level also encompasses the client's family if need be – this may mean advice for their children and/or a heavily discounted SOA for their family members. In addition, this package includes our claims management service at no extra cost.*

Our service levels scale down from there.

With our claims management service, how much we get involved in the claim will depend on what the client pays on an ongoing basis. If they opt for a lower service level they know there will be a cost for assistance if they go on claim, and they're comfortable with that.

There is no doubt that transitioning to this model requires a fair bit of challenging the self-doubt that arises when you start articulating what you're worth. And in challenging economic times, you need to be able to sell and resell your services, reiterating the value that you offer.

While it might seem overwhelming at first, the alternative is that you might lose business anyway, so you really have to believe in what you're doing and back yourself.

Since we went down this road, we are having more meaningful conversations with clients, our clients absolutely want to be here, and as they get older they want to stick around.

The change has also led to other business opportunities - for example, our move into the pre-aged-care planning space.

I would say to anyone considering it: Tackle the self-doubt head on. Those clients you want to do business with will appreciate the value of your service. Clients want a service and it's our role as advisers to ensure they understand what that service looks like. Furthermore, in my experience, most people are prepared to pay to know that you are there to back them if they face a life-changing event."

“CLAIMS MANAGEMENT IS ONE OF THE MOST VALUABLE SERVICES YOU CAN PROVIDE TO CLIENTS.”

CHAPTER TWENTY ONE
CLAIMS MANAGEMENT

I've mentioned claims management so many times already, and it's so important, that I decided to dedicate a chapter to it.

Claims management is one of the most valuable services you can provide to clients as part of your risk advice offering. Essentially, it means that if any of your insured clients need to make a claim, you will act as the liaison between the insurer and the client to help them complete the required paperwork. You will also follow through with the insurer until the claim is resolved.

This is an invaluable service because most clients who need to claim are either highly emotional or very sick at claim time (or both), which impacts their ability to process information. A familiar face and voice at such a trying time is incredibly comforting.

Furthermore, your knowledge of the claims process will undoubtedly expedite the process, potentially achieving a greater outcome than if the client acted alone. You know how to interpret the forms, you know what reports will be required and you know how to extract maximum value from your client's policies.

You can add tremendous value by helping the client to apply for their claim in the best way possible. You can advise on whether they should take a lump sum or revenue stream payments, whether to apply for reinstatement of cover or early access on terminal diagnosis. Even the order in which you claim on different policies is a logistical exercise that most claimants cannot manage on their own.

An essential part of this service is to help clients identify whether or not they have a potential claim. I've heard countless times that an adviser has picked up something in general conversation with a client that led to a claim they didn't think was possible. One example is an adviser whose client had to reschedule their review meeting because they'd just broken their leg. The adviser realised the opportunity to lodge a partial disability claim.

Another adviser was asked to review the client's cover as it was getting expensive. It turned out that another insurer was able to provide a better quality policy with substantially cheaper premiums. The subsequent underwriting process revealed that the client had been diagnosed and successfully treated for breast cancer six years previously. The bad news of an exclusion was outweighed by the realisation that they hadn't thought to claim for it. The adviser helped the client to lodge a claim with the original insurer; they received a payout of $150,000 and a refund for the six years' worth of premiums they had paid.

No doubt you have stories of your own along similar lines.

Make clients aware of this service

Ensuring that every client is aware of this part of your service proposition is imperative. It means they will understand more of the value you bring to the table and be more likely to get in touch if they even think they might have a claim. One way to do this is by sharing client testimonials and claims stories, which is a powerful and very personal way to demonstrate your value as an adviser. For advice on how to educate your clients on this and other topics, see chapter 18.

It disturbs me when I hear the claims managers at insurers tell me how often they find themselves speaking directly with a client who is lodging their own claim even though an adviser is attached to their policy. It's disturbing because it means the adviser is missing out on an opportunity to assist their client.

Sadly, a percentage of claimants wouldn't even know they had an adviser. Sometimes a book of business or portfolio of policies has been sold, maybe multiple times, and a client hasn't responded to attempted contact by the new adviser - perhaps they forget or haven't updated their contact details. Other clients are not aware that their adviser would act on their behalf if they approached them. Some people would say that advisers have a moral duty to not only provide this service, but to make their clients aware that it exists.

The advisers I speak with love the opportunity to help their clients on claim - that's what they're in business for. Difficult and emotional as it can be, they derive personal satisfaction from it.

Learning how to do it

If you feel unable to provide this service to your clients through lack of experience, I strongly suggest you upskill yourself. Surprisingly - at least at the time of going to press - there are no structured courses teaching advisers how to do this and it's not the sort of training you'd look to an insurer to provide. So jump onto Google and search for 'insurance claims management training' in case there's been a development since this book was published.

Fortunately, there are other ways to learn about claims management.

One way is to talk with other advisers about their claims process and learn from their experience. One piece of advice I'll share is to approach a claim as you would an enquiry from a new client and seek to understand the situation fully before acting. Industry stalwart Col Fullager from Integrity Resolutions believes that jumping straight into lodging a claim form is akin to filling in an application for insurance before doing your needs analysis and SOA. So when faced with a potential claim, take the time to understand the full situation and look at the policies the client holds. If you can see a straightforward claim, go ahead and lodge the claim forms. If you think there may be a grey area, you can run it past a legal specialist then decide whether the client is best served by lodging the claim through normal channels (you) or through a specialist lawyer.

The more often you do this, the more you learn and the better you become, If something the client or insurer says sounds unreasonable or illogical, keep asking questions and seek guidance from others with more experience. You'll learn a lot in the process.

It's worth building a referral relationship with a personal compensation legal firm or a consultant such as Integrity Resolutions. If you choose not to provide a claims management service yourself, you can refer your clients to them, confident that a professional specialist is in their corner. Be aware that not all lawyers are the same. Just as I've suggested you find an estate planning lawyer to help your clients sort out their wills, you'll want to find one that specialises in personal injury work for your claims referrals.

An ongoing, mutually respectful relationship with a legal specialist can also be useful if your client's claim is denied and you believe they have a reasonable counter position. Part of your claims management service should be identifying what to do next and assisting your client with the related process. This may involve a referral to your preferred specialist lawyer and/or could be a case for the Financial Ombudsman.

Claims management guarantee

Many of our advisers provide clients with a documented claims management guarantee that effectively states that for the life of the policy - provided they remain the adviser on that policy - they will provide the first point of contact for managing the claim.

Deciding whether or not to charge for this service is an individual business decision.

You'll need to ensure that providing a guarantee is not misconstrued as guaranteeing success for a claim but instead, provides your services to help clients get through the often arduous process of lodging the claim and working with the insurer until their decision is made.

If you'd like a guarantee template (letter or certificate), they're available at ***www.elixirconsulting.com.au/resources***.

To charge or not to charge

The issue of charging a client at time of claim is increasingly a matter of personal preference, particularly bearing in mind the move by some advisers to charging explicit fees. Not everyone is comfortable doing this, however, especially as the fees will apply when clients are at their most vulnerable.

Historically, most advisers have included this service at no additional cost to clients on the basis that the trail income from their entire client base will fund the few claims they may get involved with. While the true cost of managing a claim far exceeds the 10-20% ongoing commission they earn per policy, they probably have no more than 5 or 10% of their client base on claim at any given time, so they feel it all works out.

However, as more advisers are becoming aware of the cost to deliver their overall services, we're starting to see some who are giving clients the option to pay for their claims support.

There is often no correlation between the premium (and therefore trail commission) and the time you may spend on a claim. All your trail income may cover all your claims work, but this would be out of sheer luck and not by design.

My view is that providing this service should be mandatory and it's entirely your choice how you fund it. It's important that you recognise there's a cost to your business that must be met somehow then make a conscious business decision about how to meet it.

Once you've followed the process outlined in this book to crunch your numbers, you can choose from various options for getting paid for your claims management service. These include factoring an amount into the MRA of every client, charging directly at claim time and increasing the sum insured.

I explore all the options in detail in chapter 6, Challenge Five. Before making your decision, make sure you're not applying old-model thinking to the new model you're creating.

A special word about charging at claim time. If you decide to do this, you'll want to decide whether you do it on a time basis or success basis. If you decide on a no win, no fee arrangement, be aware of your state regulations - this may be prohibited. Before you go down this road, bear in mind that a client who has an unsuccessful claim may not have the funds to pay your fee. On the other hand, a client who was aware of your pricing model and receives a payout will rarely object to paying a fee for the help you've provided.

Non-advised clients

One final suggestion for you. In chapter 6 I touched on the adviser vs lawyer situation with claims management; I'd like to expand on this topic as there's a great opportunity here for every adviser.

I believe that advisers play such a valuable role in the claims management process that they should be offering this great service to people who don't currently have an adviser at all. Consider the poor soul who never received advice but has various policies they have collected over the years, mostly in employer super funds. They wouldn't know where to start with lodging a claim.

Who is helping these people currently? Lawyers. And those lawyers who are well-respected in this space would prefer to only deal with cases where they will likely have a fight on their hands. They know that not every claim will require specialist legal representation.

My insurance BDM contacts tell me that unfortunately, if a claim is lodged by a lawyer it isn't handled by the claims team, it has to go to the legal team. Think about the extra time and cost this adds to the process and the extra stress this places on the claimant. The value you can bring to people through emotional support and timely completion is a service that's worth paying for and you might consider offering it to non-advised clients for a fee.

Not only will you win new clients who don't currently have an adviser and may engage your services further, but you can clearly demonstrate to your retainer/commission clients that the claims guarantee included in their retainer has a tangible value.

One final word of caution here – make sure your professional indemnity insurance (PI) covers you for advice in relation to lodging insurance claims.

CHAPTER TWENTY TWO

SPEAKING FROM EXPERIENCE

JANE CAMPBELL

Jane Campbell is a former personal injury lawyer who became a specialist financial adviser. Through her business, Aeran, she works almost exclusively with people who have been seriously injured and receive personal injury compensation. *www.aeran.com*

"Like myself, Jane is a passionate advocate for financial advice, albeit in the world of lawyers. She represents a completely different viewpoint than that which is often shared with advisers."

How does your business work?

"I work with plaintiff lawyers who assist clients after motor vehicle accidents, workplace accidents, medical negligence etc. In recent years, some of these lawyers have started helping people with TPD claims, whether or not they have a personal injury claim, so I am seeing more clients who only have TPD claims.

I am on a number of committees with the Australian Lawyers Alliance, where I bring my financial services expertise to the table, along with *my experience in working with families coping with serious injury and disability.*

My opinion of the relationship between financial advisers and lawyers?

Unfortunately, I have often heard financial advisers and lawyers criticise each other, but I think they have much in common and need to better understand each other and work together.

Advisers' usual attack on plaintiff lawyers is that they are arrogant 'ambulance chasers' who charge too much. The lawyers' usual attack on advisers is that they are poorly educated sales people who are looking to push products and earn commissions. As a professional with qualifications, contacts and expertise in both camps, I know the reality on both sides is quite different to perception.

It's been interesting to see the public attacks on lawyers who help people with TPD claims. The media loves to whip up outrage about lawyers taking a large cut of a successful claim, but I think the stories about high fees are exaggerated and are usually explained by the particular circumstances of an unusual case.

Most lawyers are helping industry fund members who have nowhere else to turn for assistance. Their super fund has not supported them. They are ill and exhausted and not up to navigating difficult claims processes. These lawyers work hard for their clients and charge a fair fee based on the time and expertise involved.

Some lawyers refer their clients to me for basic financial information or advice when their claim is successful, and I can tell you that these clients love their lawyers. They were glad to have someone on their side, because they were struggling in a drawn-out battle with an insurer until their lawyer took up their cause. I don't hear complaints about legal fees, but I do hear appreciation and gratitude.

I also know that most financial and insurance advisers do fantastic work for their clients. Like plaintiff lawyers, they chose their profession because they really want to help people. Advisers are as passionate about protecting and supporting their clients as lawyers.

What difference does having an adviser make to your clients?

I expect that advised clients have a different experience when they need to claim on their TPD insurance. An advised client has the benefit of someone who knows them and their policy and can support them through the claims process.

Dedicated advocacy makes a big difference to an ill and vulnerable claimant – whether that advocate is an adviser or a lawyer. A professional who is familiar with the system is best placed to ensure a claim follows a smooth process to a fair and timely conclusion.

I think the problems in the system arise when a person does not have an adviser or when matters are not straightforward.

How do lawyers feel about advisers working with personal injury clients?

Lawyers don't want to get involved in every claim. They want systems to improve so processes are simpler and fairer for claimants. Lawyers would prefer to only work with clients who need their legal expertise. They will fill in forms when a claimant has no-one else to help, but they are happy for advised clients to be supported by their adviser.

Lawyers just don't want advisers unknowingly getting in over their heads and putting the wrong thing on a claim form that will cause major grief later on. An adviser doesn't know what they don't know. They may be well-intentioned but they may not be an expert in contract law and may not know when to hand over to someone who is (or where to find such an expert).

How could the situation be improved?

Things would improve if advisers had access to great education and information provided by lawyers with expertise in insurance claims and contract law. I think advisers are always thirsty for quality information that improves their ability to advise clients.

Having access to some of the knowledge that plaintiff lawyers are building in the world of personal insurance would be invaluable for advisers who recommend insurance products. I am sure advisers would want to hear an expert analysis of different policy wordings (in plain English!) from someone independent. Sure, advisers appreciate free training from product providers, but they also want to understand the facts beyond a marketing story.

I expect the only reason why insurance advisers and plaintiff lawyers haven't yet joined forces and forged closer alliances is because everyone is working so hard for their clients! Nonetheless, I think it is important for us all to make the time for this, particularly now the government looks to be setting a framework through a new life insurance code of practice, and while the respective roles that advisers and lawyers play with consumers are evolving.

There needs to be some sort of dialogue commenced and maintained for the benefit of consumers and the greater good.

We all want lawyers to really understand the value of good financial and insurance advice and help make insurance claims better. We want both groups of professionals to pick up the phone to each other, share insights and refer their clients as appropriate.

Let's encourage our professional associations to help build bridges in the public interest."


"DO YOU KNOW THE DIFFERENCE BETWEEN BRILLIANT BUSINESSES AND AVERAGE ONES? THE BRILLIANT ONES GET STUFF DONE."

CHAPTER TWENTY THREE
IMPLEMENTING YOUR NEW MODEL

Congratulations! You now have enough knowledge to evolve your business model and enjoy great success despite legislative changes that are outside your control.

You've followed the processes I suggested and have the ability to receive the appropriate remuneration for the advice you provide in the structure you feel is best for your business and clients. The next step is to convert that ability into reality.

Do you know the difference between brilliant businesses and average ones? The brilliant ones get stuff done. What you do next - or don't do - will decide which kind your business is going to be.

As you've gone through this book, no doubt you've had some epiphanies and collected some great ideas for doing things differently. These ideas will do nothing if they are never put into action. The only way you'll evolve your business is if you make some decisions then map out a plan of action to implement them.

Maybe you've been inspired to update your onboarding process, produce some video content, redesign your marketing materials, use our software to crunch numbers, reach out to one of our coaches for help (see what I did there?) or just start charging the amounts you've already calculated. Whatever is on your long list of desired changes, the time has come to examine how best to roll them out across your business and design a project management plan.

I won't sugar-coat things: it's likely this will be a challenging process that takes some time. Yet it will also be an exciting time as you start to see great results from your actions.

You may have doubts about charging fees for your advice, especially if you've only ever received commissions or if you discover you've been charging too little. After all, it's normal to be nervous about something new and many advisers have fears when they start charging fees. Rest assured that the biggest obstacle is between your ears.

Regardless of whether you're completely comfortable with your new pricing structure or experiencing some trepidation, it's important to structure your processes and build some techniques that will allow you to communicate the value of your advice offering.

Provided you communicate your fees and value well, you should have no problem in continuing to make a living from providing specialist advice and support to clients. While it may be foreign to you, many advisers have been charging fees for years, and they enjoy profitable, healthy relationships with their clients.

That said, you need to be certain you have the right model and are confident in charging your fee before presenting it to your clients. If you think it's expensive, they will too!

Converting existing clients to your new pricing model

Let's think about what to do with your existing clients. Nothing is forcing you to change the structure they are on. If you started receiving trail commission when you implemented their policies, that needn't change if your service offer is going to remain the same.

The only consideration you may have here is whether you will need to charge them for additional work if it turns out that their needs require new advice. Now that you know the MRA you need to receive to provide this ongoing service, you may find that there are a number of clients who have not been generating your minimum revenue to date.

Don't fear having this new conversation with an existing client. I know that many advisers are concerned about asking clients to pay a fee when they never have in the past. We saw this a lot with financial advice businesses when FoFA came in. Before you waste too much negative energy on that, ask yourself: do you believe that your clients have only dealt with you because your services were 'free'? I doubt that. It's more likely that they regard you highly and trust your advice. So if you explain to them that you've changed your business model (for positive reasons – not just because you were forced to in order to make money) and that the new advice you will provide will be valuable, you'll likely find they will happily pay your fee.

If you've deepened your value proposition to include services like estate planning and cashflow/spending support, you might look to introduce this at each review. Rather than selling clients a new service, explain that it's important for you to update your information in line with what is currently happening in their lives and discuss their goals and objectives again. If they've not been particularly engaged with you in the past, run your review meeting in a similar style to how you would run a discovery meeting for a new client. Talk about where you can add value to their lives now in terms of the advice relationship and offer them your new services.

If you have a large book that includes clients who don't get actively reviewed, run a campaign to let them know the importance of a review and that your additional services are now available. The fact that you may have received only commission for selling insurance to those clients in the past doesn't preclude you from offering them additional services for a fee.

Before introducing your change of service to existing clients, decide how you will explain it and rehearse what to say. If possible, role-play discussions with other advisers or your business coach so you can explain the changes in an acceptable way, and practise countering objections.

Remember that your existing clients will hear about the legislative changes to commission payments and be subjected to a raft of negative sentiment around commission-based advice in the media. It may be worth taking positive action to counter this through personalised client communication or an article in your newsletter. Explain why you are changing your remuneration structure, how this could benefit clients and nothing will change without their consent. Let them know you are happy to discuss it at their next review or by phone/email.

In this way, clients who may not be reviewed in the coming few months will be informed that you are making positive changes and reassured that their permission is required before changes are made to their arrangement with you.

Checklist for implementation

You now have your new pricing structure and an action plan for implementing it. Here's a checklist for the tools and documents you may need.

- ✓ **Marketing materials**, which you may need to update and improve. Make sure they demonstrate the tone of your business and communicate with your preferred clientele at the right level. Both the language used and the professionalism of the materials both reflect the quality of your service offering. There's a huge difference between how a client perceives a photocopied brochure and a professionally printed one.
- ✓ **Fee schedules** for engagement and ongoing fees (if applicable).
- ✓ **Fee calculator** if you've chosen to turn your fee schedules into an Excel spreadsheet that can be used to calculate the fee for each client.
- ✓ **Letter of engagement** for new clients to sign, accepting your

engagement fee and acknowledging the scope of the advice you will provide.

- ✓ **Client service packages** comprising client-friendly documents that set out what is provided in your ongoing service package.
- ✓ **Client service agreement**, which is your client service package documented in the form of an agreement setting out what is expected of the client and the adviser in the ongoing advice relationship. Clients sign this document to accept your ongoing fee.

Pricing reviews

Your pricing will always remain a work in progress so it's important to schedule a regular pricing review.

If it's just you in your business, do some reflection once a quarter. Look back over the clients you've brought on board and see how the revenue you generated compares to your MRA. If you have a team of advisers in your business, it's a good idea to have a pricing committee that looks at clients who completed in the previous month and reflect on what you received, then estimate how much work was involved and discuss key elements such as the client feedback about value. This will help to ensure that your pricing stays current, you get better at it over time, and there is consistent thinking across your team.

It is important that, once a year when you get your financials completed, you run the numbers again. Our software enables you to do this without starting from scratch.

You should also do a thorough numbers review if you make significant changes to your overheads (e.g. staffing or premises) or processes (add or reduce time or fixed costs).

I wish you the best of luck on your pricing and business evolution journey and invite you to provide feedback on your thoughts and successes along the way. Please feel free to email me at ***sue@elixirconsulting.com.au***

If you feel you need additional assistance from a business coach or practice development consultant, please contact Elixir Consulting and discuss our services. Our phone number is 1300 683 680.

If you prefer DIY support, without the personalised service of a consultant, you can access our support online in your own time. Our Pricing Advice™ program is available as a self-paced online program that includes video content and all the calculators and information you need. It also carries a range of support tools, including the ability to benchmark your fees against others in the program, and calculators that allow you to examine multiple scenarios to stress-test your fee model under varying business conditions. Our online program has become an invaluable piece of software in hundreds of advice practices and is revisited each year to ensure their pricing model stays current with the changing costs of running a business.

Visit ***www.elixirconsulting.com.au*** to access other resources to assist you with pricing your advice:

- Adviser Pricing Models Research Report (third edition)
- Business Evolution Program – our six-month coaching program to evolve your pricing model
- Prac-Nav business coaching program for advice professionals

In the 'Buy online' section of our website you'll find a range of tools and templates to assist you with improving your clients' experience. We also frequently add articles to our blog that address many issues and challenges that arise in the profession of financial and risk advice.

ARE YOU READY?

A HANDY CHECKLIST

So you've considered all your options and are relatively clear about the pricing model you're going to use for your risk advice in future?

That's great. Here's a checklist so you can cross-check all the elements that require consideration and ensure you have a solution you're happy with.

If you'd like to download a soft copy, head to ***www.elixirconsulting.com.au/WPFResources***

Are you crystal clear on the types of clients you want to work with? *Tip: 'everyone' isn't good enough!*	☑
Have you enhanced your value proposition?	☑
From the client's point of view, is your value proposition definitely worth paying for?	☑
Have you developed marketing materials to articulate your value proposition and attract new clients?	☑
Do you have a way to ensure all your clients know why it's important to have their parachutes packed by you rather than relying on direct or group insurance?	☑
Have you enhanced and systemised your onboarding process so every client gets a fantastic experience and you are delivering it efficiently?	☑
Have you built consistency and technology efficiencies into the rest of your administrative and compliance processes that will drive costs down and client satisfaction up?	☑

Have you developed engaging ways to educate clients about your service so they value your expertise? *Tip: Not just that the cheapest policy can end up the most expensive if it doesn't pay out at claim time, but the intricacies that you will decipher - policy definitions, structures, stepped/level, underwriting, disclosures etc.*	☑
Have you determined your Minimum Recoverable Amount for new clients, as well as for delivering your ongoing services?	☑
Do you have a plan for clients whose cases aren't straightforward and where it will take more work than average to get them covered?	☑
Have you catered for clients whose policy applications are declined or who are offered cover with a loading?	☑
Have you worked out how to deal with a situation where your client cancels a policy within the first two years, triggering a clawback of commission?	☑
Have you decided how you will cover your costs if you are asked to assist clients with their claims?	☑
Are your clients aware of your claims management service and how valuable it is?	☑
Have you defined the structure of your pricing model?	☑
Have you designed supporting templated documents? *This may start with updating your FSG, through to creating terms of engagement letters, client service agreements, fee disclosure statements, opt-in letters etc.*	☑

Most importantly of all - Do you believe your services are worth paying for, and are you ready to quote your new pricing structure to the next person who makes an enquiry?

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Are you an adviser who provides risk advice?

Then WORTH PAYING FOR should be on your bookshelf.

It will be your constant guide as you navigate new industry challenges and build a profitable, sustainable business.

Will your business survive the life insurance reforms? Sue Viskovic argues that it can. Not only that, but the changes present a great opportunity to expand your client base, deepen client relationships and increase profitability. In fact, to thrive, rather than just survive.

Sue believes clients will pay for your advice if they see value - but only if you work out an optimum pricing structure, target selected clientele and communicate your value. Using her trademark straight-talking style, she explains how to review and reshape your business and shares the experiences of advisers who already charge fees.

A companion to Sue's best-selling guide for financial advisers, PRICING ADVICE, this book will help you to:

- ***Identify what type of clients are best for you and your business***
- ***Appreciate the true value of the services you offer***
- ***Understand the pros and cons of different pricing options***
- ***Work out a pricing structure that suits your business – whether that includes commissions, fees or a combination of both***
- ***Onboard new clients in a way that sells your value***
- ***Answer questions such as** "Should I really be charging for claims management?"*
- ***Get closer to your clients and educate them.***

If you advise your clients on their risk needs and your business is at a crossroads, buying this book is a great investment in your future.

***SUE VISKOVIC** has been helping professional advisers to improve their businesses for over 15 years and is a sought-after speaker and business mentor. Her consultancy, **Elixir Consulting**, provides business development advice, coaching and tools to financial and risk advisers around Australia.*

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