Advice Efficiency Survey Report

Harnessing technology today & tomorrow

Table of contents

Introduction 3

Executive summary 4

Stats at a glance 5

Key findings 6

1. Successful firms are efficient firms 6
2. Demographics do matter 6
3. Working remotely is here to stay 8
4. Investment in tech is also a mindset shift 9
5. More is not always better (and it comes at a cost) 10

Characteristics of high performing practices 12

The numbers 13

1. Production of advice documents 13
2. Training & development 15
3. Advice software use 16
    - 3.1 Advice process 16
    - 3.2 Business management process 17
    - 3.3 Client engagement process 18
    - 3.4 Compliance process 19
4. The future challenges for advice firms 20
5. Where to from here? 21

Introduction

About Business Health

Business Health is an independent organisation headquartered in Sydney that specialises in providing advice and solutions for small to medium-sized business owners. Established in 2000, Business Health has regularly expanded its suite of services to the point where today, it offers the most comprehensive range of practice management solutions in the marketplace.

Business Health comprises a team of uniquely qualified professionals, strategically located across Australia, with the ability to deliver results locally or globally as required. Apart from Australia, Business Health has also worked extensively in the United States, South Africa, Hong Kong, the UK and New Zealand.

Business Health's experience in the financial services environment—enhanced by extensive up-to-date knowledge of international factors and trends—offers significant expertise in the area of business development.

www.businesshealth.com.au

About Iress

Iress (IRE.ASX) is a technology company providing software to the financial services industry for trading and market data, financial advice, investment management, mortgages, superannuation, life and pensions and data intelligence.

www.iress.com

Executive summary

Australian advice practices are experiencing a never-before-seen period of changes and challenges.

Some of these are undoubtedly outside of their control, such as regulation, compliance, changing demographics and consumer expectations.

The good news is, however, there are still many aspects of creating a successful and sustainable advice practice well within the control of practice principals.

What's more, technology has evolved to become an important ally and valuable partner to help businesses adapt and enjoy better financial outcomes in less time.

In this inaugural Advice Efficiency Survey, Iress has partnered with Business Health–which has over 20 years' experience working with advice practices around the world. Business Health helps businesses define excellence in operational capability and client engagement.

Through detailed feedback from over 100 Australian advice practices, Business Health has uncovered what it means to be both an efficient and effective advice practice in 2021.

We've combined these sharp insights with practical tips on how to harness technology today and tomorrow. It's not just about how to survive, but how to thrive in the current (and future) environment.

Key stats at a glance

$1.11m	Average practice revenue.
6.0	Number of average client meetings per week.
133	Clients per adviser.
113	Number of Australian advice practices surveyed.
10+	Average years of tenure.
6.8 FTEs*	Average practice size.
$12.9k^	Average technology spend per FTE.
$83.4m	Average funds under management per adviser.
2-3	Average number of technology platforms to produce advice documents.
13%	Percentage of firms using 4+ technology platforms to produce SOA/ROA.
8.1 hours	Average time to produce a simple statement of advice for a new client.
14.6 hours	Average time to produce a complex statement of advice for a new client.

Notes:
**2.3 working/advisers, 4.5 support.*
^8.3% of practice revenue.

Key findings

1. Successful firms are efficient firms

The research uncovered that the top 10% of most profitable firms were spending less time on administration and more time in front of clients.

The average client meetings per week for top-performing firms was 7—compared with an average of just 5.8 across the board.

We all know that time in front of clients creates more opportunity to generate revenue—so how are these firms doing it?

The answer is efficient processes—underpinned by technology—removing the administrative pain from delivering advice.

The most profitable firms spent just 5.9 hours on a simple SOA, compared with the industry average of 8.5. Complex SOAs were similarly contrasted—12.1 hours for profitable firms compared with the average of 15.

Actions

- Continually optimise processes, automate repetitive tasks and harness technology to enhance client engagement and increase productivity. This boosts profits in advice practices of any size.

2. Demographics do matter

While all participants have the same overriding objectives—to deliver quality guidance, advice and support—they have not always followed the same path delivering these. As with their clients, their own demographics have influenced their development. For example, when we compared newly established advice businesses, ie those that had started up in the past three years, to their longer-tenured peers, operating for 10+ years, we found that the new kids on the block were:

- **able to produce advice documents more quickly:** The time taken by the new practices to produce a basic new client statement of advice was 7.0 hours, compared with 8.7 hours for the firms who have been in operation 10+ years. Similar time savings were also recorded in the production times for a complex new client statement of advice (11.6 hours versus 16.2 hours) and review documents for an average existing client (2.7 hours versus 3.8 hours).
- **spending more on their technology:** The average tech spend per full-time equivalent (FTE) team member for the firms established in the past three years was $14,713, compared with $11,769 for those who have been in operation for 10+ years.
- **looking for improved online client portal functionality:** Around 25% of new firms listed this as a key area—well above the 9% recorded by the well-established practices.
- **looking for more help to train their staff for better technology utilisation:** When asked to rank the top technology challenges facing their business in the coming 12 months, 38% of new firms listed this as number one, compared to only 12% of the practices with 10+ years' experience.

Key findings

2. Demographics do matter (cont)

While it's no real surprise that startups have the opportunity to develop the business model they want–it isn't always easy, or apparent, for more well-established practices with evolved models.

It also became apparent that there were some significant differences between the firms based out of a regional/rural location when compared with those located in major cities. When compared with their city colleagues, regional advisers were:

- **working predominantly from their office:** Around 53% reported all team members work from the office, compared with 29% of city firms.
- **spending less on their technology:** The average spend is $12,221 per FTE in regional-based practices versus $13,310 for those in the city. Interestingly, a quarter of country-based firms did list rising technology costs as their number one technology challenge.
- **able to conduct more client meetings:** 6.8 meetings per adviser per week compared with 5.7.
- **less likely to be outsourcing to external specialists:** 28% outsource the management of their business' IT infrastructure, compared with 41% of the city firms.
- **more confident they were maximising the benefits of their technology systems:** 21% reported they do not need any additional training or support versus just 6% of the city-based practices.

Actions

- Each practice is different and one size does not fit all.
- Work up the appropriate technology plan, to which can be incorporated into your overall 2022+ business plan.
- Invite external technology experts to provide industry benchmarks to compare your performance.

Key findings

3. Working remotely is here to stay

COVID-induced lockdowns aside, 20% of participants reported that all of their staff are now working from home. Almost half (44%) stated at least some of their staff work from home on a regular basis, and 37% still have all team members working from their office.

Therefore, it's reasonable to assume that post lockdowns, many practices will be retaining at least a hybrid (working from home/office) structure for their people, it's clear technology has a key role to play in enabling staff to perform efficiently and effectively.

It is therefore somewhat of a concern that just 7% of the firms reported having an internal resource dedicated to managing the IT infrastructure of their business. One in three (38%) outsource this function to external specialists, and 40% stated they use a mix of internal and external resources depending upon the issue at hand. The remaining 15% look to split this role between a number of their staff, ie not involving any external input.

Emerging issues for attention:

- To maintain productivity levels, advice firms now need to replicate the quality IT infrastructure from their office environment into their employees' homes. For some this could require a significant investment into new hardware, software, telephony and internet access.
- With a host of sensitive personal and financial information now being shared across multiple worksites, data protection and cyber security are critical elements in every business' risk management, mitigation and protection planning.
- While having employees work from their kitchen table or juggle their laptop on the lounge may have been an acceptable short-term response during lockdown, it is clearly not an appropriate solution for the longer term. Employers have an obligation to provide a safe and healthy working environment, and care needs to be taken if moving to a permanent work-from-home model.
- Most advice businesses pride themselves on the strong and caring culture they have built within their team. However, maintaining culture, plus managing and hiring new staff into an established team is much harder when people are physically separated.

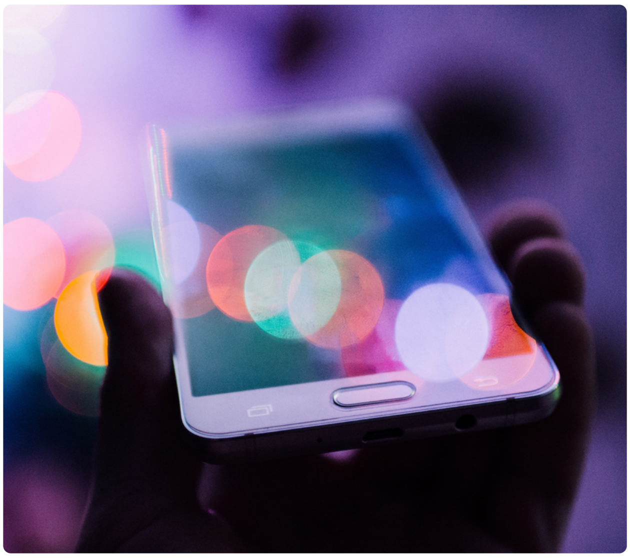
Actions

- Remote working is the new normal.
- Advice firms need to find new and innovative ways of fostering a sense of connectedness when they can no longer spend most of their time together.
- As we better understand the link between isolation and mental health, this becomes even more critical.

Key findings

4. Investment in tech is also a mindset shift

The next phase of technology evolution brings with it the anticipation to deliver significant efficiency gains. In the meantime, the writing is on the wall—we can, and should, be getting more out of our existing tech investment.



On average, each firm spends $76,000 per year on technology related expenses—approximately 8.3% of total revenue.

Additionally, two thirds of firms are budgeting for an increase in their tech spend in the coming 12 months.

Given the size of this investment, it's surprising to see many firms not fully utilising the functionality of their current systems:

- Almost half (43%) rarely, if ever, use an automated risk profiling tool.
- 20% almost never use a technology platform to generate the ROAs.
- 42% do not offer their clients the convenience of digital signing.
- Two thirds (68%) do not use tools to help visually present information to their clients.

Adequate training could be a key reason as to why more practices are not getting better value from their existing technology. Without appropriate training, many firms are not aware of the full breadth and depth of what their technology offers, or how to practically leverage this functionality on a day-to-day basis.

On average, each team member invests less than three hours per month on training related to their technology, and one in four (23%) openly stated they are struggling with the core functionality of their systems. Over half (53%) are looking for help using the more advanced features of their technology deck.

Actions

- Investment in tech is made worthwhile when your team is getting the most out of your existing tech stack.
- This is achieved by spending time upfront agreeing best practices and taking advantage of learning and development opportunities to build skills and confidence.

Key findings

5. More is not always better (and it comes at a cost)

Advisers often use multiple technology platforms to generate advice documents. This is often due to technology limitations, the complexity of the client circumstances, and the unique processes and procedures of each individual adviser.

Over half (57%) of the businesses reported they manually enter client data into two or three different platforms. Only 22% stated they enter client data into just one platform.

While this seems more flexible, it definitely comes at a cost. The below table clearly indicates that practices able to produce documents from a single technology platform saw significant time savings across all of the key advice areas:

Hours to generate advice documents	**One platform**	**Two or more platforms**
Strategy paper for your average new client	4.5	5.9
Basic new client statement of advice	6.1	8.7
Complex new client statement of advice	11.9	15.4
Review documents for your average existing client	3.9	4.0
Total hours	**26.4**	**34.0**

Key findings

5. More is not always better (and it comes at a cost) (cont)

Those firms generating advice documents through a single platform are also spending less on their technology, both at an overall practice level ($55,007 versus $83,469) and per full-time employee ($11,549 versus $13,445).

Actions

- Having a number of platforms in your technology ecosystem may have a bigger drag on your productivity and profitability than you realise.
- Take time out to re-evaluate the role of each technology platform you currently use to see where the time loss is.
- Evaluate the cost of this time loss versus the cost of adopting one technology platform.

Characteristics of high performing practices

As defined by the top 10% most profitable firms.

Practice attribute	**Top 10% most profitable firms**	**Industry average**
Annual revenue	**$2,752,012**	$804,005
Client meetings per week	**7.0**	5.8
Tech spend as % of revenue	**4.9%**	9.0%
Hours to produce a basic SOA	**5.9**	8.5
Hours to produce a complex SOA	**12.1**	15.0
Tech training hours per month (admin staff)	**2.9**	2.6

The numbers

1. Production of advice documents

Advice document	Hours
Strategy paper for an average new client	5.6
Basic new client statement of advice	8.1
Complex new client statement of advice	14.6
Review documents for an average existing client	3.6

Overview

- Businesses continue to invest a significant amount of time in preparing in-house advice documents (i.e. not using the services of external paraplanning resources).
- On average it is taking these firms over a full day (8.1 hours) to produce a basic statement of advice for a new client.
- This jumps to 14.6 hours for a client with a complex situation.
- 19% of advisers listed "quicker SOA generation" as the one aspect they would most like to see improved in their advice software.
- Less than a quarter (22%) of the firms reported using a single platform to produce advice documents.
- Two thirds (65%) use two or three platforms.
- 13% are transferring information across four different systems in order to generate an SOA or ROA.

The numbers

1. Production of advice documents (cont)

Hours to produce advice documents	Number of platforms		
	Hours	Two/ three	Four or more
Strategy paper for your average new client	4.5	6.1	5.2
Basic new client statement of advice	6.1	8.7	8.8
Complex new client statement of advice	11.9	15.5	14.5
Review documents for your average existing client	3.9	3.4	4.4

Overview

- Practices using only one platform also had a lower total technology spend ($55,007), lower tech spend per full-time employee ($11,549).
- They were also able to service more clients per adviser (169).

The numbers

2. Training & development

Overview

- On average, each adviser invests 2.7 hours per month on training specifically related to the technology platforms they use. Support and administrative staff came in close at 2.8 hours per month.
- Only 11% of firms stated they are currently maximising the benefits of their technology platforms and do not require additional training or support.
- Close to one quarter (23%) are still struggling with the core functionality of their platforms and are looking for more entry level training.
- Just over half (53%) would like to explore some of the more advanced options and are interested in more in-depth training.
- Only 14% stated they need help with accommodating the specific requirements of their licensee.

The numbers

3. Advice software use

3.1 Advice process

Key driver	Almost never	Sometimes	Mostly	Almost always
Fact finding	38%	15%	9%	37%
SOA generation	14%	3%	9%	74%
ROA generation	20%	5%	12%	63%
Calculators	14%	22%	19%	44%
Research	15%	21%	26%	38%
Projections	13%	10%	17%	61%
Risk profiling	33%	10%	17%	40%

Overview

- One in four (26%) firms aren't using technology to produce their SOAs.
- One third (37%) are generating some of their ROAs manually.
- Just under half (43%) rarely, if ever, use an automated risk profiling tool.

The numbers

3.2 Business management process

Key driver	Almost never	Sometimes	Mostly	Almost always
Workflow management	22%	21%	21%	37%
Appointment scheduling	35%	13%	11%	41%
Document storage/management	10%	2%	16%	72%
Staff online portal (for procedure manuals, training, etc.)	37%	22%	12%	29%
Business analytics/dashboard	38%	26%	17%	19%
Managing work in progress	21%	21%	22%	37%
Transcription	50%	19%	19%	13%
Password management	39%	15%	7%	38%
Revenue management	26%	14%	19%	41%
Portfolio management	20%	13%	22%	45%

Overview

- Only a third (32%) of the advisers regularly use an automated transcription service to help with file notes and record keeping.
- Almost half (43%) aren't effectively using their technology's workflow management capabilities.
- Most don't yet have an online centralised portal for the key internal documentation.

The numbers

3.3 Client engagement process

Key driver	Almost never	Sometimes	Mostly	Almost always
Customer relationship management	17%	15%	16%	53%
Online client meetings	30%	22%	15%	33%
Client communication	24%	30%	15%	31%
Digital signing	42%	20%	18%	20%
Website and social media	39%	19%	17%	25%
Client cash flow management and budgeting	48%	20%	14%	19%
Tools for visually presenting information to clients	38%	30%	15%	17%
Client education	38%	31%	18%	13%

Overview

- This is an area where advisers could use technology to enhance their client interactions.
- Only a third (32%) regularly use technology to help them visually present information and recommendations to their clients.
- Almost half (42%) do not offer the convenience of digital signing.
- A further 67% do not use applications to help clients with their cash flow management and budgeting.

The numbers

3.4 Compliance process

Key driver	Almost never	Sometimes	Mostly	Almost always
Complaint register	46%	13%	14%	28%
Breach register	47%	14%	10%	29%
Audit	25%	10%	17%	48%
Managing legislative obligations such as advice fee consent	17%	7%	17%	59%
SOA/ROA review	20%	9%	17%	54%
Process/workflow oversight and management	19%	23%	19%	39%

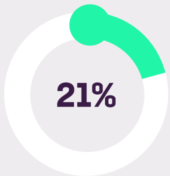
Overview

- Many advisers could better utilise technology to help meet their responsibilities.
- Over half are still maintaining a manual complaint and breach register.
- One third do not regularly leverage their technology platform to ease the burden of compliance audits.

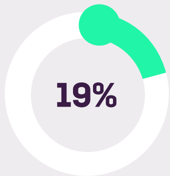
The numbers

4. The future challenges for advice firms

We asked advice practices what their greatest challenges were moving forward.
This is what they told us:

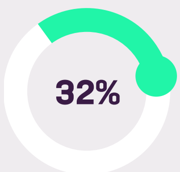


Said "rising technology costs".

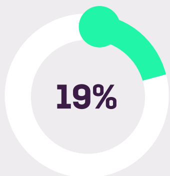


Said "the time it takes to produce advice documents".

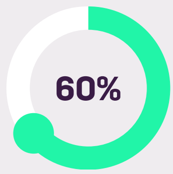
Said they were focused on "their ability to deal with scale".



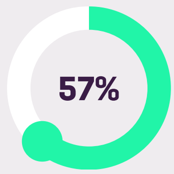
Said "finding good people/advisers".



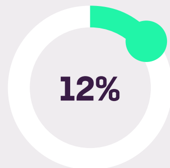
Said "training to help staff better understand and utilise the functionality of their technology".



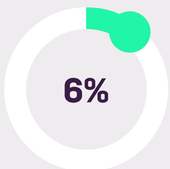
Of firms listed "compliance and legislative requirements" as the greatest impediment to growing the business.



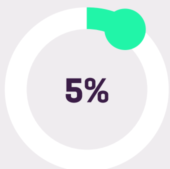
Of the practices manually enter client data into two or three different technology platforms.



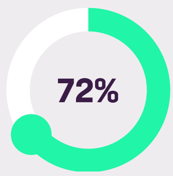
Said "integration of their various platforms" as their primary technology issue.



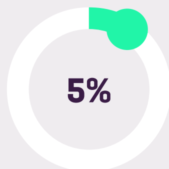
Expect to be operating in much the same way they are now.



Will have gone out of business and no longer be operating.



Of the firms expect to grow their business over the next three years.



Only 5% expect to have sold their business within the next three years.

Only 10% stated they will be more focussed on particular client segments.

The numbers

5. Where to from here?

As our research has shown, effectively implemented and managed technology can help streamline business operations, curb rising costs, and create efficiencies–leading to sustainable, profitable practices.

Of course, technology comes at a cost and must be managed in a prudent, considered manner–the outlay should be viewed as an investment, for which there must be an appropriate ROI.

We undertook this research in the hope it informs and encourages practices to review and develop their plans for 2022 and beyond. You can make a start by:

- talking to people who know
- deciding your approach
- documenting your technology plan
- allocating a budget
- allocating responsibility and accountability – internal or external resource
- implementing
- monitoring and reviewing.

This will give you the best opportunity to convert potential into returns.

We can help

If you're unsure where to start, speak to the expert team at Iress.

Email **xplan@iress.com**