How Advisers Use FNA Systems Depends On Their Skills and Their Clients

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Financial advisers tend to use financial needs analysis (FNA) systems in varying degrees depending on their level of skill and training, and the nature of their client base in terms of assets and attitude to financial planning.

When it comes to adviser training and competency, those who hold the highly regarded Certified Financial Planner (CFP®) qualification tend to be amongst the group of intermediaries who use FNA systems to their fullest potential, or who use much of the functionality available from the software.

On the other hand, intermediaries with lower levels of training are either unable to derive the full benefit of the FNA system due to limited financial planning skills, or they elect not to use one at all.

That said, the nature of the adviser's client base also has a bearing on the extent to which he or she makes use of financial planning and practice management software.

Client assets and attitude

For example, clients who are not informed about the benefits of proper planning will not be inclined to ask for the service. That might apply also to those customers who understand the need for financial planning, but who lack the means to implement the outcomes of the process.

There are, however, other clients inclined to instruct their advisers to take specific actions, for example raising the level of life cover, when they believe these to be necessary. They are self-directed and have little interest in expending the time and effort involved in equipping the adviser with all of the data necessary for proper financial needs analysis.

However, the majority of the clients of South Africa's financial advisory industry fall between these extremes. They're informed about the need for effective planning and consequently expect their advisers to have the capacity and capability to deliver a professional financial plan.

Legislative changes, notably the introduction of FAIS, have resulted in many advisers delivering on this expectation by going out and updating their knowledge and qualifications with a view to elevating the standard of service.

Proper financial planning plays an important part in achieving professional standards. It can, however, be costly and time consuming for the adviser.

Depending on the complexity of the client's personal financial portfolio, gathering data and performing the financial needs analysis can take anywhere between one and six hours.

This means that if the client's income as well as investment and policy values are low, the adviser will have little prospect of recovering the cost of financial planning via commission, and may therefore decline to undertake it unless the client is prepared to pay a service fee.

Advisers, therefore, face a dilemma in that FAIS requires financial needs analysis, but in cases where earnings do not justify the effort, the adviser is left in a predicament. This issue has not yet been fully considered by the legislator.

Advisers with a client base of predominantly high net value clients tend not to face these affordability issues. In terms of recovering costs in an increasingly fee-based environment, intermediaries might charge for financial planning on an hourly basis or offer a portfolio review service.

Maximise your FNA system

Advisers who equip themselves to maximise the functionality of their FNA system find it worth the effort.

Amongst the capabilities of a good programme is the ability to:

- Manage client and prospect details
- Download client policy and investment data via Astute
- Generate portfolio schedules
- Undertake financial needs analysis and planning
- Keep records and track processes
- Mine and segment data
- Send newsletters to different client segments or to the entire client base

Fortunately, skills levels and computer literacy amongst South African financial advisers and their administrative staff have been on the increase over the past five years, and this trend has coincided with growing use of FNA systems.

The uptake of FNA software was also facilitated by the introduction of affordable monthly license fees, which replaced the need for a costly outright purchase of the package.

FAIS had an important impact on mindset in that brokers realised the value of good software in terms of record keeping, portfolio schedules and financial planning.

But perhaps the most powerful driver of the growing use of FNA software is that increasingly informed consumers are demanding that their advisers deliver professionally produced portfolio schedules and financial plans.