



EFFORTLESS ENGAGEMENT

CREATE VALUE DELIVER VALUE



THE VALUE GAP

Author

Dean Lombardo is the Founder and Principal of Effortless Engagement. A business which is at the forefront of client engagement and business transformation.

Dean has experienced the financial services and advice industry from just about every angle. As an entrepreneur and owner of his own advice business, senior corporate executive, trusted financial adviser, specialist consultant and author of numerous industry recognised publications.

Dean has helped transform some of Australia's most successful advice businesses through a unique understanding of the integration of advice, evaluating client progression and the principles behind exponential efficiency.

Method

In approaching this topic, Effortless Engagement undertook research by surveying both ongoing advice clients and advice businesses throughout 2023.

635 ongoing advice clients participated. This included 242 clients aged 65 and above, 269 clients aged between 45 and 65, and 124 clients who were below the age of 45.

312 individuals from within advice businesses also participated. This included 116 business owners, 107 advisers and 89 team members from a variety of other roles.

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Executive Summary

When clients were asked how they would ultimately define the success of their advice relationship, the achievement of their goals and objectives in their desired time frame was by far their highest-rated factor.

With an industry so openly promoting the alignment of advice to goal achievement, using common terms such as ‘Goals Based Advice,’ we wanted to understand just how confident advisers and clients are that the work being undertaken is likely to achieve this measure of success.

Pleasingly, and perhaps expectedly, **we found adviser confidence levels to be in the very high range (91%)**. This suggests that advisers believe in the value of their advice, solutions, and client offer. Yet this high level of adviser confidence is not matched by **clients, whose confidence levels are much more moderate (57%)**. **This is the Value Gap.**



While confidence levels are not a guarantee of success, they do provide an insight as to whether current client propositions are fully answering the most fundamental of client questions, “Am I Ok?”

We found that central components associated with the delivery of confidence were either routinely missed or non-existent within advice businesses. This included the use of forward-looking projections, where **less than 1 in 5 advisers update client projections at least annually**. Also, a diminished effort to measure and test client progression, where **less than 1 in 20 advisers have a method of evaluating client progression** across key advice areas.

The ability for advisers to focus on central areas associated with the delivery of client confidence and client value appears to be affected by capacity, as well as operational and strategic issues. We found that **more than 8 in 10 team members feel as though they are at capacity, yet more than 9 in 10 advice businesses do not have a capacity plan**.

Inefficient work practices also resulted in **advisers spending the majority of their time, 50%-70%, on back office work** (eg file notes, administration, compliance activities, non-client related meetings). This is at odds with where adviser value exists from a business stand point and where advisers want to be spending their time.

These issues are amplified by the reality that **more than 7 in 10 businesses don’t have an active strategic plan** to help solve these very issues and unlock their true business’ potential.

Not surprisingly, we uncovered that by resolving back office issues and redirecting adviser efforts towards the client, significant opportunities await. This extends to the delivery of client confidence and the potential for exponential growth across new markets, centres of influence and organic growth.

This led us to conclude that there is a clear pathway forward to bridge The Value Gap and generate even better client, adviser, team and business outcomes. A **five-point blueprint** to success comprised of:



The client's measure of success

When clients were asked how they would ultimately define the success of their advice relationship, the **achievement of their goals and objectives** in their desired time frame was by far their **highest-rated factor**.

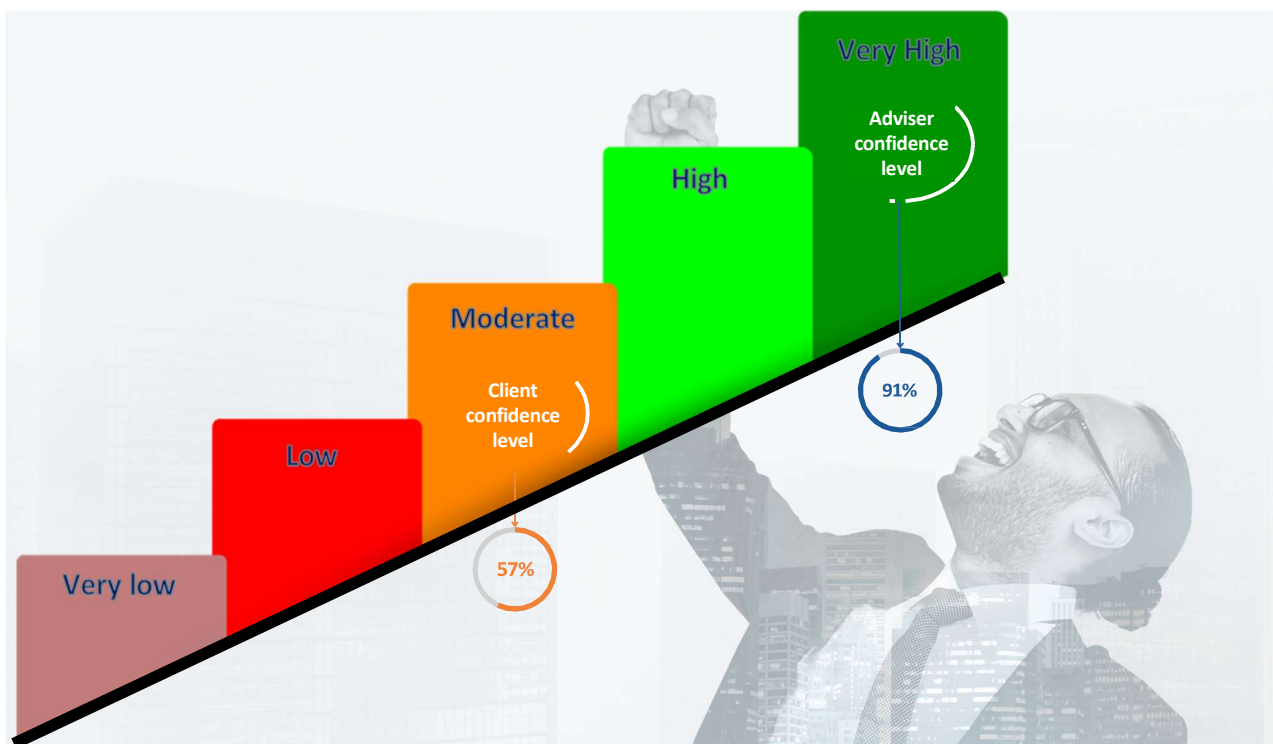
So just how confident are advisers and clients that this measure of success will be achieved?

We found **adviser confidence levels to be in the very high range (91%)**. This suggests that advisers believe in the value of their advice, solutions, business support and client offer. While adviser confidence levels in the very high range were somewhat expected, this level of confidence did not transfer to **clients, whose confidence levels are much more moderate (57%)**.

While confidence levels are not a guarantee of success, they do provide an insight as to whether current client propositions are fully answering the most fundamental of client questions, "Am I Ok?"

Interestingly, current client confidence levels remain similar to the findings in the 2014 Whitepaper, *'The Expectation of Advice'* which found that only 60% of clients believed they were 'On Track' to achieving their goals and objectives.

Later in this document we explore systemic in practice issues which may be impacting on an adviser's ability to elevate client confidence levels, to levels similar to their own.



Why confidence levels matter

Confidence levels can impact on the emotional and physical wellbeing of clients, as well as decision making. It can also affect business outcomes.

When we compare clients with very high confidence levels to those with low confidence levels, we find that they have:



- 70% less money worries
- Twice the perception of value
- Three times less likelihood of seeking alternative advice

At the very heart of the value of advice is the ability to minimise money worries for clients through well constructed advice aligned to desired outcomes.

When confidence levels are low, the corresponding uncertainty can lead to poor decision making, increased day to day financial concerns and financial stress. Financial stress has been proven to exacerbate a number of adverse health and personal outcomes, having been linked with sleep disorders, anxiety, depression and family breakdowns.

On the other hand, when clients have increased levels of confidence, the associated reduction in financial stress can provide greater freedom, a higher perception of value and a significantly lower business risk.

Bridging the Value Gap therefore offers incredible opportunities and benefits, for both clients and advice businesses.



Delivering confidence

For advisers and advice businesses, having a systematic method of demonstrating client progression and the probability of success, is essential to removing uncertainty and providing a tangible basis for client confidence.

We found central components associated with the delivery of confidence were either routinely missed, or non-existent within advice businesses. This included:

Less than 1 in 5 advisers update client projections at least annually

Projections are a forward looking tool. They provide clients with the confidence that the strategy set out is likely to achieve success. Typically, advisers prepare projections for new clients and when significant strategy changes are being considered for existing clients.

Perhaps this is why many advisers only consider the use of projections for the development of a Statement of Advice and not as a mechanism for the delivery of ongoing client confidence. The reality is that a client's plan and goals are dynamic and not static. This means that changes are constant. The value therefore of providing updated projections at least annually, is immense in delivering client confidence and demonstrating the probability of success of an ever-evolving plan.

Less than 1 in 10 advisers continue to demonstrate past achievements

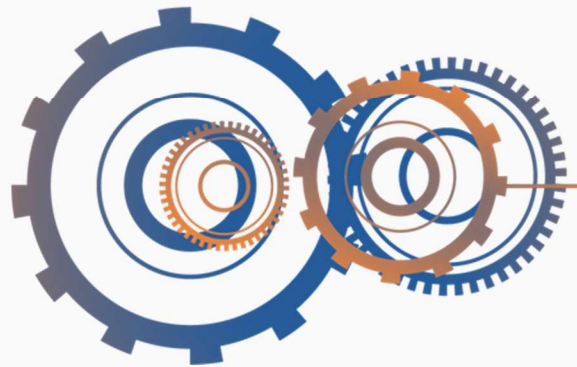
While the focus in advice meetings is invariably forward looking, it is only through reflection that clients can see their progress and the tangible value of their advice experience to date. Great outcomes for clients are often achieved but rarely looked back upon. This is both at a strategic and goal achievement level. Whilst advisers cannot guarantee success, acknowledging past success provides confidence that future success can also be attained.

Less than 1 in 20 advisers have a method of evaluating client progression across key advice areas

The achievement of a client's goals and objectives is progressive. Whereas client projections are forward looking, evaluating progression is the 'back testing' of the client's plan across key strategic areas, targets and milestones. Taking a long term aspirational plan and breaking it down into a series of small steps reduces what can seem an insurmountable feat, to manageable actions that the client can control and that can also be measured. When clients can understand the progress of their plan, it provides the tangible evidence to provide confidence. This supports behaviours and decisions required in forward planning.

Industry Challenges

There are significant challenges impacting the ability of advisers and advice businesses to focus on delivering higher levels of client confidence. Further, to extract additional advice and business opportunities. These extend to:



1 Strategic issues

2 Capacity issues

3 Operational issues

Strategic issues

Business owners are spending less than 10% of their time *working on the business*

In an industry where many business owners are also practitioners, it isn't surprising to see the amount of time being devoted to working on the business is relatively low. Business owners who are also advisers themselves, are impacted by the same operational and capacity issues faced by employed advisers. This presents a constant challenge for many business owners - working within an inefficient system, yet not having the necessary time to devote to solving these very same system issues. One problem can quickly manifest into another and ultimately place immense pressure, not only on the business system, but on the business owner.

More than 7 in 10 businesses do not have an active or current strategic plan

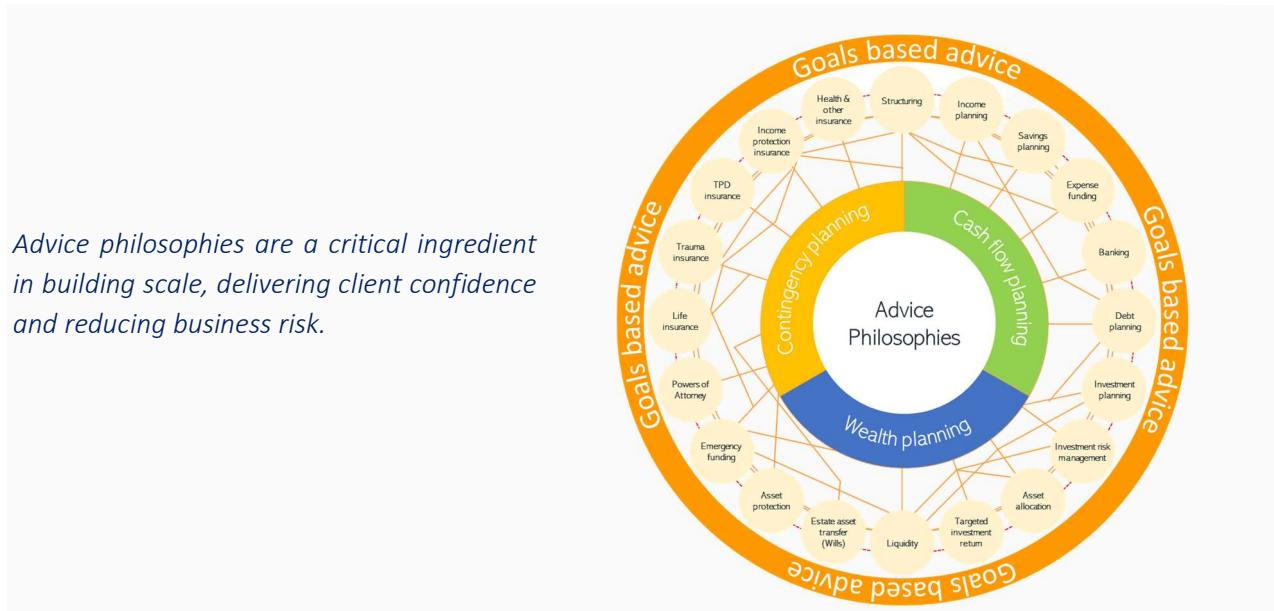
Having a strategic plan that is aligned to the business' vision of success is essential. Ensuring that the strategic plan is current and actively being executed is pivotal to business success. While many businesses may have created a vision, very few have aligned that vision with a strategic plan and accountable implementation. Not having a strategic plan in place that is continually referred to and engaged with, is a catalyst for misdirection, frustration and many of the challenges identified.

More than 8 in 10 team members do not understand the business' vision and strategy

With the majority of advice businesses not having an active or current strategic plan, it stands to reason that the majority of team members are not clear on the business' vision and strategy. Not understanding the direction of the business can see team members pulling in different directions. This can lead to inefficiency, waste and compromised outcomes. As mentioned above, this lack of clarity can manifest into greater levels of frustration, particularly when capacity issues also exist. Ultimately it also can lead to disengagement within the team and increased staff turnover.

More than 9 in 10 advice businesses do not have integrated advice philosophies (cashflow, wealth and contingency planning).

Advice philosophies are a fundamental system of beliefs around how a business provides advice. They provide the guiding principles that enable the systematic delivery of advice aligned to the business' purpose and the achievement of client's goals and objectives. They can help improve the client experience, increase the probability of successful advice outcomes, minimise business risk and support the transferability of client relationships between advisers through consistency.



Capacity Issues

Capacity was a significant impediment to the delivery of client and business value as identified by business owners, advisers and team members.

More than 8 in 10 team members feel as though they are at capacity

When people feel as though they are at capacity this can result in a higher probability of human error and reduced client service standards. Business and compliance risks are heightened. The advice experience can be diminished as team members inadvertently look to shortcuts to help keep up with workflow demands. Not only can this lead to reduced job satisfaction and higher levels of staff turnover, but it can quickly lead to poor business culture.

More than 9 in 10 advice businesses do not have a capacity plan

Feeling overwhelmed by workflow is further exacerbated by the fact that most advice businesses do not have a capacity plan. Without a capacity plan, business owners and leaders can miss key triggers for recruitment, fail to adequately plan and budget.

Capacity issues can stem from not only a lack of personnel, but from an inefficient business system and lack of strategic planning and direction. If ignored, not solving for capacity can have staggering negative implications to client and business outcomes.

Operational Issues

Alongside capacity issues, we found key operational issues associated with where advisers are spending their time.

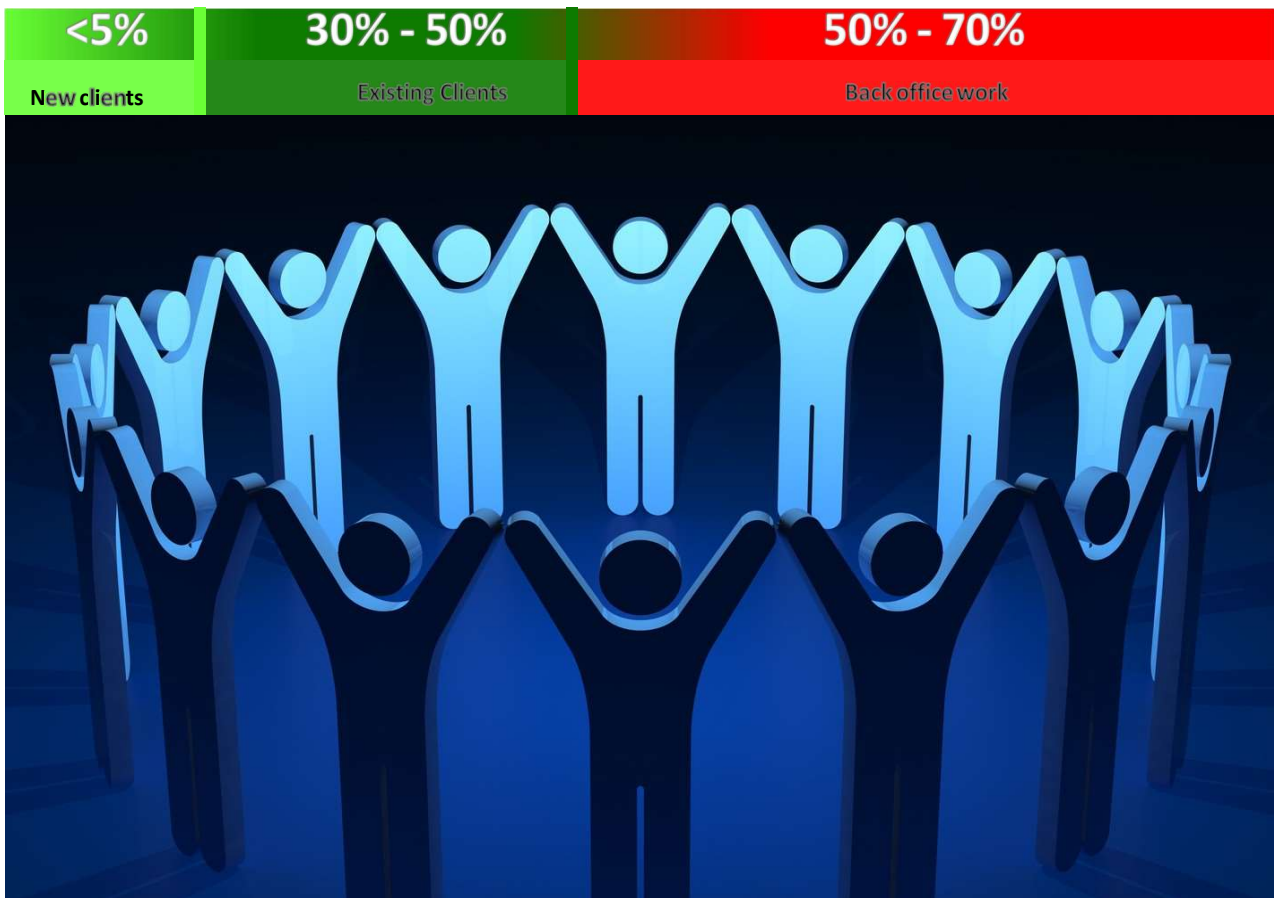
Overall, we found that across a standard week advisers are spending:



- **Less than 5% of their time on work associated with new client acquisition**
- **Between 30% and 50% of their time with existing clients** (eg meetings and discussions)
- **Between 50% and 70% of their time on back office work** (eg file notes, administration, compliance activities, non-client related meetings)

Businesses and advisers would prefer that this ratio was reversed. A ratio with far more time and focus spent on generating new business and engaging with existing clients, and far less time spent on back office work. Impacting on the ability to do so are historically inefficient work practices including: poor quality of data, multiple systems without integration, incomplete processes, and multiple hand offs required to complete work.

Solving operational issues and proving greater time for advisers to spend with clients (existing and prospective), not only leads to better business outcomes, but aligns to client value and increases the time available to work on those areas aligned to elevating client confidence levels.



Growth opportunities

As we know, today, the opportunity for growth in the advice industry is material. We found potential growth opportunities associated with:



Organic growth

Existing clients are considered the simplest avenue to business growth. Existing clients provide referred trust to a prospect and can express the value of their advice relationship.

When considering organic growth, **more than 8 in 10 existing clients said they would be willing to refer** to their adviser, yet **less than 2 in 10 existing clients said they had been asked to refer** in the past 12 months.

With advisers and team members expressing capacity issues, each new client can be perceived as adding increased stress on an already faltering business system. This can lead to a conscious or subconscious decision not to pursue referral opportunities.

This is clearly a lost opportunity.

Centres of influence

Centres of influence can be a powerful way of generating new clients. This is particularly the case where a centre of influence understands the ideal client of the advice business. Yet **less than 2 in 10 advice businesses have a structured plan for their centres of influence.**

Centres of influence are important not simply from a referral and growth perspective, they are instrumental to the delivery of integrated advice and a holistic advice solution.

This lack of planning limits growth opportunities and fails to capitalise on the value of the relationship.

Digital marketing

The ability to share the value of advice and direct marketing efforts to attract ideal clients has in many ways never been easier, or more cost effective than today, through the use of digital marketing. Yet, **less than 1 in 10 advice businesses have a digital marketing plan.**

A digital marketing plan can complement communication with existing clients and also be leveraged to market to prospective clients.

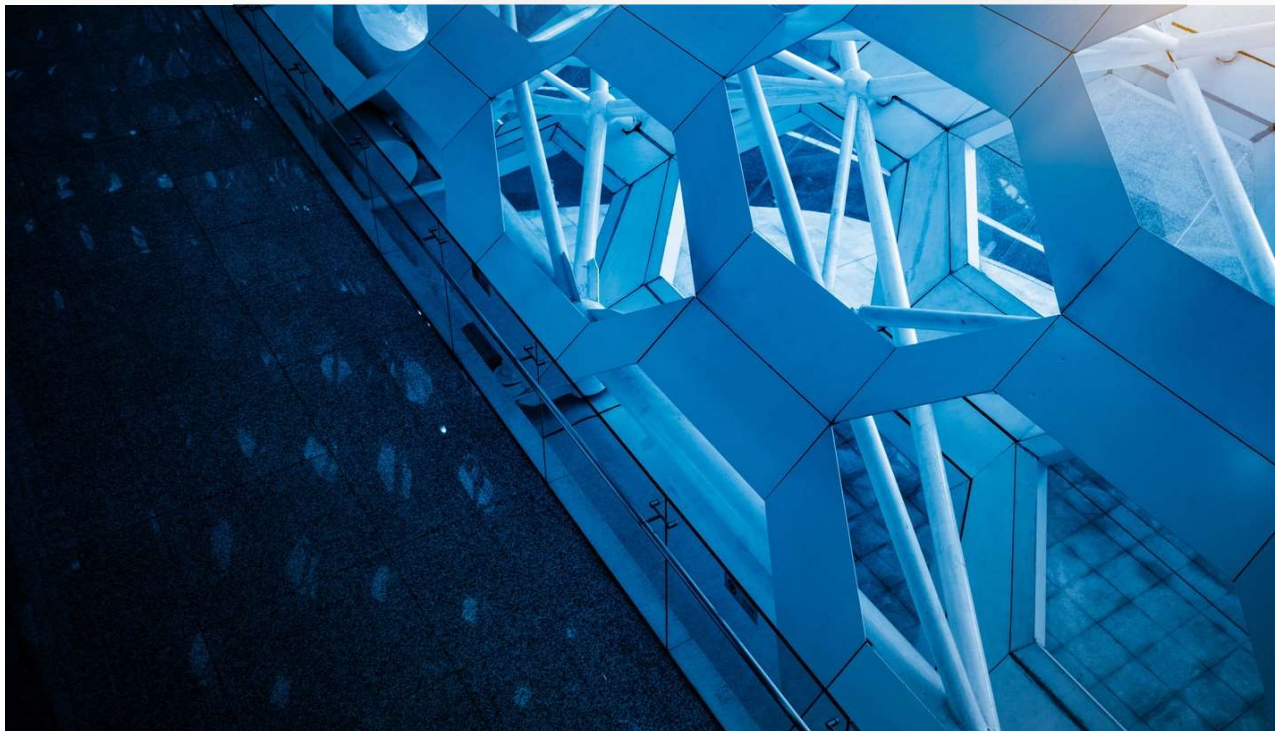
New markets

Intergenerational planning offers a significant opportunity for advisers and advice businesses. This doesn't simply support growth today, but protects advice businesses with the potential generational wealth transfer from existing older clients.

One of the challenges faced by many advice businesses is how to serve the children of existing clients who require advice but may not be able to fund minimum advice fees. This challenge can lead to the children of existing clients being turned away, only provided with partial services, or potentially directed towards other industry participants. None of these are optimal outcomes.

We found that **more than 7 in 10 clients would like their children to have the opportunity to receive advice** from their adviser. Perhaps just as importantly, **more than 3 in 10 clients said they would be prepared to subsidise advice fees** for their children, if their children were unable to afford to do so on their own.

This offers a material opportunity to enhance value for existing clients and find new avenues to growth.



A five-point blueprint

There is a clear pathway forward to bridge The Value Gap and generate even better client, adviser, team and business outcomes. A five-point blueprint to success comprised of:



1. Building scale and an active capacity plan
2. Designing a client offer that delivers tangible value and confidence
3. Creating a program for growth
4. Having the right people in the right roles
5. Focusing business owners and advisers on their unique ability

1

Building scale and an active capacity plan

Scale is the ability to handle increased volume while maintaining efficiency and client value. Building scale involves understanding the integration of all aspects of the business and developing consistency aligned to client value.

Integration extends to the development and implementation of Advice Philosophies which are foundational to creating efficiency and in the design of a well engineered client value proposition. They enable the business to build a standardised approach to advice, whilst providing the ability to customise the advice itself. Well defined Advice Philosophies have the power to drive business processes, systems and enhance client value.

Systematisation provides the avenue to understand and develop a capacity plan for all job roles within an advice business. Embedding the capacity plan with an operational framework enables key triggers to be identified and decisions to be made.

The starting point of course is to have a clear vision of success, along with a strategic plan with actionable steps and milestones.

2

Designing a client offer that delivers tangible value and confidence

Creating a client offer which is dynamic in demonstrating client progression and the probability of success, is central to providing a tangible basis supporting client confidence levels. As is, having multiple client engagement points which are aligned to the client's measure of success.

Taking the client's long term aspirational plan and breaking it down into a series of small steps reduces what can seem an insurmountable feat, to manageable actions that the client can control and that can also be measured. This can form the basis of the client engagement throughout the year.

Showcasing past achievements (goals and strategic outcomes) reinforces positive success and behaviours. While providing forward looking projections demonstrates the likelihood of success incorporating dynamic lifestyle and strategic changes.

3

Creating a program for growth

A multi-layer program for growth is critically important for businesses looking to take advantage of growth opportunities. Having a system and program will ensure that the right activity takes place at the right time. This should extend to a structured program for existing clients supporting organic growth, centres of influence and digital marketing.

Acquisition remains a viable option for accelerated growth, but the design of a business model with scale and a systemic client offer delivering tangible value and confidence, is essential prior to doing so.

4

Having the right people in the right roles

Central to business success are the people within it. Ensuring that the right people are in the right roles may appear obvious, but this is often the greatest challenge associated with growth. A clear strategic plan, job descriptions, recruitment policy and training program is essential.

Clear processes and advice philosophies help avoid ambiguity and provide for consistency. Structure supported by a mentoring program can help develop and retain talent.

Ultimately, it's about having the right people in the right roles, doing the right things at the right times.

5

Focusing business owners and advisers on their strengths

Business owners and advisers should focus their time and energy in areas of their greatest strength. This may be in areas such as marketing, new client acquisition, client engagement, strategy or practice management.

Spending as much time as possible in areas of strength will increase the probability of business success and create elevated levels of personal satisfaction.

No individual can do everything or be an expert in every area. This extends to business owners. Delegating, systematising and using third party professionals are all strategies that can help create capacity to spend increased time in areas of strength.





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