How collaboration is improving advice

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To best serve clients this year and beyond, you should aim to offer a full range of services through collaboration.

While collaboration is familiar to any financial advisor who's ever referred a client to a tax expert or a lawyer, collaboration is becoming formal and extending to business models.

Advisors have long networked with other professionals as a way to offer holistic advice and more services, typically leveraging traditional channels for tech and compliance support, says Matthew Lawrence, senior director of PricewaterhouseCoopers Canada's (PwC) financial services consulting practice in Toronto. Some advisors now use formal professional associations for those functions, he says.

The Alliance of Comprehensive Planners (ACP), for example, is a U.S. business association that offers compliance support, tech discounts and formal training for a membership fee. A Canadian equivalent is IRONSHIELD Financial Planning Syndicate. Scott Plaskett, CEO and senior financial planner with Toronto-based IRONSHIELD Financial Planning Inc., says the syndicate's platform provides the cost-effective infrastructure that financial planners require as entrepreneurs, such as business processes and back-office capability, as well as training. Planners can choose between branded and non-branded versions.

While the syndicate's practical offerings attract planners, Plaskett says, the real draw is joining a community of like-minded professionals who want to focus on advice within a transactions-based regulatory regime. Planners "can only get compensated for the product they sell," Plaskett says. "To put food on the table, good-quality financial planners product they sell," Plaskett says. "To put food on the table, good-quality financial planners are having to get licensed to sell mutual funds [or] insurance."

The IRONSHIELD syndicate solves the issue, Plaskett says: the group of professionals has bargaining power to attract portfolio managers and implement referral arrangements with them. This also benefits clients because portfolio managers operate under a fiduciary standard, he says. Syndicate members might also refer other professionals, including insurance specialists, mortgage brokers and corporate reorganization specialists.

While neither the ACP nor IRONSHIELD syndicates is new, there's been a move to fee-only advice in recent years. In 2017, the number of referral arrangements between Ontario Securities Commission registrants and non-registered professionals increased by 69% compared with 2015, according to the regulator's latest annual summary report.

Planners also are collaborating to establish their status as professionals. The Financial Planning Association of Canada, which launched last year, aims to support the financial planning industry's transformation into a profession, with members adhering to ethical and fiduciary standards. As part of their duty of care to clients, members must provide clients with "independent, conflict-free professional advice that is free of bias," the association's charter states.

In some larger financial services institutions, tied selling can be a problem, even within the financial planning channel, says Dave Cassie, managing director, consulting and deals, in PwC's financial services consulting practice in Toronto. What seems like an independent plan can turn out to have certain products as a solution, he says.

Saskatchewan and Ontario have or are enacting legislation to regulate the titles "financial planner" and "financial advisor," but the focus is on credentials. This focus is despite industry participants such as the Canadian Foundation for Advancement of Investor Rights (a.k.a. FAIR Canada) suggesting that being independent should be a requirement to call oneself a "financial planner." (Insurance advisors in Ontario are unlikely to be subject to the regulation, even though the Financial Services Regulatory Authority of Ontario regulates them.)

Client collaboration

Offering professional advice also requires collaboration at a grassroots level.

"As we collaborate with other professionals, it's important not to get distracted by the fact that collaborating with the client and their family is the most important thing," says Ethan Astaneh, certified financial planner at Nicola Wealth Management Ltd. in Vancouver.

At that firm, client/advisor collaboration produces such things as retirement projections and family trees. The latter demonstrate that the advisor understands who comprises the family and helps the family members visualize their wealth trajectory, Astaneh says. The result is greater client engagement.

Collaboration at Nicola extends to clients' children, who must be prepared to receive wealth by acquiring the requisite financial and family knowledge, Astaneh says. Advisors can help by hosting events with outside experts or arranging meetings with a facilitator who can help the family with communication and decision-making.

Smaller clients

While collaboration can lead to better advice and promote industry change, the process typically is reserved for higher net-worth clients. "A mass-market, younger population is still being somewhat ignored," Lawrence says, specifically citing insurance advisors, who tend to focus on high net-worth clients.

To serve younger clients, firms are looking for multiple low-cost self-serve solutions, such as curated content and financial planning tools that can monitor clients' income, wealth and behaviour to identify when changes are required, Cassie says. That way, firms can offer products and services piecemeal as needed by clients.

Montreal-based National Bank of Canada, for example, has an agreement with Toronto-based Nest Wealth Asset Management Inc., which has access to financial planning products through Nest's subsidiary, Razor Logic Systems.

Digital and hybrid models help firms seeking these solutions, Lawrence says. Still, when it comes to serving clients throughout their lives, he says, "I don't think any [firm is] doing that really well."