

Top tips to prepare your practice for Future of Financial Advice (FoFA)

FINANCIAL SERVICES PARTNERS
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How ready is your practice for FoFA?
Whilst certain legislation has been passed, there are still some decisions outstanding and further guidance to be issued by ASIC. The following table provides ideas for consideration in preparing your practice for the Future of Financial Advice legislation as at October 2012.

What support is your current licensee providing? If you're not on track for FOFA, perhaps it's worth comparing these potential solutions with the support provided by your current licensee.

FOFA measure	Considerations	Potential solutions
Grandfathering	<p>The revenue you receive from clients whose arrangements were in place prior to 30 June 2012 and from whom you are receiving commissions only (not ASF) will be grandfathered and annual disclosure does not apply.</p> <p>Do you know which clients have fees that are grandfathered and those that do not?</p>	<ul style="list-style-type: none"> • Service level category (and corresponding price) noted on CRM system. • Re-engage your highest value clients in a fee based ongoing advice relationship. • Review of your key clients to reduce risk or revenue loss due to those not being charged as an ASF. • Quarantine these clients so you can readily identify them if they make contact with you.
Fee disclosure	<p>What is your pricing policy? Will your pricing strategy be to charge a flat fee or % of revenue? What processes do you have in place to collect your fees?</p>	<ul style="list-style-type: none"> • Cost to serve and pricing model. • Documented pricing policy including deliverables. • Fully documented fee collection process to ensure it is bullet proof.
	<p>How will you discuss this with your client?</p>	<ul style="list-style-type: none"> • Consistent initial appointment process to discuss 'your practice, services and pricing' – core statements. • Service level documents. • Letter of engagement. • Advice and service offer flyers.
	<p>What are you doing to ensure the same message is being delivered by your team and that you are all comfortable selling the 'fee for advice' concept?</p>	<ul style="list-style-type: none"> • Scripts, role plays, training on soft skills. • Fully documented sales and advice process.

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Annual disclosure	If you charge a percentage (ASF's), how will you accurately record the value of fees charged to your clients?	<ul style="list-style-type: none"> • Segmented client base – group clients together to assist with the disclosure of ASF's and trails across all products held by your client. • Commissions management system or other accounting system that interrogates your revenue.
	What will this annual service fee include? How will you explain and document this for your clients?	<ul style="list-style-type: none"> • Ongoing service offer flyers to promote your offer. • Service level documents to detail your offer. • Letter of engagement – to confirm the scope of advice, the fees and ongoing service offer. • Consistent initial appointment process to discuss 'your practice, services and pricing' etc. • Consistent anniversary review process.
	How will you demonstrate value for the fees charged?	<ul style="list-style-type: none"> • Articulated client value proposition (elevator pitch). • Client value proposition implemented across marketing collateral and electronic media. • Documented client experience including initial client engagement, advice and ongoing service processes. • Tangible deliverables at each point of contact. • Consistent processes with tools and templates. • Reviews and regular reports to confirm progress.
Opt-in	What process will you use to document when you are required to send an opt-in reminder and prompt you to do so?	<ul style="list-style-type: none"> • Software support, workflow and review process. • Documented procedures and specific task allocation/employee workflow triggers.
	How will you reduce the risk of clients who are away at the time of your opt-in request?	<ul style="list-style-type: none"> • Integrate your opt-in request with your annual disclosure and review process rather than the biennial process
	How will you make sure you and your team deliver these services? How will you demonstrate you have delivered the services you said you would as part of the ongoing service relationship?	<ul style="list-style-type: none"> • Service level elements noted in practice workflow and/or weekly activity plans • Workflow reports, files notes, client records on CRM, checklists • Procedures manual with specific task allocations
Best interest	You may already be working in the best interest of your clients, but will your current documentation confirm you are meeting your obligations?	<ul style="list-style-type: none"> • Client data recorded on CRM/planning software including; fact find, detailed file notes, product replacement comparison reports supporting your recommendation, best interest checklists prior to sign off of SOA/ROA's.
Conflicted remuneration	Do you have 'employed' advisers?	<ul style="list-style-type: none"> • Have you reviewed their remuneration to ensure their KPI's, performance and reward system do not breach conflicted remuneration rules.

Note: Based on the Government's legislative position as at October 2012.

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