A progressive solution to an antiquated industry

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Financial planning syndicates are a fee-based model on steroids, writes CEO Scott Plaskett

SCOTT PLASKETT *is a practising Certified Financial Planner and CEO of Ironshield Financial Planning in Etobicoke, Ontario. He is also the author of* Thinking For A Living: A Financial Planner's Lifeline To Escaping the Shackles of a Commission-Based Financial Planning Business*. In this article for Wealth Professional, he explains the thinking and benefits behind financial planning syndicates*.

Canadians are losing interest in "free" financial plans. They have realized that these plans are poorly designed, incomplete and really just a tool to help their advisor sell them a product that they may or may not need. In increasing numbers, they are looking for other options.

This is taking a toll on the industry that shouldn't be underestimated. Clients are turning to automated and DIY investment platforms in the belief that their planner wasn't doing anything the client couldn't do themselves. Life insurance agents are struggling to compel clients to incorporate more permanent life insurance into their long-term plans. Meanwhile, Canadians are alarmingly underinsured for living benefits like long-term care and critical illness insurance. There has been a move away from comprehensive financial planning, and it's a serious problem for the industry and for Canadians' financial well-being.

When financial planning professionals take the time to provide solid advice that has real value to their clients, it's a struggle to also manage their business. Compliance burdens take up significant amounts of time, and this affects their ability to have meaningful and complete conversations with clients. It also affects planners' ability to earn what they're worth.

So what's a Canadian financial planner to do?

There is a rapidly growing subset of the financial industry building their businesses using a financial planning syndicate. What began with individual financial planners and individual portfolio managers partnering up to deliver more complete financial planning services to their clients has expanded and evolved over the past few decades. Syndicates have become robust financial planning communities that provide foundational support for financial planners.

The essence of a syndicate is to bring together specialist relationships and customized technology to support the needs of financial planners so they can deliver the services their clients value most—their advice.

These relationships include referral relationships to high quality third-party portfolio managers across Canada and the US, insurance relationships, mortgage brokers, corporate reorganization specialists and more. Members have at their fingertips everything they need to develop and properly implement a client's financial plan. Syndicates provide a range of options to suit every kind of client at every stage of life. The syndicate model is fee-based financial planning on steroids. The Ontario Securities Commission's recent Summary Report for Dealers, Advisers and Investment Fund Managers says that the referral arrangements underpinning the financial planning syndicate model ballooned from 1,809 in 2016 to 2,411 in 2017—a 33% increase in one year.

Add to that the CSA's recent Client Focused Reform, which would drop a recent proposal to limit the amount and duration of referral fees, and one can see that this business model has the runway needed to take off further.

Technology also plays a major role in the syndicate model, streamlining business processes in order to lower the cost of delivering robust financial planning services to clients. Since a financial planner's main service—advice—is difficult to get compensation for without charging fees, using the latest available technology to save time is imperative to a planner's bottom line. But licensing the latest technology can be expensive for individual planners.

Under a financial planning syndicate, the cost of a comprehensive platform is shared among members. For example, The Genie For Financial Planners, a technology platform built on the Salesforce.com CRM engine, is designed for the specific business needs of a financial planner. Proven online marketing and social media campaigns, fee-based financial planning sales processes, online training and automated business processes are all built on a robust, cloud-based service.

Individually, such services would be unaffordable for an independent financial planner to knit together. Aligning with a financial planning syndicate is therefore ideally suited to financial professionals with an entrepreneurial spirit. They can choose to either operate under their own brand, or align themselves with an established national brand and use the platform to support their business.

The financial planning syndicate business model is ascending as a progressive model in an antiquated industry—a model that recognizes that the value of financial planning comes from the advice delivered, not the products sold.

Financial planners are attracted to financial planning syndicates for the freedom, but they often stay for the community. Fee-based planners are entrepreneurs, which can leave them feeling isolated; but the syndicate provides ongoing support and professional development, a network of like-minded peers, and access to a wide range of expertise that they are just not finding in the mainstream dealer channels. With the many advantages of the syndicate model, we should expect to see more financial planners moving in this direction.