

Good advice takes time, but value is measured in other ways

Sue Viskovic shares some insights into presenting your fees to clients, and gaining confidence in charging explicit fees for your services.

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 and then deliver your advice in a compliant manner often has very little correlation with the value of the advice that you provide.

It is true that clients paying fees are more likely to want to see value for the fees they are paying when compared to clients who receive advice that is paid for via commission – a price they do not directly feel.

You should never underestimate, or take for granted, the value of what you do as a financial adviser. You probably enjoy what you do, and find it logical and maybe even easy, but to many people money is scary – numbers are scary. If you have the ability to make the numbers appear more simple for these clients, and to get the money working for them, you are doing them a great service.

Other clients may have the capability to manage their own money, but not the capacity – they're happy to outsource their financial management to you, as their time is better spent either earning the money you manage or enjoying it.

There are some instances where you can measure the tangible difference that your advice can make to a client in the form of increased savings, higher Centrelink benefits, decreased tax payable and so forth. However, it is far more difficult to quantify the other benefits that your clients value, such as the comfort they

take in knowing that someone else is watching over their financial affairs – the “sleep-at-night” factor.

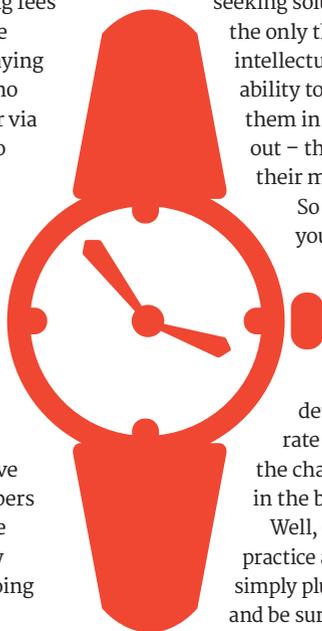
Clients don't care how long it takes you to do something (provided it doesn't take too long!). They are only concerned with the outcomes of your advice. They come to you with issues or problems, seeking solutions. Your time is not the only thing they need; it's your intellectual property, and your ability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

So why do I encourage you to understand the time it takes you to do everything in your business? If charging by the hour for advice is not advisable, why determine a charge-out rate then apply it against the chargeable time available in the business?

Well, until you get lots of practice at it, it is very difficult to simply pluck a figure out of the air and be sure that this fee will cover your costs, let alone provide you with some profit.

We have found that advisers who have 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. ■

This is an extract from Sue Viskovic's newly revised book, *Pricing advice*. Viskovic is managing director of Elixir Consulting – www.elixirconsulting.com.au



All the bells and whistles

In providing financial advice, what else do you do for your clients that is worth paying for? It includes:

Investment selection

Sorting through the thousands of investments to arrive at a portfolio that is appropriate and robust.

Portfolio management

Keeping it within the client's risk profile regardless of what the markets do.

Risk management

Managing risk in an investment portfolio, and ensuring clients put in place plans (or policies) to protect their family in the event of a catastrophe.

Goal setting

It's surprising how many people meander through life without really setting goals.

It's not just the actions and decisions...

...that you help people to make; what you help them avoid is just as powerful and valuable.

Strategic advice

How to maximise their outcomes while working within the law.

Accountability

Not only do you help define what a client needs to do to achieve their goals, but you keep them accountable by ensuring that these actions are implemented.

Someone to provide answers to their financial questions

If you don't have the answer off the top of your head, you will know how to find it.

A translator

Of tax law, of investment philosophies, of the financial language you're fluent in, but which is foreign to most people.

An educator

Teaching clients about how to handle their money and grasp financial concepts.

And while doing all of this, you take care of the boring paperwork – a task few people enjoy.