

MARCH 2009

professional PLANNER

Practice management

DO YOU KNOW IF YOU'RE
WORKING PRO BONO?

.....

Special reports

INVESTING DURING A
FINANCIAL CRISIS

STRUCTURED PRODUCTS
TO AID RETIREES

.....

Planner profile

BILL DANAHER TAKES
ADVICE TO THE MASSES

.....



Storm Damage

.....

HOW THE INDUSTRY CAN CLEAN UP THE MESS

Taking it to the street

A largely captive and homogeneous client base helped Q Invest to develop a low-cost, efficient planning service. Simon Hoyle reports

Q Invest was established in 1994 to fill a gap in the market for providing advice to members of the Queensland public sector super fund, QSuper.

Today the firm's fee-based services and advice are potentially available to one million super fund members: members of QSuper, and members of the public-offer First State Super fund, based in NSW.

Bill Danaher, general manager of Q Invest, says the model's success relies on some unique characteristics: a large, largely captive and reasonably homogeneous client base; significant investment in technology and systems efficiency; and low-cost delivery, encompassing over-the-phone contact and face-to-face appointments.

Danaher says this combination means it's possible to deliver simple over-the-phone advice efficiently, "and it's possible to make a profit".

"Maybe that's a differentiator between us and your garden-variety financial planning firms - we have access, through our relationships, to about one

million members," he says.

"I think that's a relevant point. If we did not have that relationship, it would be difficult to operate in this environment.

"People don't wake up every day and decide they want to get some financial planning advice - financial planning still needs to be sold.

"But we have that captive audience, and if we work hard on promoting our business to that audience, if we work hard on ensuring people in our call centres [are good quality], people will engage us, whether it's over the phone or face to face."

Danaher says a yardstick for the quality of the service offering is the "very high conversion rate" from initial interview to statements of advice - something in the order of 80 per cent for Q Invest.

"That's when the fee is charged," Danaher says.

"And that brings us back to the decision that the company made to provide a much more holistic service. One of the observations we made was that people would come to us and say, terrific, Q Invest, but my clear expectation in terms of superannua-

tion and my fund [is] that I want to talk about other things, in terms of my wealth creation and protection outside superannuation.

"One of the attributes that we are strongest on is that they trust us, they do not see a conflict - they're not going to wake up in the morning and read that Q Invest has relocated to a South American address.

"That's how they perceive us; but there was another side to us, and something that we have had to work on [very hard] and that is providing a 360-degree view of all financial considerations or solutions when they engage an adviser. And they were saying that they were not sure that we did that."

Q Invest traces its establishment to a time when there was concern over the quality of advice being received by QSuper members (and over the motivation of some of the advisers providing it). Prior to Q Invest's establishment, QSuper members had to seek financial planning services in the wider market.

"Back in 1994 our current chairman, Dale Hennessy, who was chief executive of QSuper,



Photograph of Bill Danaher by Warren Keir.

could see that Queensland public servants were receiving advice in terms of what they should do at retirement, and he could see that there was some need to provide a service via the fund, to ensure that the Queensland public sector had an opportunity to receive quality advice," Danaher says.

"Initially it started out as providing simple superannuation advice to members, and it was that way for a number of years, probably up to the late 1990s.

"Then the board decided that we needed to expand the offer. As a result of research and client feedback, which we do quite often, it was evident that a lot of QSuper members wanted a holistic relationship with our advisers.

"It was really a case of something we had to do to retain our competitive advantage. And as a result, two decisions were made: expand both the scope of the advice we provide, as well as the capacity.

"Our emphasis is always on that: making sure we can deliver, in terms of what clients want."

Danaher says the establishment of phone-based financial planning advice was "driven by demand" from members.

"We were finding that by 2003, and beyond, we couldn't cope with demand for face-to-face - or we could, if we put on another hundred advisers.

"But we had to demonstrate to QSuper that we could do it efficiently. I'm very fortunate that I have some very good thinkers in this business. In conjunction with QSuper we extended our phone advice service, which we call 'specific advice.'"

Initially, the phone service provided advice only on the QSuper fund itself, and on issues such as salary sacrifice and investment choice.

"But today we can do a transition-to-retirement strategy over the phone, which is what we call 'limited-to-complex advice.'"

Finding good quality people to man the phones and handle member service has not been a significant issue, Danaher says.

"It's quite a simple process," he says. "You limit the advice. As a consequence, we'd take our senior associate financial planners - what you would know as paraplanners - and make sure they are properly skilled in terms of dealing with the client.

"It's very structured. The adviser knows exactly what the parameters are that they can work within. The systems that support that process are struc-

Name: Bill Danaher

Position: General manager, Q Invest

Years as a planner: 25

Qualifications: PGDipBankMgt MAICD

Relevant industry experience and background: Worked in the areas of financial planning and retail banking, implementing new business operations and introducing programs to improve customer service.

tured also."

Danaher says he's not keen on the term, but it really is about "commoditising financial planning".

It might also be described as industrialising the process.

"Pulling people out of paraplanning [means] they can deal with the simpler advice needs, such as investment selection and/or salary sacrifice," Danaher says.

"As they become more skilled, then they can move into transition-to-retirement or more complex areas.

"In a way it becomes a bit like an academy in the business, and we've had people who have gone all the way through paraplanning to specific advice and today they are planners sitting in our offices."

Danaher says the model developed by Q Invest works for it and for its clients, but its application in the wider world would be limited.

"If you have got a diversified client base, it obviously means it can be problematic, in a number of senses," he says.

"If we were to open up our business to every super fund in Australia, there are so many different characteristics to every super fund, and we would lose some of our efficiency.

"You do have to have that group of people who are pretty much similar.

"You also need volume. It's simply the case that the way we work, we have a person in our phone area or a face-to-face planner, and because we work on a fee-for-service basis, it's a user-pays environment. If you have an FTE (full time-equivalent employee) waiting for phone calls, or for appointments to be booked, and appointments aren't being booked, it becomes expensive - because we do not

have a [commission] flow from products, which can support the business through these downturns."

Where advice is provided to super fund members only on superannuation issues, members can pay for the advice received through a deduction from their superannuation account.

"The sole purpose test needs to be observed, and we treat that very seriously," Danaher says.

"Strangely enough, though, with our phone advice in terms of simple salary sacrifice [advice], a lot of people pay by credit card.

"It's something like 70 per cent. Even though they can have it deducted from their superannuation account they say no, I will put that on the credit card."

Danaher says the value of financial planning to clients is clear.

"To take it back to its most basic level, I think it is providing peace of mind in terms of an individual's ability to reach, let's call it, their financial destiny," Danaher says.

"If an adviser is able to help them reach that, then I think the impact on the individual, in terms of their well-being, is quite significant. Then that can have an impact on their relationships with family and friends, and so on - not to mention on their health.

"That's what we do; that's what advisers do, and the majority of advisers do that extremely well. But if you look at why we are doing this, and why we are putting ourselves through this, it's to achieve contentment with our lot, if I can put it that way.

"Some people may say 'Get off your soap box!', [but] you do have a decision to make, and you can make a call on how that business operates.

"You can think about your business structure, and you can think about your product. Our product is advice.

"We have really worked hard on the values of the organisation. We have terrific people working in this organisation. We have people who believe there's a moral good to it. It's a member-centric ethos here - the customer comes first, second and third." ■