

The background of the top half of the page is a complex, light blue and grey graphic. It features concentric circles, lines, and various icons related to finance and technology, such as a dollar sign, a globe, a padlock, a smartphone, a Bitcoin symbol, and a Euro symbol. The overall effect is a sense of digital connectivity and financial planning.

MAPPING FINTECH TO THE FINANCIAL PLANNING PROCESS

Why fintech is not a threat



FINANCIAL PLANNING
ASSOCIATION *of* AUSTRALIA

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This paper has been welcomed by the fintech community who have engaged throughout this process for its relevance in mapping the solutions to the financial planning process, and defining and quantifying the advice process efficiencies, in terms of cost and time for financial planner and client.

The FPA would particularly like to thank Andy Marshall for the time, effort and considerable work he's given to this report. We would also like to thank Advice Intelligence, Astute Wheel, Financial Mappers, Iress, Map My Plan, My Prosperity, Suitebox and YTML for their support and feedback.



Human led and digitally powered, fintech presents a real opportunity for our profession. However, what is lacking is a thorough understanding of the solutions on offer to financial planners, AFSLs, associations and regulators, in terms of how they work and whether or not these solutions can deliver on their promises.

Dante De Gori CFP®

CEO, Financial Planning Association of Australia

This report is the first in a series of fintech-related projects the Financial Planning Association of Australia (FPA) will be undertaking over the coming year. For many planners, fintech and robo-advice are thought of as confusing and something to fear. This report highlights the significant benefits technology can play in the financial planning process, and why Financial Planners should be exploring options to make their financial planning process more efficient and more engaging for their clients.

While there are many reports discussing the fintech market in Australia, this report specifically maps fintech solutions to the financial planning process to demonstrate where technology can assist specific parts of a financial planning business.

There is no argument that the process of financial planning is one of the most highly regulated processes of consumer engagement in the Australian business landscape. Passing fintech solutions under the microscope of the financial planning process cuts through and clarifies solutions for relevance and effectiveness.

The FPA will undertake further projects in 2018 to provide tools and resources to members as they look to take the ideas discussed in this report, and make them operational in their businesses.

This project has been undertaken by the FPA to support members in making their financial planning businesses more efficient, more engaging and more sustainable in an environment of increasing costs and regulatory obligations.

Fintech: Friend or foe?

With technology being part of everyday life, the modern client has shifted their expectations around efficiency. When it comes to financial planning, they desire easier and more efficient interactions. However the planning process that a professional financial planner undertakes has requirements governed by the obligations of the best interest duty and a strict adherence to the fundamental six steps of the financial planning process.

Many of these processes require detailed document construction from the inputs gathered from deep client engagement and exploration of a client's financial world. That process of discovery historically is not a digitised one. Furthermore the components of a client's financial world are often not digital. A challenge presents. For the modern professional financial planner, how do they engage with an increasingly digital client and deliver efficiencies in process and client engagement in a manner that is cognisant of the financial planning process?

In 2013, the FPA sought to raise the bar of professionalism and issued a challenge to the planning community. Guidance was provided around solutions to meet best interest duty obligations. The solutions encompassed processes around, and supporting of, the six step financial planning process.

The FPA extrapolated these steps, defining what professional financial planners do in their client interactions. Effectively, financial planners at that time were provided a synopsis of what best practice looks like on a daily basis for financial planners, such insights that can only be delivered from a true understanding of what financial planners actually do. These behaviours have a focus in four key areas:

Professional engagement – having transparent conversations with clients about the financial planning process, the financial planner's role and services, competence and experience to determine whether the financial planner can meet the clients' needs.

Professional competence – considering the financial planner's limitations and authorisations and whether their education, professional entry, CPD to maintain competence, experience and expertise, enable them to meet the financial planning needs of the client.

Professional diagnosis – analysing the client's information, strengths and weaknesses, capabilities and preferences in managing money, tolerance and appetite for risk, to identify needs and scope of the engagement.

Recommend in Best Interest – understanding the role of the FPA Code of Professional Practice in placing the client's interests first.

Can these processes of discovery and delivery be digitised? Can an algorithm deliver the necessary analysis that results in a financial plan that places the client's best interests first? Can technology be used to enhance the engagement and therefore the outcomes that a client receives from working with a professional financial planner? Or can the relationship with a financial planner be replaced by a digital portal? By an app? This report examines these questions.

The report unpacks the central premise of best practice financial planning to discover what technology is available to financial planners to support the client journey and outcomes.

There is clarity in what this report delivers:

- A navigation through the world of fintech in Australia for financial planners;
- The mapping of fintech companies to the six step financial planning process;
- A snapshot directory of the relevant fintech companies that can be deployed in the six step financial planning process, and;
- An awareness of how Australians are being engaged by fintech companies attempting to win the hearts, minds and wallets of Australians.

This report, because of the very nature of fintech – (being fast paced, dynamic, ever changing, blissfully unaware of financial services regulation, legislation and embedded practice and thus at its core, disruptive) – will be an evolving work. Hence the report has a digital delivery, allowing it to be easily and quickly updated as the landscape, or rather the cloud, shifts and changes formation in the months and years ahead.

The report is also the first step in a collection of work the FPA will be developing for members. Over the coming year, the FPA will be developing tools and resources to assist members take the ideas discussed in this report, and make them operational in their businesses.

Advice in Australia

The modern client has, through using technology as part of everyday life, shifted their expectations around efficiency. When it comes to financial advice, they desire easier more efficient interactions, more relevance and meaning with a key focus on cash flow, debt management and goal planning.

Opportunity Knocking

*more advisers or greater engagement?



96% of pre-retirees concerned about their financial future
52% of pre-retirees seek advice



18,000
Advisers



12.1mill
Workforce



2.4mill
Advised



50%
Satisfied



55%
Boomer hold on wealth



1trillion
To transfer from 2020



7mill
Middle Income Aussies



1.8mill
Face to face advice interactions

What matters?

Debt management, cash flow and forward planning toward goals are the key priorities for Australians



Do you know how to fintech?

Here's a statistic that might shock. Since 2010 in the US alone \$50b USD has been invested in fintech companies¹. Many of these companies are scoping to provide financial planning advice to consumers that is relevant, time appropriate, efficient and priced appropriately. The biggest issue for financial planners is not that this is happening. That fact is irrefutable and there is no rewinding of the progress that has been made in the virtual advice forays that has already occurred across markets such as the US. What is and what should be more concerning is that the financial planning solutions that are being provided are purported to be more collaborative, personal and comprehensive than ever before and the suggestion is that they are as such rivalling the face to face proposition of the average planning business.

Many of the tools being utilised by fintech are available to all financial planners and some have been available for some time. They have to a degree been ignored due to a combination of factors such as confusion about the fintech landscape and the speed of change in technology.

Financial planners today can use fintech to engage clients in complex modelling scenarios to client friendly portals. Yet as an example very few financial planners have adopted the client portal online capabilities of their CRM software.

Our research suggests there are three main initiatives that an adaptive financial planning businesses can enact:

1 They can offer clients a personal financial management site, application or document vault.

These sites and apps, host a clients financial information and provide a complete snapshot and then an assessment of a clients financial position. By adding in expense and income flow, this becomes a valuable resource for a client but also a trigger for planning conversations many of which that can have triggers automated by notifications and thresholds that deliver key information to a client when most appropriate.

2 As a result they can deliver financial plans that are not generic.

By capturing appropriate "vault" and cash flow information, the financial conversations and plans that can be facilitated are not generic but highly tailored. Further they follow life stages and ignore the fall back of generic strategy such as modern portfolio theory recommendations (think a generic balanced fund or fund of fund series across a risk profile that is a snapshot in time of how a client was feeling on a particular day!). Rather portfolios are structured based on lifestyle analysis co-ordinated with real time data on a clients financial behaviour.

3 Communication steps up to the modern age in a modern planning business.

Have you Facetimed anyone lately? We do it with friends and family all the time. Expressions, excitement, anxieties all become very tangible. It's because you see them eye to eye. Wendy Lea² in her book *The new rules of customer engagement* wrote "when the person can see eye to eye, they feel more comfortable and natural". Wendy was writing about video meeting engagement. According to Cisco recently³, the new breed of simple, accessible, high-definition video conferencing has ushered in a new era of face-to-face collaboration over distance. From one-on-ones to team meetings, candidate interviews, training sessions, sales presentations – nearly any meeting you can do in person, you can do over video, and equally effectively. Financial planners around the globe are already forging business models around video meetings and live chat that combined are reducing the cost to serve⁴.

Over and above all of this, what technology is doing for financial planners, is allowing them to implement planning models that showcase the benefits of financial planning, and deliver it to clients in an efficient and highly engaging manner and where compliance / regulatory requirements are inbuilt into the process.

DISRUPTION

However in Australia the question that remains is: have financial planners left themselves open to disruption (read: the loss of customers) by:

- Not changing business models and creating efficiencies in their business
- Ignoring technology available (example: CRM customer portals with open access to collaboration tools)
- Employing old processes that are inefficient
- And as a consequence a resultant inability to see more clients / prospects.

ADAPTIVE

We believe that the adaptive financial planner and planning business can:

- Have a CRM that is open to clients for collaboration
- Maximise the data in their CRM for identifying trends and opportunities in their client base
- Map their clients' social and employment circle
- Create news items and alerts to clients and their social circle based on an analysis of demographic and lifestyle factors that tap into social network platforms
- Create efficiencies in advice via virtual meetings
- Minimise advice risk via meeting recordings that are embedded into clients' files and planning documents and communications.

BENEFITS

The benefits for the adaptive financial planner are plentiful:

- Higher conversions from prospect to sale
- Greater retention and no opt in leakage
- Referrals
- Higher than average net promoter scores
- Higher profitability and margins well above the average advice business.

Most importantly they are fintech disruption proof which equals thriving in the face of change and changing client engagement protocols.

¹ https://www.slideshare.net/Huxley_BFS/fintech-a-global-perspective

² <https://www.inc.com/wendy-lea/new-rules-of-customer-engagement.html>

³ Cisco, Sept 2016

⁴ <http://www.xyplanningnetwork.com/>

Australians, planning and financial planners

An often quoted statistic when it comes to Australians and their engagement with financial planning and financial planners is one in five, and sometimes the figure that is quoted is a lot less⁵. But at the “upper end”, only 20% of working Australians are engaged in the planning process. The landscape in 2017 has changed somewhat. The basics of what people want regarding their financial planning needs, seems significantly simplified with the basics of cash flow, savings and forward planning being the desired “goals” of the average Australian⁶. This statement gains credibility considering the recent Access Economics research (ASX Australian Investor Study) that provides an insight into the psyche of the Australian population and their attitudes to investing especially as it relates to seeking planning and their understanding of investments.

This study of 4,000 Australian consumers provides one of the most representative samples of the population in regard to their investment attitude, but of particular interest, their objectives, desire and willingness to seek advice. For this body of work on the fintech landscape, the ASX study is of particular relevance as attitudes towards the utilisation of solutions such as robo-advice are also assessed. In reviewing the data from the ASX study, we find that:

- There is in general a low risk appetite with a high preference to stable or guaranteed investment returns, with 70% of Australians seeking these types of certainty and stability in returns, with the preference especially high in younger Australians;
- Life events are at the core of the reasons why Australians invest;
- At levels of 40% advice is sought from financial planners, however the belief is that a higher intended investment amount is required in order to seek specialist advice;
- This is supported by the average household incomes of the younger group, cited as \$80,000, and the feeling that solutions for their situations do not exist from a full financial advice scenario;
- Financial planning is seen as a tailored solution, but also as a mechanism to control risk in a portfolio, and the jury is out in regard to an understanding and appreciation of the benefits of financial advice;
- Robo-advice is still in the minds of Australians an unknown, however a shift to digital engagement is desired so as to be able to obtain ‘on demand’ advice for efficiency and timely access;
- The opportunity remains relatively untapped for financial planners with 11,000,000 Australian investors seeking solutions;
- The goals and objectives for ‘next generation’ consumers are wealth accumulation (savings), home deposits, funding travel, obtaining tailored advice, getting investment ideas, getting help on diversification;
- For the ‘wealth accumulator’ (gen X) their goals are planning for retirement, accumulating wealth and supplementing current and future income, through financial planning that offers tailored advice; minimises risk through diversification; gains access to investments not readily available;
- And for ‘retirees’, goals include planning for and navigating retirement, supplementing income and accumulating wealth, through financial planning that is tailored , diversified and navigates tax and administration.

⁵ <https://www.mortgagechoice.com.au/news/media-releases/9-in-10-australians-dont-have-a-relationship-with-a-financial-adviser.aspx>

⁶ <http://www.ampcapital.com.au/goals/articles/june-2017/how-to-create-visibility-on-spending-goals>

⁷ Deloitte Access Economics, 2017, ASX Australian Investor Study, <http://www.asx.com.au/education/2017-asx-investor-study.htm>

As a consequence, many questions arise for a financial planning business as well as for product solutions (think the desire for capital protection versus the attainment of retirement goals):

- To what depth do you have an education process or 'library' that can assist consumers navigate and discover, in an efficient and low cost way;
- Does your business have a solution for the growing number of younger consumers, including low cost and efficient investment solutions;
- Are your solutions and conversations in line with the goals and objectives of consumers;
- How can you assist education around diversification as well as the value of advice beyond portfolio construction;
- To that end how can you demonstrate the benefits of financial planning to reduce the perception of a lack of value and high associated cost;
- To what extent can technology and technology partnerships assist you in delivering these requirements;
- Can technology assist you to engage a broader range of clients in line with changing demographics and wants, including those who have never invested before?

These challenges are great opportunities for an evolving financial planner and planning business. At a base level, the elements are relatively straight forward.

Financial planners need to demonstrate that financial planning is fundamental to the achievement of life event goals and that planning is more than portfolio construction.

Financial planners need to solidify their education process around advice fundamentals and create easily replicable, deliverable and trackable curriculums around planning topics.

Financial planners need to create new levels of efficiency in the engagement of consumers and in the delivery of planning including the review process. And financial planners need to become market makers in regard to a new generation of planning solutions that are low cost, easy to implement and in line with the stated wants of consumers.

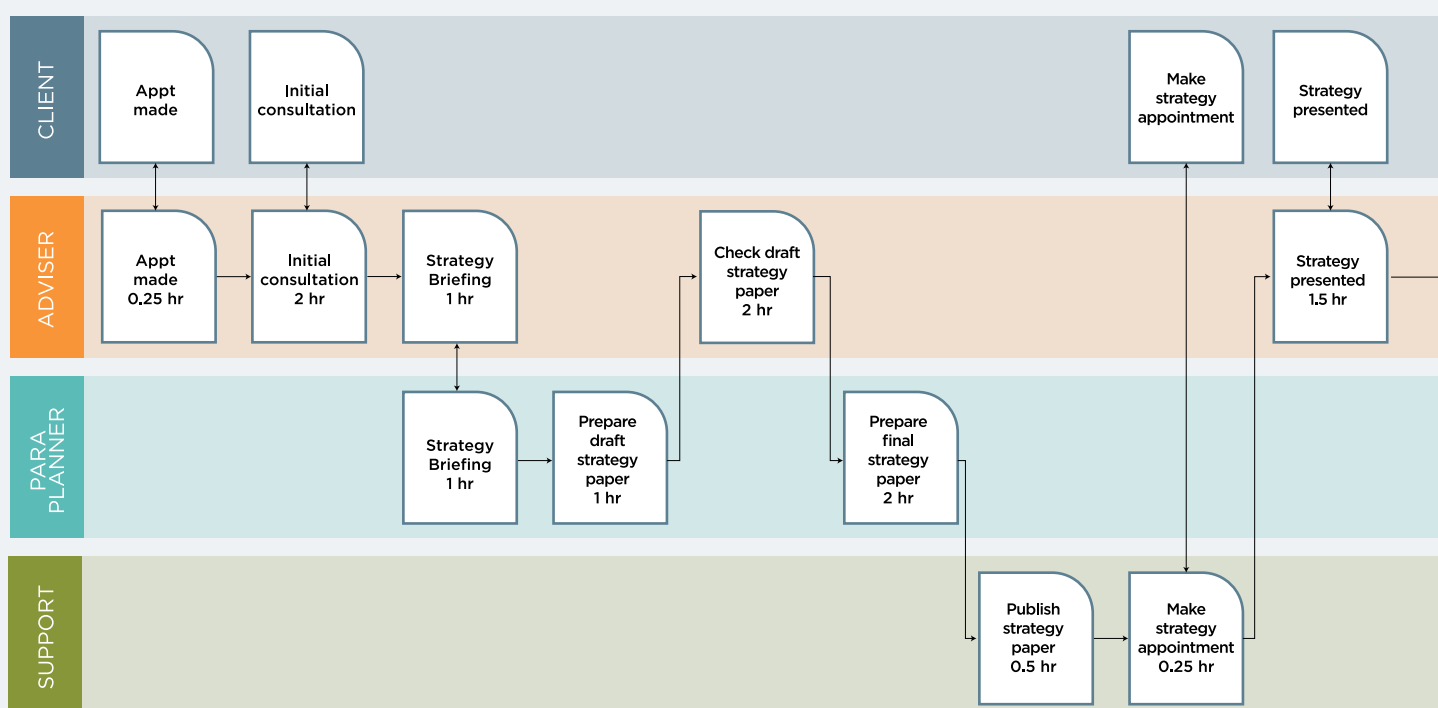
To a significant degree such solutions exist, powered by technology and a wave of innovation from the fintech sector. What is lacking however is an understanding by financial planners, associations, AFSLs and regulators of what is available, how it works and whether or not these solutions actually deliver what they say they do or will. This is an important point. Any solution that is presented to a potential investor from any source needs to pass the scrutiny of regulation. Any failing of a technological investment solution creates ripples far beyond the piece of technology. Any negative from a failing of an online investment solution reflects, unfairly, on the financial planning profession, especially where and when any online solution is presented as 'planning'. There are serious and significant ramifications.

Therefore in this report, fintech solutions are mapped to the six step financial planning process. The financial planning process is one of the most highly regulated consumer engagements in the Australian business landscape. Passing fintech solutions under the microscope of the financial planning process cuts through and clarifies for relevance and effectiveness. The result is a sub set of Australian fintechs that can then be assessed by financial planners and financial planning businesses to determine which solutions fit into their business objectives in the quest for engaging with their desired target market. For that reason, the benefits, weaknesses and inefficiencies of the financial planning process require unpacking.

The six step financial planning process

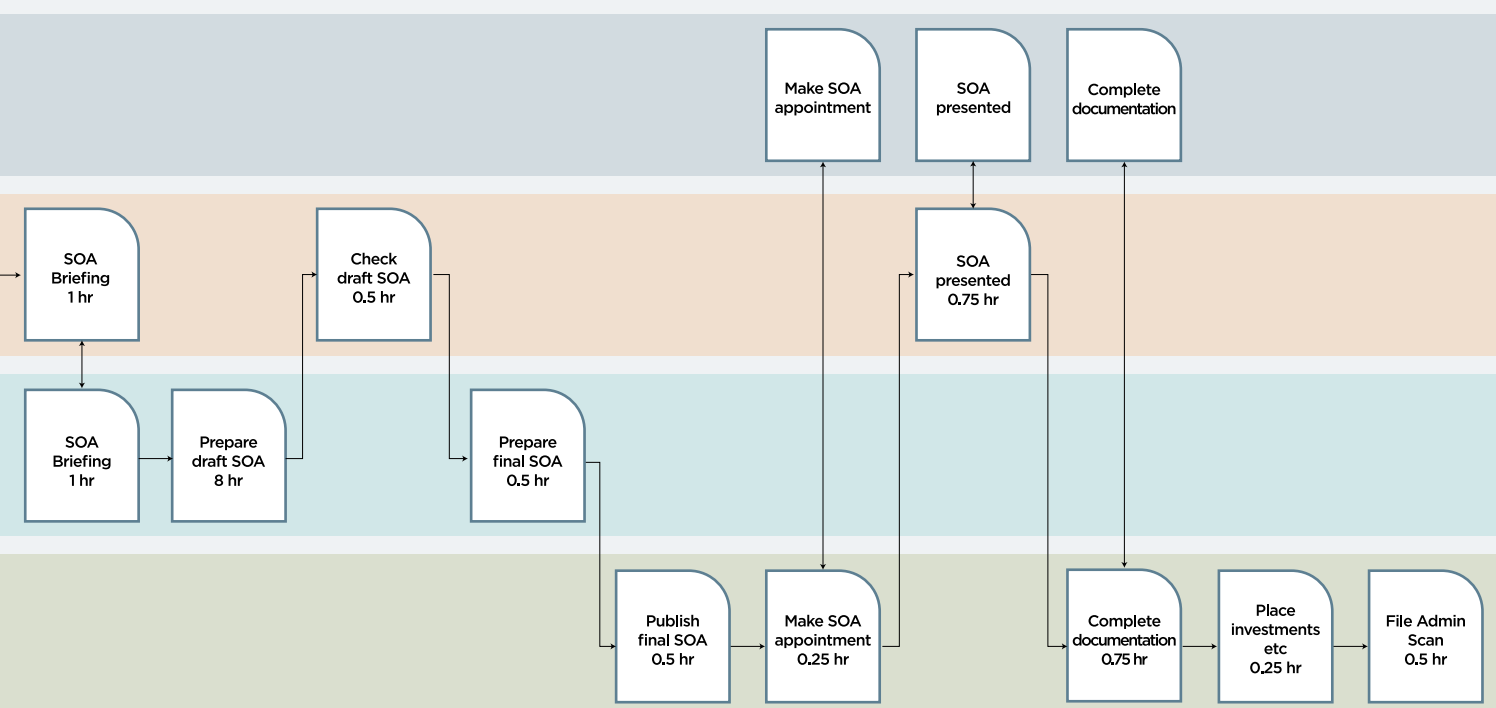
The delivery of good advice takes time and resources. There is an onus on the client to be engaged in the process and a requirement for the financial planner to utilise resources that have a lower unit cost to enable the provision of planning at a palatable cost to the consumer. But at the same time, reflect the cost to serve and provide for a profitable businesses venture. When mapping out the advice process, the difficulty in solving for that equation becomes immediately apparent.

Comprehensive Financial Planning Process



The average time taken to deliver a comprehensive financial planning solution is 26 hours. Depending on who is taking care of the planning steps, construction of the SOA and completing the administration requirements, the cost of a comprehensive planning scenario can range from \$3,715 through to \$6,063⁸. At the upper-end, efficient solutions are certainly required not only to provide a cost saving, but to reduce the time taken to provide advice. This scenario does not take into account protracted insurance and underwriting conversations and processing or consolidating accounts and transfers and such. Consequently, it is a conservative estimate of the time per client per on-boarding process from first meeting through to implementation.

⁸ Based on costs Adviser \$250 per hour, paraplanning \$100 per hour, admin \$60 per hour and adviser time 9 hours and paraplanning 13.5 hours through to all work performed by the adviser.



This process of financial planning delivery is dictated and subsequently designed for and by the accepted six stage financial planning process. While simple in its description: defining the scope of engagement, identifying goals, financial situation assessment, financial plan preparation, implementation and review; these steps paradoxically create an array of complexity and inefficiency. As well as mapping the client's needs in relation to cash flow, debt management, investments, risk mitigation, estate planning and the structural arrangements for all of this, the financial planning process also involves the careful, tactful, engaging communication of the elements that set the foundations for best practice advice delivery.

Encompassed in the six planning steps are the touch points of:

1	Identifying a client's potential financial planning needs over the short term, medium term and long term horizons, including any financial planning needs a client may be unaware of.
2	Communicating these needs to the client.
3	Identifying the types of professional services the client may require during a financial planning engagement.
4	Identifying possible gaps between the client's anticipated financial planning needs and the competencies, skills, experience, knowledge and relevant authorisations the financial planner, or the firm they work for have or can call on, to help the client, as well as potential conflicts of interest that may result should the engagement proceed.
5	Identifying the client's financial planning and other life goals and objectives.
6	Identifying areas of potential conflicts between the client's objectives, needs and priorities over short, medium and long term time horizons.
7	Identifying financial planning issues that will need to be addressed through the financial planning process and the priority areas of the advice.
8	Communicating each of these identified elements to the client.
9	Identifying the client's instructions, the subject matter of the advice (whether expressly identified by the client, or implicit having regard to the client's identified needs, objectives, and circumstances) in establishing the professional services that will be provided to the client.
10	Scoping and prioritising the client's advice needs that will and will not be addressed in the financial plan.
11	Identifying the client's relevant quantitative and qualitative information and the client's relevant circumstances.
12	Identifying additional information about the client that may be required to be able to provide advice that meets the client's needs. Financial planners should also identify whether this is information the client will source and provide, or that the financial planner will gather from the appropriate source (eg. Government department);
13	Determining, preparing and communicating the proposed terms of engagement with the client.

This degree of discovery is time consuming and adds to the entire financial planning process in excess of the mid 20-hour estimate as previously illustrated. The need for efficiency across all aspects of the planning process is clearly apparent.

The initial process of engagement, education, knowledge area illumination and fact finding, all present opportunities to utilise technology that does not diminish rapport, but engages the client in their financial planning journey. Therefore freeing a financial planner's time through the use of a technology solution that enhances rather than diminishes the value and relevance of what is being delivered.

In relation to the actual construction of the financial planning solution, software that personalises the process while providing a compliant, but yet engaging document, is the nirvana sought by all financial planning professionals.

The implementation process through efficient document exchange, explanation and execution by client and financial planner, and then the enacting of the instructions by the investment, platform and insurance houses is yet another process step where technology systems are required for the delivery of seamless execution and efficiency.

Finally, the review process, so heavily reliant on an up-to-date analysis of the client's portfolios and their personal life circumstances, has to date relied upon data feeds that require validation and a re-engaging of the client in a questionnaire format rather than a fluid and live process. Like a heartbeat, this provides a dynamic flow of information to create the snapshot discussion that provides the foundations of the ongoing relationship, well above an annual review process.

Can technology meet the needs of modern financial planners and clients? Do financial planners need to create efficiencies in financial planning process?

A way of determining the relevance of these questions, and whether fintech solutions are required, is by discovering whether or not the financial planning client has changed and to what extent does financial advice positively impact on the wellbeing of people who have been through the financial planning process.

The benefits of financial planning for the changing consumer

Research has uncovered that people either have a smart-money mindset or they don't⁹. It also found they are struggling to “grow up”. They want a short form master's degree in growing up. They want good topics to choose from in a self-paced study format with a curriculum that covers everything from investing in a SMSF, to having that hard talk about a budget, to how to pick good, cheap wine. They want to identify with a brand. They want a digital platform with some of the most sophisticated financial planning tools, and a hip set of collateral and they want connection and the ability to ebb and flow into advice when they need it¹⁰.

A study by Accenture¹¹ questioned what the standard financial planning process is. The report defined a new generation of consumers “generation D” representing tech savvy consumers. These consumers are not who you might think they are. They are not Gen Y's, they are a group that represent 27% of millennials, 39% of Gen X's and 64% of baby boomers and it is this group that value digital financial planning tools that offer education, information, modelling tools that can be used by the potential investor to explore and define parameters of their own situation before they engage financial planner (if they do so at all). In 2011, Cerulli Associates discovered through their research that only 1 out of 2 clients of current wealth managers in the 30-49 age group were satisfied with that wealth provider, citing a lack of collaboration and value add tools as main reasons¹².

These findings, from non-peer reviewed surveys, of a disengagement with financial advice and the process of financial planning don't ring true compared to the benefits of financial planning and the six step financial planning process that have been demonstrated from a series of university studies and the connection of positive well-being to the financial planning process.

First, the value of the financial planner is highlighted. In research by Cheah et al (2015)¹³, the Australian superannuation system is highlighted as one of over complication and confusion. The research found that pre-retirees have a lack of confidence in dealing with this retirement savings structure, and fear making mistakes. The role of the professional adviser was highlighted as pivotal in the education and interpretation process for clients.

In 2015, a study collated from the input of over 500 consumers (a mix of those receiving financial advice and those who didn't) found a positive effect on well-being with those receiving advice 22% more likely to feel as if they were achieving or

working towards their ideal life¹⁴. The study focussed on the impact of advice on a client's psyche and relationship demonstrating that clients who receive professional ongoing financial advice experience additional positive social and personal benefits, compared to individuals who don't. It was found that ongoing financial planning clients are¹⁵:

- 19% less likely to have arguments with loved ones about money
- 21% less likely to have their personal relationships impacted due to concerns about money.

It was also discovered that consumers who don't receive professional ongoing financial planning advice are 22% more likely to have their sleep disrupted due to concerns about money.

How is this possible? It seems as if the process of financial planning positively impacts on cognitive and psychological processes. In the seminal work¹⁶ on the positive impact of the financial planning process, Kym Irving identified the key elements of planning, goal setting and attainment, problem-solving, and appraisal have the potential to influence client well-being and satisfaction, beyond the actual details of the client's finances and financial outcomes. These outcomes were found to be underpinned by the process of planning and professionalism that Irving deemed as encompassing quality planning *and* quality processes.

⁹ Research has uncovered that people either have a smart-money mindset or they don't.

¹⁰ Marshall, 2017, Client Engagement for Financial Advisers

¹¹ https://www.accenture.com/us-en/-/media/Accenture/Conversion-Assets/DotCom/Documents/Global/PDF/Industries_5/Accenture-CM-AWAMS-Wealth-Transfer-Final-June2012-Web-Version.pdf

¹² <http://www.wealthmanagement.com/technology/digital-advice-hit-490-billion-2020-cerulli>

How the process of planning impact on well-being was summarised by Irving as such:

Mapping of Financial Planning Process to Mechanisms Underlying Well-being

Steps in the financial planning process	Mechanisms
1. Establish the scope of engagement	<ul style="list-style-type: none"> Engagement with important life tasks promotes a sense of control associated with well-being (cf. denial or withdrawal). (Ryff & Singer 2008; environmental mastery, life purpose)
2. Identify goals and financial issues (e.g. establish retirement goals, reduce debt levels)	<ul style="list-style-type: none"> Goal setting engenders process-oriented mastery and satisfaction (Deci & Ryan 2008; Self Determination Theory) Establishment of functional financial goals (vs materialistic goals) that meet psychological needs enhances well-being. (MacLeod et al. 2008; value-based goals, eudaimonic well-being) Establishment of positive, personal strivings (values-based) enhances psychological well-being. (Diener & Fujita 1995; Emmons 2003)
3. Assess financial situation	<ul style="list-style-type: none"> Realistic appraisal of financial resources linked to financial and life satisfaction (Martin & Westerhoff 2003) Financial satisfaction increases when discrepancy between aspirations and resources minimised. (Solberg et al. 2002) Problem-focused financial strategies improve coping capability and reduce financial strain. (Caplan and Schooler 2007)
4. Prepare a financial plan (e.g. identify saving and investment strategies to attain retirement goals)	<ul style="list-style-type: none"> Planning for goal attainment engenders process-oriented life satisfaction through control and structure of life. (Prenda & Lachman 2001) Increasing mastery and control over financial situation mediates well-being/life satisfaction. (Ryff & Singer 2008) Longterm planning overcomes short-termism and provokes engagement with future requirements (see Irving 2009 for review).
5. Implement recommendations	<ul style="list-style-type: none"> Engaging in domain specific (financial) behaviours leads to domain specific (financial) satisfaction, which in turn, links to general life satisfaction. (Xiao et al. 2009) Progress towards goal attainment enhances sense of well-being. (MacLeod et al. 2008) Increasing sense of mastery and control over financial situation mediates well-being (eudaimonic well-being).
6. Review and revise (e.g. review savings, value of investments, progress towards goal attainment)	<ul style="list-style-type: none"> Monitoring progress towards goals involves anticipatory emotions which can be satisfying in themselves. (MacLeod et al. (2008); hedonic well-being) Movement towards goals leads to reduction of discrepancy between present and preferred state (Weise 2007; Goal theory) Goal attainment is satisfying and reinforces sense of control (eudaimonic); transformations in self-concept (Sheldon et al. 2002) Ongoing realistic appraisals of financial resources and aspirations linked to well-being (vs unrealistic appraisals, unrealistic aspirations) (Martin & Westerhoff 2003) Financial satisfaction, as one of the sub domains of life satisfaction contributes to overall subjective well-being (Xia et al. 2009)

¹³ Cheah, K, Foster, F, Heaney, R et al 2015, 'Discussions on long-term financial choice', Australian Journal of Management, vol. 40, no. 3, pp. 414-434

¹⁴ IOOF White Paper, The True Value of Advice, December 2015

¹⁵ IOOF White Paper, The True Value of Advice, December 2015

The benefits on the economic wellbeing of a financial planning client is well documented, whether it be in anecdotes and testimonials from clients at the practice level through to rich data that demonstrates anything from the growth of funds under planning, therefore reflecting the growth of wealth for advised clients, through to the plethora of financial wellbeing indicators.

The level of wellbeing was, at December 2016, as measured by the Australian Unity Wellbeing Index¹⁸ the highest than at any time since 2000. Not surprisingly, wellbeing scores increased relative to income. The highest scoring group were those with a household income of \$250,000-\$500,000 and when it comes to views on standards of living, those reporting an income of \$100,000 or above generally scored higher on this domain than those in the lower two income groups of \$15,000-\$30,000 and \$31,000-60,000¹⁹.

The capacity of financial planners to deliver the process in Irvings summary that provides significant psychological benefits to the client, and the hours this process takes, is however limited. In an article by Michael Kitces²⁰, Dunbar's number, the threshold of social relationships that can be actively maintained, which incidentally is about 150, was applied to financial planning relationships (interestingly Kitces points out that 150 was the average size of many ancient tribes and villages and the unit size of the Roman army). Kitces puts forth that without any use of technological efficiencies the maximum number of clients that a financial planner should and could be able to actively engage with lies between 75-125.

If this is the reality for financial planning relationships and that capacity is dictated by the inefficiencies and time constraints of the planning process, the challenge presents to solve for:

- Creating efficiencies in the planning process that allows the financial planner to spend more engagement time with existing clients;
- Creating efficiencies that allow a financial planner to see more clients;
- Transforming planning business processes so that true scale can be built around marketing, engagement and implementation so that a financial planner's time is predominantly spent in front of clients playing the pivotal role of educator and behaviour change consultant (again reflecting the research by Cheah et al on why, especially in the Australian retirement system, financial planners are critical in the education process in an overly complicated structure²¹);
- Communication structures and processes that provide for illustrating the value and relevance of financial planning to reach and convert more people toward a financial planning relationship.

¹⁶ Irving, Kym, 2012, The Financial Life Well-Lived: Psychological Benefits of Financial Planning, Australasian Accounting, Business and Finance Journal, volume 6 (4)

¹⁷ Irving, Kym, 2012, The Financial Life Well-Lived: Psychological Benefits of Financial Planning, Australasian Accounting, Business and Finance Journal, volume 6 (4)

¹⁸ <https://www.australianunity.com.au/media-centre/news-and-media/australian-unity-wellbeing-index-2016>

¹⁹ <https://www.australianunity.com.au/media-centre/news-and-media/australian-unity-wellbeing-index-2016>

²⁰ <https://www.kitces.com/blog/dunbars-number-and-how-many-true-financial-planning-client-relationships-you-can-really-have/>

²¹ Cheah, K, Foster, Heaney, R et al 2015, 'Discussions on long-term financial choice', Australian Journal of Management, vol. 40, no. 3, pp 414-434

The quest for efficiency, meaning, relevance and value

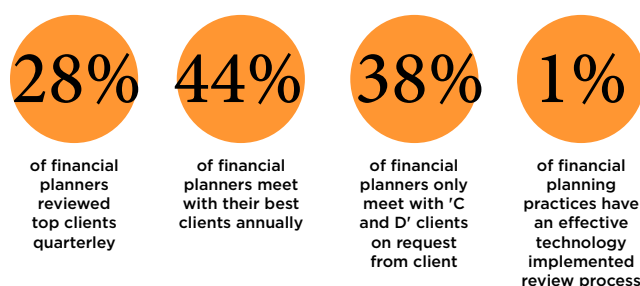
Efficiency in the advice process has become the holy grail of financial planning dispensation. On 30 June 2017, Jassmyn Goh looked at the question of efficiency in the financial planning process²². Contributors to her article in Money Management cautioned against planning process efficiencies that were implemented with the focus clearly on business outcomes without a lens on the impact made on the client. As an example, Goh's article looked at the question of wrap and managed account utilisation. The business efficiencies add a layer of cost for the client and critically for the strategy of using such a style of administration solution the client benefits and clear articulation is required for the client to perceive that value resides in the efficiency solution being implemented.

Alarming when it came to the actual time taken to produce the centre piece of the financial planning process, the Statement of Advice, Investment Trends saw little improvement and in 2017 remained at still over 6 hours²³. The barrier to providing efficient and consequently affordable and accessible advice remains. Creating efficiencies in at least this part of the process could make financial planning more accessible to those Australians that need financial advice most. With 30% of Australians reporting that they found dealing with financial issues stressful and overwhelming²⁴, there is clearly a need for engagement with financial planning especially considering that relatively few Australians, 22%, have a long term plan in place²⁵.

The value of having a long-term plan was underscored by research of over 300 financial planning ongoing relationship clients²⁶, where 76% defined the true value of the ongoing planning relationship was that they were on the track to achieving their core lifestyle goals and objectives. This focus on goals and objectives was further highlighted by this research in measuring the value of financial planning and importantly the propensity of a client to refer. Where clients felt they were on track, they were satisfied with the cost and benefits of financial planning they were receiving at a level of 89%. Subsequently, these clients who perceived they were on track reported a willingness to refer at a level of 7.2 out of 10. The ability for a financial planner to track a client's goals and the progression towards them makes good business sense and delivers financial advice that is meaningful, relevant and valuable in the eyes of the client.

Where financial planners have been spending their time, however, in the quest for efficiency, has not been focused on the tracking of goal progression. Goh's article pointed to most activity being centred on client management systems which makes sense quoting significant profitability benefits (up to 200% increases) when workflow process were housed and automated within a CRM system. However only 32% of businesses had integrated to that degree.

If relevance and value is associated with a client being aware of how they are progressing towards their goals then the data around how well financial planners engage with clients at the review process is alarming²⁷:



The advice from industry consultants around all of this in regard to efficiency within an financial planning business has been to look for data integrated solutions around a central CRM system. To that end, efficiency quests have been focused on maximising the utilisation of the key financial planning software technologies such as Xplan, Adviser Logic and Midwinter just to name three.

²² <http://www.moneymanagement.com.au/features/harnessing-technology-efficiency>

²³ Investment Trends May 2017 'Planner Business Model' report

²⁴ ASIC report 419, Australian Financial Attitudes and Behaviour Tracker, 2014

²⁵ ASIC report 419, Australian Financial Attitudes and Behaviour Tracker, 2014

²⁶ https://www.ioof.com.au/_data/assets/pdf_file/0008/136367/Expectations_of_advice_-_Final.pdf

²⁷ <http://www.moneymanagement.com.au/features/harnessing-technology-efficiency>

The questions that need to be asked around these solutions are:

- How easy are they to integrate into a financial planning business and maintain?
- What resources are required to implement and manage?
- How easily can other technologies be plugged into the system?
- What solutions do they offer to assist not only with engagement process but also with the tracking and management of goals and objectives?
- What are the established or developing technology solutions that solve for these engagement touch points that can be used in conjunction with the core system?

Further, there is a recognition that these systems have their limitations when it comes to not only increasing efficiency but enhancing the client experience especially during the step of assessing a client's financial situation. Software that allows collaboration and streamlining of the fact finding process can transform this task from a paper based Q and A process, to one that incorporates data pulled from a client's accounts and financial institutions and an overall dynamic and visual view of a client's financial situation²⁸. Considering that this process of planning takes between 2-4 hours, any time saving introduced by the adoption of technological engagement can increase the client-facing capacity of the financial planner and thus lead to an enhanced client experience.

It is indeed the client experience and the steps in the financial planning process that should be the primary focus for the introduction of any technological solutions. Paramount to the overall psychological wellbeing of the client is the progression through the six stages of the financial planning process²⁹. Goal setting (and working towards the attainment of those goals) sits centrally here. As Irving described "A key feature of financial planning is the identification of client financial and lifestyle goals. Goals are central to a sense of psychological well-being."³⁰

Indeed, research indicates that a client assisted by a financial planner, who undertakes activities aimed at developing goal setting and planning skills increases subjective well-being over time. Ongoing financial planning clients are reported to have experienced 13% greater scores of personal happiness compared to those not engaged in a financial planning relationship, as well as 21% greater scores in measures of peace of mind and a 20% positive differential in a feeling of financial security³¹.

Some of the key factors in delivering these positive wellbeing outcomes, in terms of building a premium financial planning proposition incorporate:

The role of the financial planner as a coach and facilitator who benchmarks and tracks a client's goals.

A connection and illustration of how the steps in the financial planning process will impact positively on the client (a simple process map that highlights the positive wellbeing outcomes along the financial planning journey).

A focus on central financial wellbeing themes, namely cash flow, savings and forward planning; with these three elements being front of mind for clients, with the complexity of the enablement and implementation being the domain of the financial planner.

With these positive impacts being the consequence of working with a financial planner and progressing through the financial planning process, surely means that you can't replace a financial planner can you? The question being asked and explored by fintech is what in the financial planning process can't be replicated by a robo-adviser? According to Cerulli, "direct investment firms like Scottrade, eTrade, Fidelity, Merrill Edge and Wells Trade have about \$5.1 trillion in assets, growing 11.8% alone last year, and should reach \$7 trillion in assets by 2020. That's faster than any other channel of distribution in the financial services industry"³².

²⁸ Online cashflow, budgeting tools as well as programs to capture client information, were identified as having significant current and future use as measured by the AdviceTech Research Report 2017, Netwealth.

²⁹ Irving, Kym, 2012, The Financial Life Well-Lived: Psychological Benefits of Financial Planning, Australasian Accounting, Business and Finance Journal, volume 6 (4)

³⁰ Irving, Kym, 2012, The Financial Life Well-Lived: Psychological Benefits of Financial Planning, Australasian Accounting, Business and Finance Journal, volume 6 (4)

³¹ The True Value of Advice, 2015, IOOF

³² <http://www.wealthmanagement.com/technology/digital-advice-hot-490-billion-2020-cerulli>

How advanced is the fintech solution? Can it replace financial planners? Can it add value to the already positive process of financial planning? Or can it be the perfect adjunct to the existing financial planning process.

A perfect example of how digital engagement can interact at a human level is provided by US life insurer ValoraLife. ValoraLife³³, is a digital life insurance buying process and experience that was tailor made to the needs of middle class families. Relevance was a starting point for the company behind this initiative, MassMutual. They discovered that while people thought life insurance was important, they also felt that it was a complicated process, and their perception of cost was it was unaffordable. In other words it was not “accessible”. What MassMutual did next was to look at how to make life insurance “relevant”.

There were some key factors they needed to consider:

- The current process of life insurance distribution was not finding and reaching the middle class (think household incomes between \$50,000 to \$100,000)
- Information was confusing
- Mobility of quotes was not efficient
- Consumers did not identify with life insurance brands
- The actual process of applying (if one did actually determine they wanted life insurance) was complicated, time consuming and not user friendly.

HOW DID THEY MAKE LIFE INSURANCE RELEVANT?

They started looking for solutions to “centricity”. This approach is about creating value (for both the organisation and the consumer) by empowering people and depends on creativity, information and the connectedness of process. Going deeper here, it is about developing processes for engagement that start by connecting with the consumer at very basic human levels: through our senses. Understanding the emotional reactions of humans after information is delivered to them through their senses (particularly sight, hearing, touch) is critical to developing engagement scenarios that appeal positively to human emotions, that leads to not only attracting the consumer but engaging them in a process that ultimately leads to the purchase solution.

Technology can play therefore a huge role. Imagine utilising technology to recognise the emotional state of a consumer (by voice, expression and image recognition), then applying that knowledge to frame the language and process they are sequenced into.

So back to MassMutual. What they did was to create ValoraLife. A genuine, simple and human centred life insurance tool that they launched in June 2016. You can investigate more here <https://valoralife.com/>. What you will see is relevance through images, language (note the website and design was customer researched and co-created) and accessibility.

The challenge for financial planners in all of this is how to utilise technology to better engage clients with planning, tap into the meaning and relevance for the client and create efficiency around the entire process so value can be created that ultimately makes planning more affordable and accessible. Examining how the fintech universe compliments the financial planning process is the starting point that needs investigating.

³³ <https://www.ideo.com/case-study/life-insurance-made-simple-affordable-and-digital>
Fujitsu, April 2016

The fintech universe

In Australia at any given time the fintech universe consists of approximately 400 companies at varying stages of their life cycle building, testing, delivering solutions ranging in diversity from streamlining the mortgage acquisition process for consumers and lenders, the management of personal and business assets and cashflow, payment solutions, foreign exchange, bitcoin trading and of course financial planning client engagement and management programmes.

In 2016, in the census of the fintech sector³⁴ by EY, the array of companies was profiled with a focus on where these businesses were located, what types of solutions they offered and to what type of consumer, who was leading these fintechs and what was the revenue and profitability outlook for the sector as a whole. With a predominance in the east coast of Australia, fintechs had a distinct focus on lending solutions and personal finance management, aimed at retail and sophisticated consumers as well as institutions, with a belief that they were delivering seamless user experiences³⁵.

More recently Netwealth, released its Advice Tech Research Report³⁶. This report had at its core an illustration of how technology was being used in the world of financial planning and what intentions financial planners had in the future in regard to adopting technology solutions. In a functional approach, Netwealth looked at 26 technology solutions in regard to what it is they deliver, for example the themes included: automated marketing, online meetings, cash-flow and budgeting, as well as robo-investment. Popular providers in these themes were highlighted and use-data estimated. In the snapshot look across 23 areas of types of tools (for example; modelling tools, fact find tools, client presentation tools, survey tools, just to name a few) some of the key players were identified and the most popular tools highlighted.

The FPA fintech report difference

Incredibly helpful in its summation of what financial planners were using and what they were using certain technologies for, this report picks up where the Netwealth report concluded. Our report is focussed on the entire fintech universe to cut through and navigate all of these companies which have an impact on the financial planning process.

By mapping over 400 fintechs to the six step planning process and its extrapolation, our aim is to provide financial planners a map to solutions that do not create new processes but streamline and enhance the required process of advice delivery. Our aim is also to deliver to financial planners detail on which fintech companies seek to engage a financial planner's clients directly.

At a high level, a financial planner can quickly determine which fintechs can assist a planning business for the efficiency hurdle that matters in their own quest for streamlining the way they deliver planning to clients. Taking this step further, we quantify the cost and the benefits of adopting the fintech tool. Importantly we have also attempted to showcase which fintech tools have been through the scrutiny of being assessed by risk and compliance teams within AFSLs and subsequently approved for use within financial planning networks.

Our method was, after overlaying the financial planning steps across the fintech universe in Australia, we engaged the fintechs who had association with these steps and were not in direct competition with financial planners.

Over 70 requests for information (RFIs) were sent out. Across 23 areas of inquiry, these fintechs were quizzed on their cost, promise and effectiveness at enhancing the financial planning process.

We also looked deeper at the claims by fintech solutions. The promise of "saving time, saving money" had to be scrutinised especially where fintech solutions still have a low number of end-user financial planners actually engaged with their product and/or utilising them with any significance with clients.

³⁴ 2016, Ernst and Young Australia, FinTech Australia Census

³⁵ 2016, Ernst and Young Australia, FinTech Australia Census

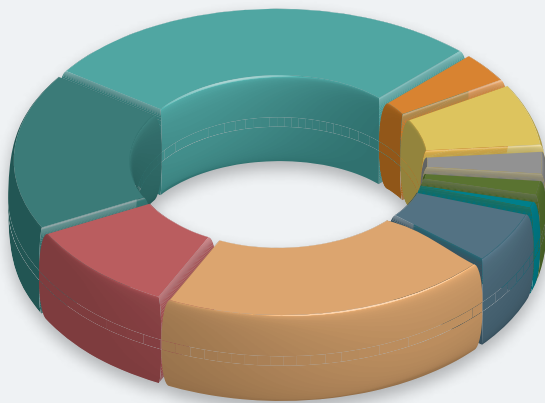
³⁶ 2017, Netwealth, AdviceTech Research Report

The findings

CATEGORY OF FINTECH SOLUTIONS	NUMBER
Bitcoin related	13
Payments (POS/Group payments)	63
Invoice solutions	7
Small business loans/credit/cashflow	45
Mortgages (calculators, matching)	23
Investor Education	10
Investment Implementation	51
Forex / currency exchange	21
Adviser software solutions	7
Financial planning software	17
Cashflow/budgeting/tools	4
Total (out of 369)	261/369

There are over a dozen fintechs that have as their raison d'être, bitcoin. Add Forex trading and solutions to the mix and the number in total swells beyond 30. Add payment solutions (point of sale, mobile payments and group payments) and we cut the relevance to the advice process of the fintech sector by 25%. Include lending, credit and mortgage solutions and over 168 fintechs present.

Fintech solutions



- Bitcoin
- Accounting
- Budget/Cashflow
- Payments
- Online Investing
- Forex
- Adviser Software
- Financial Planning CRM and Engagement
- Institutional Solutions
- Other

Real illumination of the fintech universe only presents when an overlay of the financial planning process is applied. Our initial discovery process revealed that of the approximately 400 fintechs, just over 100 delivered solutions to consumers in elements of the financial planning process.

Mapping to the advice process

CATEGORY	Total Number	Competing
Scope	5	0
Goals	2	1
Assessing financial situation	11	3
SOA	3	1
Implementing	39	27
Review	3	1
Multiple steps	54	21
Total (out of 369)	117	54

The largest representation for a single step is in implementation, that is the actual process of investing. Other fintechs – over 50 of them – have breadth across multiple steps, combining for example risk profiling and portfolio construction or budgeting and goal setting. Immediately the potential for engagement and efficiency seems apparent; more engaging and faster delivery of client discovery and implementation, so it seems.

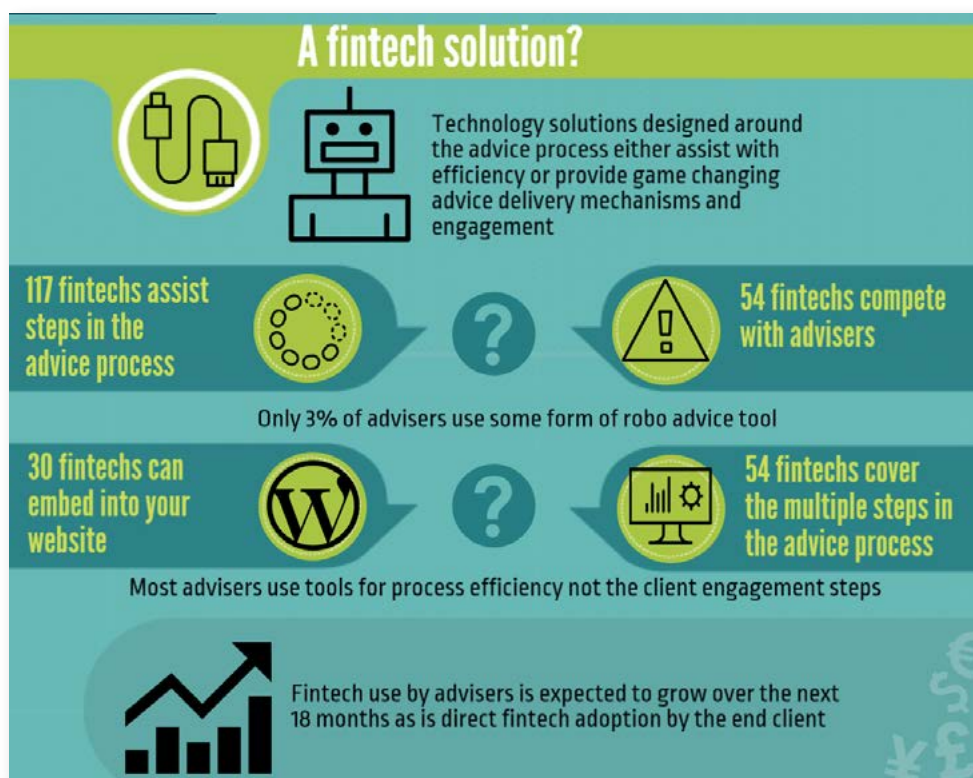
The key questions that required our investigation were:

- Do these fintechs complement or complicate the financial planning process?
- Do they deliver an enhancement in engagement?
- Do they deliver time and cost savings for the financial planner and/or the client?
- Are they cost effective?
- Do they, or can they interact with other planning processes in a seamless manner?
- Are they compliant?

And which of the fintechs identified are directly competing with financial planners?

What do financial planners need to know about these offers and are they relevant?

Are they competing for the same clients as financial planners are?





Mapping fintech to the financial planning process

Fintech solutions become especially relevant when the efficiencies and processes they offer are aligned with the financial planning process and the steps required for the financial planner to deliver this process to a client in the most effective manner. For the 63 fintechs identified in our research that provide assistance to financial planners in the delivery of the advice process, Requests for Information (RFIs) were delivered to these fintechs to unpack to what extent they were able to create efficiencies.

Key questions were asked to quantify the impact for financial planners and clients.

The links to each response summary from the fintech solutions we engaged provides the financial planner with a summary of the solution in relation to the specific financial planning process the planner may be looking for assistance with or efficiency in.

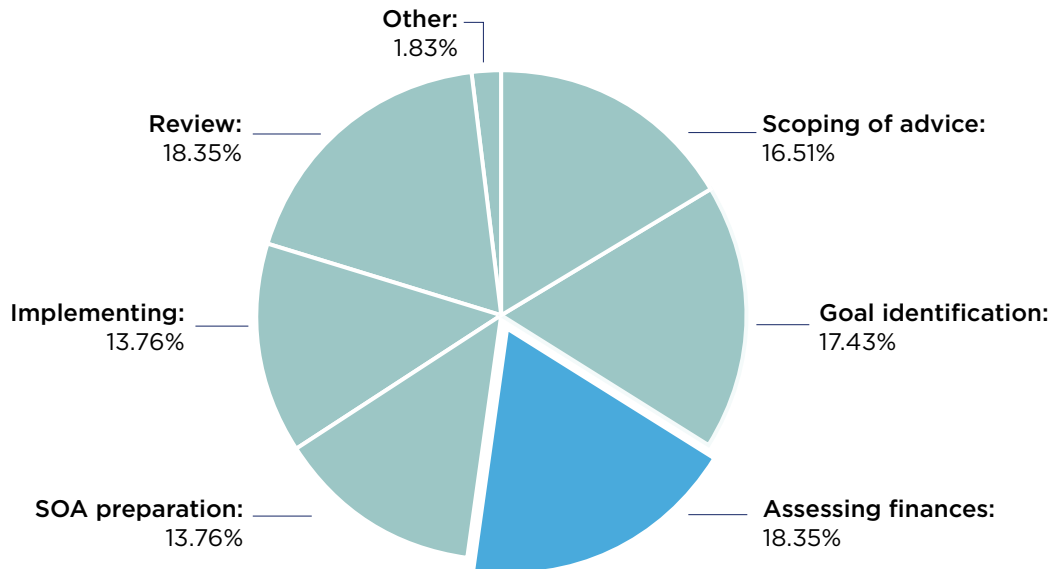
As a summary, we've mapped the solutions to the financial planning process for ease of navigation. Clicking on the fintech solution in each category will take you to the summary page for that particular fintech.

This table was based on our initial assumptions around the fintech solution.

Advice step	Fintech solution
DEFINING THE SCOPE OF ENGAGEMENT	Nod
DEFINING GOALS AND OBJECTIVES	
ASSESSING THE FINANCIAL SITUATION	Xero, BillSumo, Boomeringo, MoneyBrilliant
SOA DEVELOPMENT	Swipe
IMPLEMENTATION	AxiTrader, Nitro, OneVue, OpenMarkets, Cashper, Hero Broker
REVIEW	Kyckr
MULTIPLE PLANNING STEPS	MA Operator, Imperium Markets, INDX.guru, BGL, Class, HUB24, IRESS, PractiFI, Praemium, Prospera, Rubik, Superstash, Yodlee

A snapshot view of the fintech universe as mapped to the financial planning process

Which parts of the financial planning process are solved by your fintech?



Most of the fintech solutions we investigated purport they provide solutions across multiple steps of the planning process. Most however provide a skew towards assistance in assessing finances, which means either a collating of the information to allow such an assessment to take place or providing a gap appraisal. Abakus as an example provides a solution for property where the app assists with tax requirements by tracking expenses to provide an estimated tax position for a particular property and in entirety.

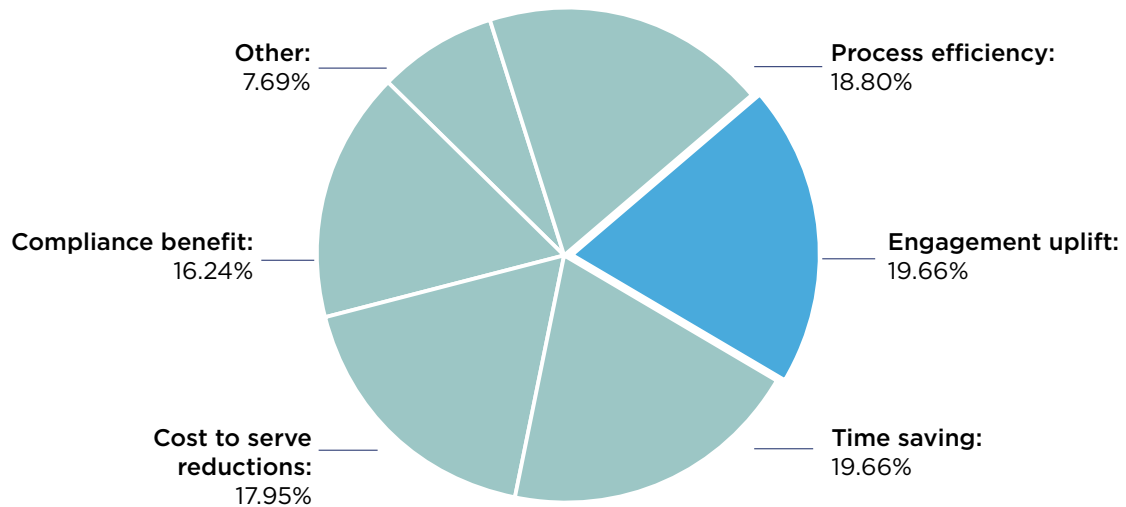
Moving away from a specialist niche such as property, to a more holistic approach to the financial planning process, Astute Wheel provides financial planners with a client engagement hub that not only assists planners gather information about clients, but supports the education process by explaining basic financial concepts and providing access to tools and calculators.

At the starting point of cash flow and budgeting solutions, such as MoneyBrilliant and Moneysoft, these provide software that allow a base appraisal of cash flow and scope for the financial planner to engage with a client during the process to enhance core discussions.

Stepping up to business efficiencies, the Salesforce enabled platform PractiFi provides practice management solutions to streamline business workflows.

When it comes to diversity however perhaps YTML takes the prize as an end-to-end financial planning and technology solutions provider. They assist financial planners manage workflow, create and manage websites, convert excel and PDF into web based forms for engagement efficiency and document generation all with the aim of enhancing engagement and improving efficiencies.

Key benefits to financial planners?



While process matters, engagement and the connection to the financial planner is a key element to the enhancement of the financial planning process as viewed from the lens of the client.

For the fintech industry to present their most significant contribution in the area of engagement uplift presents the financial planner with an exceptional technological opportunity to engage clients.

A few fintech solutions stand out in this category; Astute Wheel, Capital Preferences, My Prosperity, Presagen and Prospera.

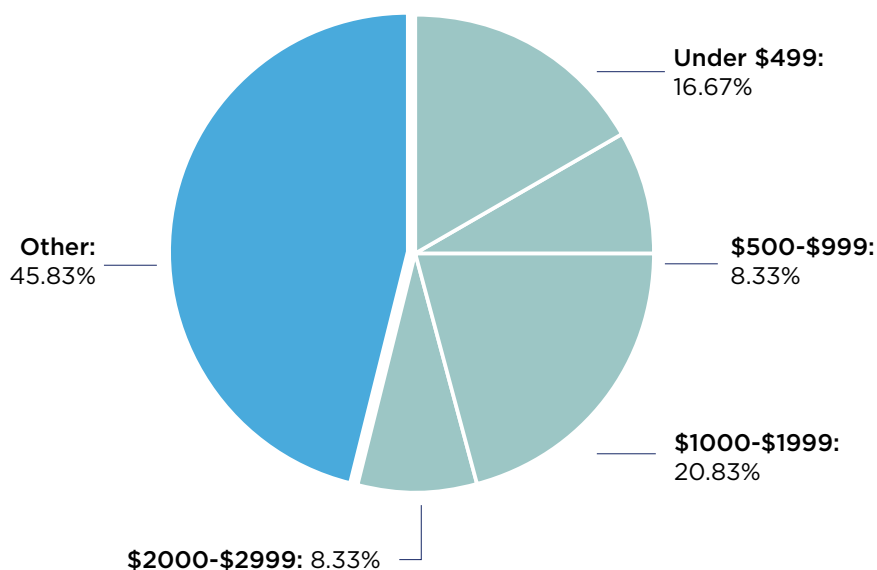
Modelling and tracking to goals has been identified as the most significant driver of client satisfaction (assuming a progression towards those goals). Prospera provides modelling and tracking aligned to the client's goals. Highly visual presentations of a client's situation allow the vital goals based conversations to be illuminated as part of the ongoing financial planning relationship.

One to watch is Presagen. While not in production yet, the promise is great where AI (Artificial Intelligence) is applied to parts of the engagement process that require human reasoning and decision making.

One of the most advanced and entrenched in financial planning circles is Astute Wheel. Approved, after a bottom up financial planner led strategy, with about 56 AFSs, Astute Wheel is a client engagement software with over 30 financial planning tools and calculators covering themes from needs identification, cashflow, investments, debt, insurance, retirement and estate planning.

Overall, technology solutions when utilised to the extent of their capacity and when integrated with other financial planning tools and processes already in use, can deliver compliance, engagement and process efficiencies. Our research has shown that these areas are top of mind for financial planners

Cost per annum per financial planner?



Most fintech solutions fall below \$200 a month for the licensed user, in terms of cost. Many fintech solutions start well below this at between \$49 - \$100 a month. Considering the average cost of providing advice, a financial planner's "charge out fee" runs at about \$200 an hour.

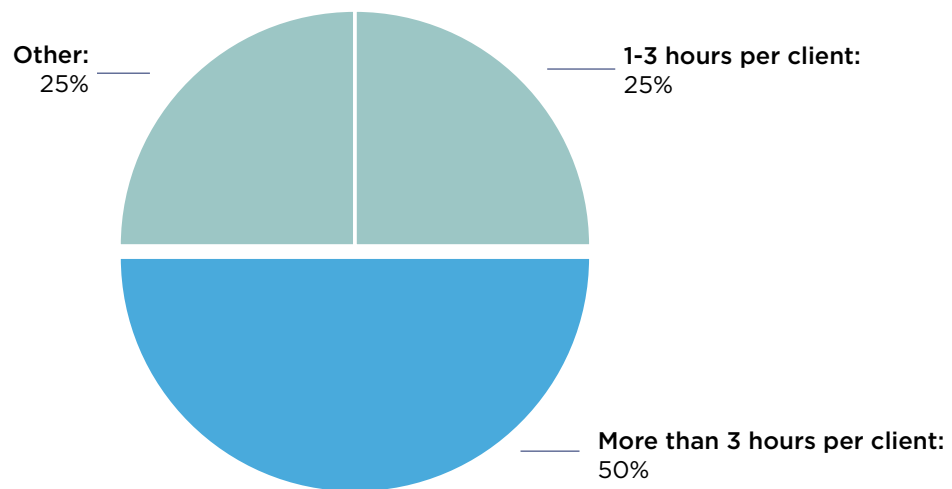
The premise therefore is if a financial planner should save an hour a month by utilising a fintech solution, then the solution has effectively paid for itself. Other fintech solutions operate on a per user, use or client basis. Mapmyplan is charged on a per client basis at \$30 per client per annum. A financial planning business providing this service to 100 A class clients has an outlay of \$3,000. When you balance that cost with a reported time saving of 1-3 hours per client per annum at a charge out rate of even \$100 per hour, that equates to a cost saving for the business of \$20,000 per annum³⁷.

Financial planner software solution providers such as Adviser Logic, do indeed have a higher annual cost. An average per annum cost per user runs at \$5,000. The corresponding savings in time and costs for a financial planner and their practice see this \$5,000 cost pale into insignificance³⁸.

³⁷ Based on a time saving per client of 2 hours across 100 clients and a charge out rate of \$100

³⁸ Adviser Logic report time savings of over 3 hours per client in the advice process saving approximately \$1000 per client per annum.

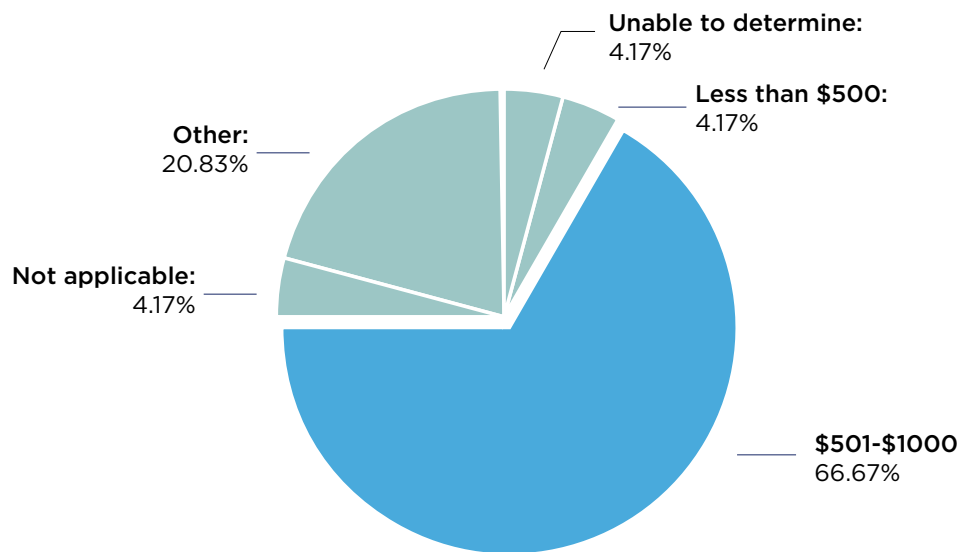
Average time saving per client provided by a single piece of fintech?



When it comes to the critical efficiency piece of maximising engagement time with clients while streamlining the planning process, saving time per client is a sound measure to assess overall business efficiencies in dispensing the steps in the financial planning process. For this reason, this was a key area of interest for the FPA.

Over 60% of the fintech solutions investigated suggested time savings of greater than 3 hours per client. Fincast, is one such example. Fincast says their applications are designed to help financial planners be more efficient in constructing goals based financial planning solutions and increase client engagement. One of the most widely used (non CRM solutions) fintech providers in the Australian advisory arena is MoneySoft. With over a dozen dealer groups having approved MoneySoft for use, they engage with over 4,000 financial planners. The process provides client data to financial planners to enable gap appraisal and ongoing assessment of a client's financial situation, again is claimed by MoneySoft to save over 3 hours per client in the planning process.

Cost savings for the financial planning business per client?

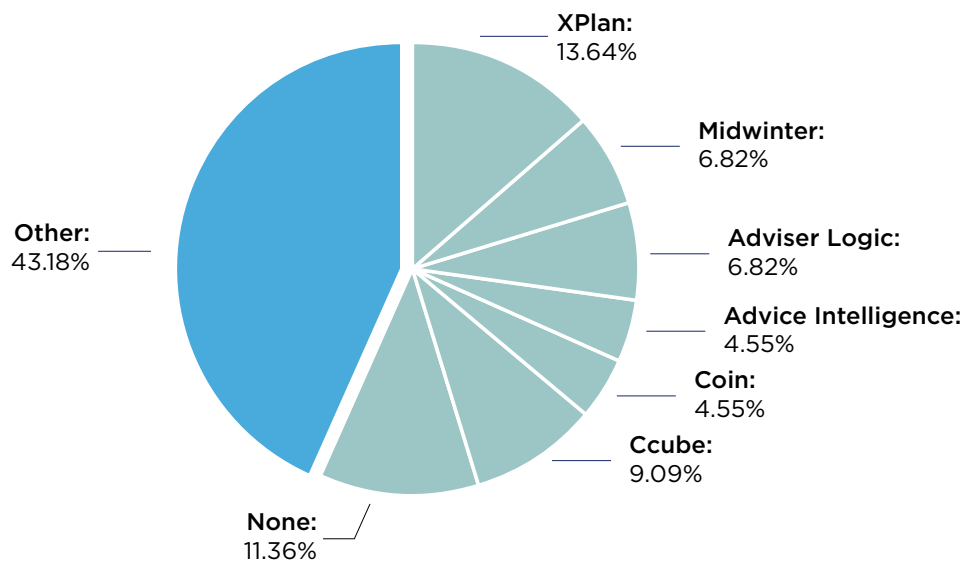


While most fintech solutions, when asked about cost savings per client per annum report savings of the magnitude of \$1,000, our calculations based on time savings per client and the cost of financial planning provide for cost savings for the financial planning business at many multiples of the \$1,000.

Looking at things from the client lens, a provider such as Wealth02, a managed accounts solution suggests the cost saving versus contemporary solutions would be \$2,000 per \$250,000 funds under advice. For the average planning business, the savings here become significant very quickly.

Developing fintech, Mafematica (expected to be live in November 2017), who provides a solution for engagement and matching investments to goals, suggest cost savings per client of \$3,000. Clearly the scope for enhanced profitability, lower client costs, greater client engagement are available with solutions that exist or are near to launch. For those that integrate with financial planner CRM and software currently utilised, the ability to succeed in the race for financial planner adoption is enhanced.

Integration with financial planning software?

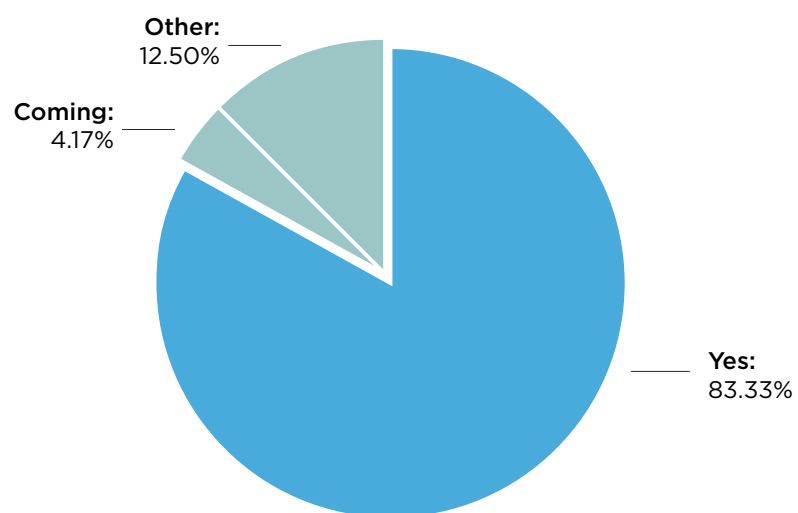


XPlan, still being the weapon of choice for the majority of financial planners, presents as the fintech go-to for integration. However, most fintechs are agnostic. The fact that these modern technologies are built with open architecture means they can connect and integrate with any CRM system willing to do the same. API – application programming interface – are the set of rules and specifications that software programs follow to communicate and integrate with each other. (In other words your application, website or such, gets to plug into another application or website and you both benefit from the enhanced servicing, tools, resources, attraction of traffic, efficiencies of interaction).

IRESS (XPlan) in recent times has become more open in its architecture enabling third party providers to “plug in” and thus financial planners can access these resources via XPlan. Newer CRMs have been built on very open platforms that allow easy connectivity between applications. For the financial planner, this means that a desired fintech solution can quite possibly be utilised via the central “source of truth” for the financial planning business, namely the CRM.

Other solutions apart from the usual CRM suspects that these fintech solutions connect with include; MoneySoft, Class, BGL, Salesforce.

Ability to be embedded in a financial planning business website?



Efficiency and process gains for the benefit of financial planners and clients

Why adopt any of the fintech solutions available? From an efficiency point of view there are some intuitive reasons one would expect, however there are also strong evidential and psychological reasons as to why an appropriate fintech solution embedded into and complementing your planning process make sense:

1. Creating efficiencies in the advice process can allow the adviser to spend more engagement time with existing clients;
2. Creating efficiencies can allow a financial planner to see more clients;
3. Transforming financial planning business processes allows for true scale to be built around marketing, engagement and implementation. This means that a financial planner's time can be predominantly spent in front of clients playing the pivotal role of educator and behaviour change consultant (reflecting the research by Cheah et al³⁹ on why especially in the Australian retirement system, financial planners are critical in the education process in an overly complicated structure);
4. Communication structures and processes that provide for illustrating the value and relevance of advice allows greater reach and conversion of more people toward a financial planning relationship.

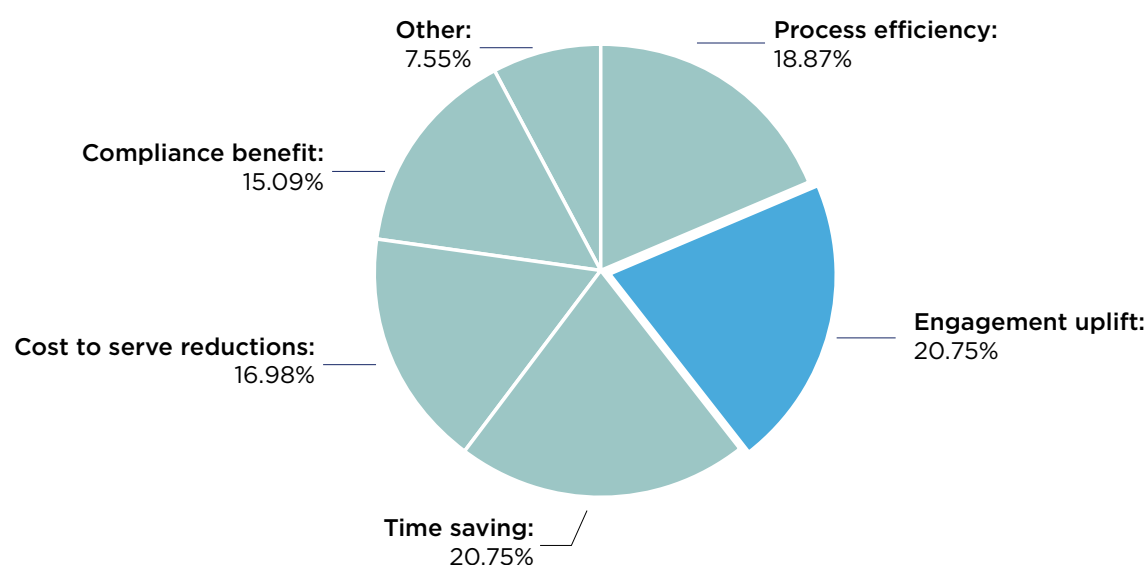
So what is apparent is that technology solutions, designed around the financial planning process to either assist with efficiency or provide game-changing advice delivery mechanisms and enhanced engagement, need greater exploration and implementation by financial planners. Despite the cluttered fintech universe, the solutions that are appropriate and planner friendly are ready to deploy now.

Over 50 fintech solutions have a role to play in some aspect of the financial planning process, with 30 of them able to be embedded in a planner's website or be white labelled, thus showcasing the planner's brand.

While process matters, engagement and connection to the financial planner is a key element to the enhancement of the financial planning process as viewed from the lens of the client.

Significant cost savings from between \$1,000 to \$3,000 per client are available. Time savings from 1 to 3 hours per client are on offer.

The categories of efficiencies provide illumination as to just what is possible here:



³⁹ Cheah, K, Foster, F, Heaney, R et al 2015, 'Discussions on long-term financial choice', Australian Journal of Management, vol. 40, no. 3, pp. 414-434

Overall technology solutions when utilised to the extent of their capacity and when integrated with other financial planning tools and processes already in use, can deliver compliance, engagement and process efficiencies.

There needs to be due attention paid by the financial planning profession. Clients are not comparing the services of a financial planner any longer to banks and institutions.

Rather they are starting to compare all services to the information flow that is timely and relevant from Amazon, Facebook and Google. They engage with Uber, Menu-log, Netflix, Virgin Active, the weather, Qantas, Red Energy, the Post Office, myGOV, Medibank, Opal, and just about every aspect of day to day life via technology including apps.

Are financial planners, and should financial planners be any different?

Through the appropriate adoption of fintech, financial planners can achieve greater revenue generation, cost reductions for clients as well as the ability to serve more clients at different and differing levels of advice needs and engagement requirements.

Fintech threats to financial planners

In a similar fashion to mapping the fintech solutions that assist financial planners to the actual planning process, the fintech propositions that are aimed directly at consumers and aimed to bypass the financial planning community have been assessed to equip financial planners with an awareness of how consumers are being or plan to be engaged by technology and importantly what the end product actually provides.

There are just over 50 fintech propositions that have connection to the traditional financial planning steps and process. The issue for financial planners is the solution is directed and marketed directly at consumers. We have included links to these fintech websites for further investigation by the advice community. We have highlighted some particularly where we feel they have made distinct claims aimed at attacking the market share of financial planning.

Advice step	Fintech solution
DEFINING THE SCOPE OF ENGAGEMENT	Nil
DEFINING GOALS AND OBJECTIVES	Squirrel
ASSESSING THE FINANCIAL SITUATION	Credit Savvy, Douugh, Private Reporting, Spriggy
SOA DEVELOPMENT	ASAP Advice
IMPLEMENTATION	Aleda Capital, Allocated Bullion Exchange, AtlasTrend, Bell Direct, BetaShares, BetterWealth, Breeze Docs, Brickraise, BrickX, BTC Markets, BuyaBitcoin, CashWerkz, Crowdfundup, Real Estate Investar
MULTIPLE STEPS OF THE FINANCIAL PLANNING PROCESS	BigFuture, Bisi Money, Brightday, Clover, Estate Baron, FirstStep, InvestSMART, Plenty, ProAdviser, QuietGrowth, SelfWealth, Spaceship, SuperAlbert

Squirrel

An app that allows people to create, plan and achieve goals (a virtual bucket list). App users can browse goal ideas, set a target and engage with friends and the community sharing how they are tracking towards their goals. To assist financially, the app allows users to set a budget and then tap into a range of collateral that discusses how to save, and ideas on goal setting and goals to achieve.

Dough

An app that analyses and categorises the users spending and proactively provides tips to maximise savings goals. The app's answer to Siri is "Sophie" who makes payments, and sets savings and spending targets, and the app provides a single view of a user's finances. Still in development and with the ambition of becoming a financial institution this is a bottom up community play.

Spriggy

Designed for kids, parents can provide kids a prepaid card and the app provides education and training on financial issues and literacy. All about teaching kids about money this is aimed at capturing the future generation of consumers at a very early age.

ASAP-Advice

This solution is aimed at removing financial planners from the accountant world. ASAP stands for: Accountants Scaled Advice Platform and aims to provide a digital online financial planning service. Aimed at SMSF accountants to provide them with statements of advice. ASAP Advice says that 400 accountants are subscribed and that they deliver services such as SoA production, and pension commencement planning.

Aleda Capital

Aleda positions itself as a time saving, simple investment vehicle, that provides managed accounts across markets. As an online platform, it provides no planning fees and says it cuts out the red tape of planning. Only charging a management and performance fee, this proposition is directly aimed at the higher net worth, time poor and sceptical consumer.

Better Wealth

Was an ETF platform aimed directly at consumers. Demonstrating the fragility of the fintech sector, its social feeds have been inactive since early 2016.

Big Future

An app that provides an overview of assets, and an education portal across financial and investment themes as well as providing calculators and projection tools.

Bisi Money

This is one to be aware of. Taking a four step approach, this solution assesses the consumer and matches them in a peer group (essentially benchmarking against a like group), recommendations are provided across saving, spending and investment themes and allows for tracking and alerts across agreed parameters. Next the user is encouraged to upload their budget into an online tool, connect their bank accounts and monitor their situation.

A “financial plan” is provided. Insurance is also discussed. Aimed at property investing as the end product the Bisi Money Wealth Portal aims to assist with managing and growing a portfolio delivering live RP data, monthly property reports, connections to the property manager, the Bisi Money Wealth Portal will make managing and growing your portfolio a breeze. Get live RP data, monthly property reports, connect to your property manager, save documents in the cloud, reconcile rent and more such as the ability to save documents in the cloud, reconcile rent etc.

Bright Day

Bright Day is backed by YBR (Yellow Brick Road) and provides an online solution to deliver education and investment performance and research to consumers, portfolio construction, insurance, and then an implementation service via an online and over the phone service. Interestingly a “selling feature” that is claimed is “access to the highest performing managed funds”, a proposition that professional financial planners would never lead with.

Fraught with danger, this proposition can capture the unrealistic return expectations of consumers and looms as a threat to the planning profession not only in market share capture but in future potential adverse experiences by consumers.

Clover

Clover presents itself as a “personal financial adviser” that helps consumers to build and grow their investments (all online). Once an investor decides the amount they are to invest (a starting point of \$2500 exists), an online investment recommendation is created based on goals, risk tolerance and life stage. Monthly contributions are required and automated as well as online access and auto rebalancing supported by phone, chat and email support. Fees are as low as \$5 per month, shifting through to 0.45% per year on accounts at \$500,000.

Plenty

Plenty caught our attention. Mostly because of the claims on the website:

Good advice is hard to find

It is a well-known fact that over 80% of advisers are connected to just 6 financial institutions. This means that finding an adviser who will provide non-aligned, conflict free advice is (literally) like finding a needle in a haystack.

Advice is very expensive

Even if you do find a good adviser, chances are they will charge you around \$6,000 in the first year, and \$3,000 in subsequent years, for their advice (the bad ones will charge you the same if not more).

Good & bad advice is indistinguishable

A recent study showed that just 3% of financial advice is good yet 86% of people think they are getting good advice. The outcome - people are getting bad advice and they don't even know it.

What Plenty are quoting here is an article from Super Guide in 2012 which was in turn reporting the 2011 ASIC shadow shopping survey. Plenty don't provide a source for their quote or claims.

So positioned as online financial advice that is comprehensive (free by the way for the financial plan). How it works is a bit of a mystery, because it is "coming soon", in other words not available. We believe that it is worth all financial planners watching this developing proposition.

Spaceship

Spaceship offer just one investment portfolio. In it's seven page PDS, the GrowthX portfolio fees include a buy/sell spread, an exit fee, and an administration fee of \$78 per annum. An "indirect cost ratio" applies of 1.60% built into the unit price. The portfolio is not defined, although a reference guide defines some asset allocation ranges. The pitch here is that technology rules and as such the portfolio invests into technology companies (we recall such an investment bent that saw money flood into the many offers that were apparent before the year 2000!).

Super Albert

Super Albert is aimed at individuals and employers to automate superannuation when starting a new job. For the individual forms are completed on a smart device and sent to the employer. And management and viewing done in a similar vein. The claim is that the service is free. As to the commercial arrangements between the fintech and any superannuation fund that is utilised, they are not found on the website or in any other information available. The only options available however are those that are MySuper products.

Threats to financial planners

In May 2017, Netwealth's Matt Heine hosted a study tour in Silicon Valley. One of the rationale points for hosting such a tour was the fact that financial planners, through the day-to-day requirements of running their financial planning businesses do not have the time in the normal course of events to keep abreast of the technological advancements in the financial planning space.

The financial planner authorised through a dealer group expects that such technology will come to his or her attention via the dealer group, though dealer groups rarely (if ever) has a fintech manager or lead investigating such technologies.

The process invariably is that fintechs approach a dealer group to have their technology either adopted or placed on effectively an approved product list. This results in a process that takes the fintech through a risk and compliance framework, rightly focussed on data security and adherence to financial planning compliance processes, but has little understanding of fintech concepts or the efficiencies possible or the positive impact on clients.

This is a failing of all parties, particularly the fintechs whose claims often are not concise enough,

transparent or aligned to dealer group and financial planner language, that is: how does your technology fit with the financial planning process and the regulatory framework that governs how planning is to be dispensed?

A self-licensed financial planner perhaps has more flexibility in adopting fintech, but suffers the same time restraints and perhaps a greater lack of resources to conduct rigorous due diligence on the solution.

What the Silicon Valley study tour provided was an opportunity to take a peek at developments in Artificial Intelligence investing, robo-advice, cybersecurity and digital concepts in financial planning including communication channels such as social media.

The challenges that were uncovered for financial planners were and remain:

- With advancement in algorithmic management of client portfolios drawing data and making calculations across all asset classes, the proposition of an financial planner as an “investment manager” using static post-dated research has an extremely limited shelf life. Portfolio construction and constant monitoring can now all be accessed online without any human intervention. Competing with such powerful data analytics is a folly.
- Subsequently the proposition for financial planners is to do what algorithms can't do, namely have the deep and powerful conversations around client goals and provide insights into how these goals line up versus a client's peer group. Story telling around goals has been and remains fundamental to the financial planner and client relationship.
- Adapting robo-advice concepts to existing planning businesses. Essentially for the financial planning process benefits to be undiluted, it therefore requires the utilisation of technology to enhance those processes not detract from them or replace them.
- Understanding, assessing and mitigating risks with any technology and particularly data security. Considering most people are unaware their own mobile devices with Bluetooth on and / or connected to public Wi-Fi are at risk of being hacked, therefore exposing our own bank and personal data, then clearly more focus on protecting our own and client data is required. The mobility of a financial planning office – the use of apps, mobile sign in to client portals, the use of smart devices to engage with clients – opens up client data and the financial planning business to cybersecurity threats. The cardinal sin of losing a brief case with a client paper file in it, pales to insignificance when faced with a security breach where your entire client list and all of their information is hacked.
- Client communications transform to digital. Be it a marketing plan, prospecting or simply responding to clients, the method of communication needs to reach where a client is at that moment and be aligned with how they are consuming their information. Email still works. Text messaging is a rapidly emerging horizon already used effectively for reminders, prompts, confirmations and security. Social channels however for many financial planners remain untapped.
- Finally, as Matt put it, clients are not comparing the services of a financial planner to banks and institutions. Rather they are starting to compare all services, including financial planning to the information flow that is timely and relevant from Amazon, Facebook and Google. They engage with Uber, Menu-log, Netflix, Virgin Active, the weather, Qantas, Red Energy, the Post Office, myGOV, Medibank, Opal, their car service provider and just about every aspect of day to day life via technology including apps. Are financial planners, and should financial planners be any different?

The FPA encourages you, from here, to review the fintech solutions we have interviewed, dissected and illuminated. How do they fit with your financial planning business and your process? Where can they enhance your client engagement?

In the light that is shone on the power of planning and its transformational impact on a clients' wellbeing, what is it that you need to do to remain relevant to your clients, and deliver continuing and ongoing value and meaning to your changing current and future clients?



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