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**ADVISER, HILLCROSS FINANCIAL SERVICES**

ONE of the great things about our profession is the fact that we have adapted to be expert at change management. We have adapted to continual regulatory change, we've used to our advantage the fact that the internet makes access to information instantaneous and we manage people's financial futures within the never-ending volatility of financial markets.

Understanding that these issues will continue to cause people to feel uncertain and confused, we as financial planners need to keep abreast of current affairs, trends and economic influences. And we need to develop the best possible strategies to ensure our clients can take advantage of opportunities when they present themselves.

This deep understanding of the environment in which we operate does, of course, come at a cost. A cost of time, continual education, upgrading of office equipment and software investment that allows us to operate businesses that are 'best practice'.

When clients visit us they expect, and rightly so, that we are up-to-date, have professional offices manned by a

team of highly-trained support staff and that when we give advice, this advice is unquestionable.

The result is that the cost of this advice is ever-increasing as our standards and our client's expectations rise. If indeed they ever existed, the days of cheap and nasty advice are now well and truly over, as they should be.

Who can afford to give low-cost advice? I expect only the businesses that are able to systematise their operations to be more efficient in interviewing clients, preparing advice, creating Statements of Advice, and presenting and implementing strategies so that clients can get advice for an amount they are comfortable to pay.

We need to ensure we can articulate and demonstrate the value we add to existing and potential clients and this will never change. Whatever price you charge, whatever market you specialise in, your value proposition needs to be quite specific and focused, and costs need to be contained. Clients will always benefit when the advice is appropriate and costed sensibly. This will then hopefully ensure not just the wealthy will benefit from professional financial planning.



**TIM MACKAY CFP®**  
**AUTHORISED REPRESENTATIVE, QUANTUM FINANCIAL SERVICES AUSTRALIA**

I BELIEVE consumers are focused on value for money, not price. They need to know that any advice they pay for is worth more to them than the price they pay for it. Under the reforms, advisers who are providing their clients with true service should have no difficulty explaining the value of their advice, and consumers will be prepared to pay for experience, expertise and skill.

There is no empirical evidence that disaggregating the cost of advice and product (as the commission ban will do) will result in

an overall increased cost of advice to consumers. What the reforms will require, for the first time, is to transparently and separately show the real costs of the advice provided to the client and the real cost of the product.

The only credible short-term reason for increased advice fees from 2012 is due to a potential exodus of commission-based advisers who may be fearful and unwilling to implement the reforms, which will reduce the number of advisers in the short term.

However, I believe it is in consumers' interests to have fewer professional advisers who they trust rather than having more advisers operating under the broken commission model in which consumers no longer have any faith. In the

medium- to long-term, we believe a commission ban will lead to increased, transparent competition resulting in a reduction in fees for consumers.

Consumers believe the current dominant sales-based commission system provides them with access to salespeople with the cost of this service effectively hidden. I believe a ban on investment and insurance commissions will empower consumers with a clear and transparent understanding of how much they are paying, to whom, when and for what.

There is no evidence that only the wealthy will be able to afford comprehensive advice from 2012. Instead, I believe the reformed system from 2012 will help restore consumers' trust in the professionalism of our industry.



What is your view on this issue? We'd love to hear your opinion too, so please send your letters to [editor@financialplanningmagazine.com.au](mailto:editor@financialplanningmagazine.com.au).