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Opportunities for Accountants in practise to be the "Trusted Advisor" in the growing retiree market

In order to provide advice to retirees, smaller traditional accounting practises need to transform themselves from being providers of technically proficient tax compliance services to that of being a trusted advisor to their private clients?

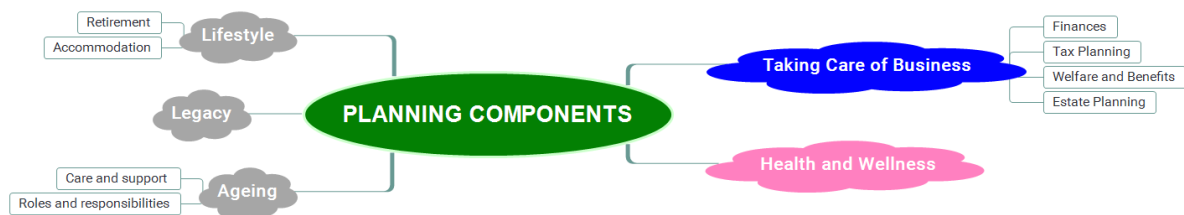
The opportunity

There are 3.3 million retired Australians and the number is expected to double to 25% of the population. These retiring baby boomers control 30% of the nation's wealth.

With eighty percent of Australians over 65 online, internet based planning tools and systems can be used by advisors to provide value at low cost.

The problem

Retirees haven't adequately planned and are not across all planning areas.



- There are a wide range of interlinked issues that affect finances and lifestyle
- No single advisor is across all issues and key areas can be overlooked
- Changes to circumstances in retirement may not be addressed
- Governments want retirees to fund their own retirement including health and aged care
- Health issues create stress and rushed decisions

Questions asked at a retirement planning seminar run by the Department of Human Services showed only 5% of attendees sought financial advice or had done a budget.

Trust and cost issues are a barrier to retirees seeking planning advice.

So who are the providers of planning services?

Financial planners are a major player in crossover areas of providing financially focussed planning services. Crossover areas are services that don't require an Australian financial services licence (AFS) such as providing factual information and education. Accountants have good skills and had a strong position in this area but this has been eroded as tougher laws saw them retreat to safer areas of business advice and tax compliance.

Crossover areas might include providing facts and education around

- Structuring affairs for retirement years including tax, means testing and complexity
- Budgeting
- Acting as a gatekeeper and sounding board

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- Accommodation changes
- Oversight of roles and responsibilities in older age and prevention of financial elder abuse
- Intergenerational wealth transfer
- Health care and aged care scenario planning

Multi-disciplinary practises?

Accounting firms and Licensed Financial Planners are now in business together or have a commercial arrangement to service each other's clients. This has its own issues, such as:

- There are a variety of structures and commercial terms that can hinder client service
- Culture differences occur between traditional accountants and financial planners
- It can be unclear about who manages the client and who does what

This is a work in progress for many practises. To get it right means adopting clear and consistent processes which provide broad coverage.

Listed below are some fundamental differences between traditional accounting practises and financial planning practises.

Licensed Financial Planners	Accountants
Larger businesses with 13 dealer groups managing 40% of the 30,000 advisors	Small businesses with sole proprietor accountants making up 66% of firms
Sales driven	Technical driven
Developed systems and processes	Less resources for systems and processes
Managed with heavy oversight	Smaller practises are self-managed
Professional and technical development	Technical training
Clear understanding of advice scope	Fear of breaching ASIC rules
Hold AFS license	No AFS license (or may be restricted to SMSF)
Personal service	Both personal and business services
Inherent conflicts through product sales	Independent
Can be restricted through dealer agreements	Not restricted except through regulation
High cost of providing Statement of Advice	Nimble and can provide lower cost services

What are the competitive advantages for smaller accounting firms?

Independence

Where accountants are not conflicted this should be heavily communicated and promoted.

Cost

A financial planner quoted \$2,500 to do some tax planning as opposed to the accountants \$500. The retiree used the accountant and was happy with the advice. The financial planner bemoaned the fact that they had to produce a SOA and couldn't produce the advice at a lower price due to cost.

Database of clients

Accountants usually have a large database of clients who may not use licensed financial planners but have planning needs that haven't been identified.

So how do accountants provide services above that of compliance work, reduce costs and become a trusted advisor?

- Identify retiree's needs using comprehensive fact finds for clients and prospective clients
- Develop communication, listening and emotional intelligence skills to engage with clients
- Understand technical issues where education and advice is needed for retirees

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- Use automated and online systems and tools improving quality and consistency of advice whilst reducing costs
- Have client do pro work where possible. For example completion of detailed fact finds
- Provide products clients can regularly use- ie budgets and tools

Summary

Accountants have a great opportunity to supply much needed and valued advice to the growing retiree market if they choose to do so. If they don't act then Financial Planners will most likely be the recognised advisors to this market especially if the planning industry deals with the issues of conflicts and the high level of cost attached of providing advice.

About the author



Peter Tyndall is a Chartered Accountant, business coach, and founder of the Primetime Retirement Planning System. Peter is available for interview about many of the broader and interrelated issues facing retirement such as choice of accommodation, financial and tax management, health and wellness, transition, lifestyle choices, estate planning, legacy, care and support.

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