

Adapting to A Regulatory Environment

An Australian Perspective

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The 80's way – The Single Agency

- Pre FSR to Post FSR
- Life Insurance, Superannuation and Single Premium Investments
- Ratebooks & glossy prospectuses with applications enclosed

*“the
transition
from sales
to sales
with
service”*



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The 80's way – The Multi Agency

- More leads and more sources from the multiple branches
- Working from an office
- Part-time staff

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The First Solution

- Diversity
 - General Insurance
 - SMSF's

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The Industry Evolves

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- A new delineation between a life agent and the financial planner
- Frustrated accountants and lawyers
- Transition of paid employees into full and semi-funded retirement

The Industry Evolves

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- Emergence of funds management and platform products
- Enter the banks to take over from the life agencies as the key drivers in the industry

Enter: IT – Information Technology

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- The Objective
 - To reduce paper consumption
 - To improve communication and efficiency
- The Outcome
 - Larger plan size
 - Bamboozled clients with too much information to process

Education and a Profession

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- Unify life insurance and funds management with a cohesive financial planning industry
- Shift from a preference to rely on Accountants to provide financial advice



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The First Lesson

*“Learning the financial
planning process
made me realise the
real importance of
personal risk
management”*

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Fees Verses Commission

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- Clients weren't ready to pay for advice as they would from an Accountant or Solicitor
- Clients accepted commissions so long as they were clearly disclosed
- The outcome
 - ½ fee for service & ½ commissions

The Rise of Dealer Groups

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- With More Computers came More Products
- Multi Agency Model Couldn't Cope
- Advisers Needed More Support

FSR The Outcome

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- Introduction of
 - Dealer groups with AFSL's (Australian Financial Services Licences)
 - Authorised Representatives
- Introduction of the FRSA (Financial Services Reform Act)

The First Reaction

- Paranoia & Overdisclosure
- New “players” in the industry
 - Developed from the banks and fund managers
 - 1990’s controlled by Technocrats
 - 2000’s controlled by Lawyers

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The First Sign of Problems

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- Sky high Professional Indemnity Premiums
- Litigation from every angle
- Class actions from clients against representatives (advisers) and licensees (dealer groups)

My Experience

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- Pre FSRA – Life Industry Complaints Scheme (LICS)
- Post FSRA – Financial Industry Complaints Scheme (FICS)
- Substantiation of Recommendations
- Dealer Group Compliance Checks

Managing the FSR Change

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- A more systemised approach to business
 - Sign upon receipt of the FSG (Financial Services Guide)
 - Sign the completed Fact Find
 - Sign for their investor risk profile
 - FSR Disclosure

How this Translates to NZ

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- Advisers choose whether to make the changes and move forward or cash in their work and move on!
 - More education
 - More compliance requirements
 - More time consumed in meeting legislative requirements
 - This Relates to Life Advisers as Well

The Second Lesson

*Look at your current
income and your
current time spent on
the business and put
a dollar value on your
time.*

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Changing the Way you Sell

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- Communication is the key
 - Manage the way your clients see you and your team to present a professional image so that they will expect a professional fee and a professional service
 - Educates Clients towards payment for ongoing services
 - Builds a Business

The Costs of FSR Change

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- Selling off or ceasing to service unprofitable clients
- License fees
- Increased Employee costs
- Compliance Costs
- Up to date IT systems
- Fast internet providers
- State of the art CRM's

The Concerns for the Future

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- The macro level
- The world financial system
- Too many financial institutions going to the wall
- The Future of Dealer Groups



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