

Financial Planning Software

Bright ideas



The financial planning industry has undergone significant change over the last few years. Janine Mace reports on the impact this has had on the financial planning software industry.

WITH the financial planning industry having been turned on its head in the past few years and the path ahead still unclear, it is little surprise the financial planning software market is also facing some major adjustments.

But while planners may be less than thrilled with the prospect of change on yet another front, they may turn out to be the biggest winners – both in terms of product innovation and practice bottom line.

The financial planning software market is facing very interesting times, according to Investment Trends senior analyst Ian Webster, who is responsible for compiling the research firm's Planner Technology Benchmark Report.

"The GFC [global financial crisis] and the regulatory response to the GFC has led to disruption, and innovation always follows disruption. Regulatory change disrupts a market and people can see opportunities, so they begin thinking about what that means," he says.

Robert McCabe, head of product and technology at Coin/Web, agrees the planning market is shifting and this is being reflected in the software space.

"We see continuous change in the industry and a quite uncertain environment. Uncertainty is a big driver in financial planning at the moment," he says.

Webster believes the turmoil makes it a really challenging time for both the established players and the newer entrants in the technology market.

"We are at an interesting stage where the financial planning industry is in a state of transition due to the Ripoll/Henry/Cooper review processes and it is unclear what the ultimate effect will be," he says.

"This has led the financial planning industry to think hard about how the business works and how the technological tools planners use work in their businesses. How the industry will be structured in five years time is the key question. This is what providers are looking at and trying to work out."

Looking for answers

As one of the biggest players in the market, McCabe says the key focus for technology providers is assisting the planning industry in its drive for greater efficiency.

"There has been quite a lot of change in the market and we are seeing a commercial-

isation of financial planning businesses. Clients are asking, 'How do I run a financial planning business and take it forward in times of great change and uncertainty?'," he explains.

McCabe believes the push for greater commercialisation is leaving many planners struggling to get a better understanding of the sustainability of their business model and how they can achieve greater efficiencies in a highly competitive and rapidly changing business environment.

"It means businesses need to get a clearer picture of what they are doing," he explains. "This is focusing attention on the key themes of needing to know what it costs to service clients and the profitability of clients."

Webster agrees: "The push for fee-for-service has focused the industry's mind on the planning business and firms need to understand how much it costs to produce a plan and how long it takes to do it."

AdviserLogic managing director Gundeep Sidhu agrees the planning industry is looking for a way forward. "The transition from commission to fee-based remuneration is a big change and technology has a huge role to play in that change," he says.

Key points

- The planning market is shifting and this is being reflected in the software space.
- At the top end of the market, the key providers retain a stranglehold.
- While full integration with all types of investment products is the Holy Grail for the planner technology market – for most planners this remains a dream.

"We are seeing more practices revisiting what they have been doing previously. They are looking at how they deliver their service offerings and the tools they use to do it."

The arrival of simple advice tools has added a further question for the industry to ponder.

"Is advice a separate business, or is it part of a traditional planning business?" Webster asks. "Currently there are around 15,000 fully featured planner desktops in Australia. If there are less financial planners, will there be more desktops or more advice? Will there be less planners and a lot of other people doing things that are not traditional whole of life plans?"

The debate about future structures and remuneration models is making productivity much more of an issue for the industry.

"Adviser productivity reporting has become increasingly important in the past

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"They are well supported and are well used," Webster comments. He says the latest Investment Trends survey found most practices were reluctant to change their planning software as the huge level of functionality in the big packages means they become interwoven into every aspect of a planning business.

"Planning software is not just a package for generating a plan, it is a package to run a planning business. It is a big decision to change the software," he says.

Sidhu agrees this has been case, but believes views are changing as the planning industry is being reshaped. "The traditional packages have survived to some extent due to their first-in advantages, however, we are seeing the approach changing as different functionality is required now – not end-to-end functionality," he explains.

Midwinter's general manager of strategy and technical services, Matthew Esler, agrees it is a tough market to crack. "When we first came into the market it was a bit of a duopoly. Despite the success of our entry, it is quite difficult to enter the market as the market has been sold the integration message or the importance of the one-stop solution," he says.

"This is a legacy of what the market has been told for years by the dominant players who said that, even though the data was not flowing between the various elements in their software."

Esler believes the changes in the planning market are encouraging firms to think about other solutions and not just the existing providers.

"We are increasingly seeing advisers consider smaller, specialist software providers. If you talk to dealer groups, big software providers are competing with more specialist providers. There is a move to simpler and easier solutions by users," he claims.

Sidhu agrees: "We are seeing interest from a lot of areas we have not seen before due to the disruption and change in the industry."

This means new offerings from providers such as Midwinter, AdviserLogic, Syncrm and Sage's Prospero Wealth Management are the focus of increasing adviser attention.

Investment managers such as Navigator's n-link and Oasis Asset Management's MoneyOne are also improving their functionality, while in the managed accounts space, providers such as Hub24 and OneVue are increasing their user base.

"There is a really wide range of planning applications – from the fully featured to those performing very specific tasks," Webster notes.

Taking up the challenge

Although the main technology providers remain largely the same, the smaller players are not about to miss the opportunities created by the changes sweeping through the financial planning industry.

One of those most enthusiastic firms taking on the big boys is Midwinter, which has grown from being a niche player offering a successful advice-based application (Reasonable Basis) to now being considered a potential competitor to the major providers. This is largely on the back of its recent decision to add the Platformplus customer relationship management (CRM) capability to its software. Midwinter has also released its PlanBuild module to streamline information migration into

a statement of advice (SoA) template.

The CRM capability brings Midwinter right into the frame for planning firms looking for new software packages. "We have tried to source the best CRM system in the market and integrate it with Reasonable Basis," Esler explains.

Webster believes this decision heralds a major change in the planning software market. "The most interesting development in the market is Midwinter taking on the Platformplus code from Infocus in Queensland, as Midwinter did not have a SoA generation and CRM type capability before," he explains. "They plan to integrate it with Reasonable Basis and deliver it all online. This is quite a big change in approach and they see themselves as taking on the big four."



Robert McCabe

Although many practices are already using Reasonable Basis for their advice work and the traditional software packages for the other activities in their practice, Midwinter's increased functionality is seen as ushering in fresh competition to the comprehensive package market.

"This year and next with the Reasonable Basis and Platformplus combo available, it will be the first occasion when advisers have had a new application which offers a clear challenge to the big traditional packages," Webster explains. "It will allow a clear choice, as the big four are all fairly similar in terms of functionality and now there will be a clearer distinction. For the first time, planners will be able to see a simpler package. It will be the first time they have had a clear choice in quite a while."

However, this could take a little time to achieve, as Webster believes Midwinter will need to renovate the existing code and "do quite a lot of work on it". "It takes two to three years to build out a financial planning product, so it will take time to see how it goes," he says.

Webster believes some planners will be hesitant to take the plunge. "Planners do not make these decisions quickly when it comes to selecting new software," he says. "It will be interesting to see whether financial planners are really interested in simpler applications."

However, Esler believes a factor in Midwinter's favour is the company's independent ownership. "Now we are viewed as going head-to-head with Coin and Xplan, issues like being privately owned

and independent are increasingly coming up with advisers," he says.

Who's that knocking?

While these developments are creating waves in the market, there are other groups eyeing up the opportunities created by the upheaval in the planning industry.

"The elephant in the room is the platform providers and investment providers. They are also thinking about what this means and how it interacts with their software," Webster explains.

"If you go back a decade or so, there was a contest between the investment platform providers and the software providers for the planner desktop. About two years ago it seemed to be acknowledged that this had been won by the planner desktop, but now there is a bit of a sense that the investment platforms are reappraising the situation and we may see a push back by them into that space."

He believes the current uncertainty is undermining traditional positions and creating new possibilities – particularly in a world where efficiency and the cost of doing business are under the spotlight.

"In a fee-for-service environment, efficiency is very, very important and more integration means more efficiency," Webster notes.

This makes tight integration between the investment process and the planner desktop far more attractive.

For example, Navigator's n-link offers users client management, financial planning and online transacting and reporting tools, while AdviserNETgain combines front-office processes such as fact find data and workflow tasks with back-office processes such as product transaction and administration. It also boasts data security and back up services.

Webster believes this may be a sign of the times. "We are likely to increasingly see investment platforms offering planning tools as part of the platform," he predicts.

While full integration with all types of investment products is the Holy Grail for the planner technology market – particularly when it comes to planner messaging workflow and product applications – for most planners this remains a dream.

"The software still needs to achieve full integration with investment workflow and product applications," Webster explains.

"Full integration with investment platforms is the final frontier, but the industry is not likely to have that any time soon." Another sector where the technology offerings are changing is among industry super-annuation funds.

"The industry funds are looking at how they can encourage their members to engage with different types of products such as insurance. There is a lot of activity in that space at the moment," Webster notes.

"The companies that are working with industry funds tend to be software developers and a lot of these applications tend to be online."

With so much uncertainty still swirling around the planning industry, the latest technology initiatives are unlikely to be the final word in this area. In fact, Webster believes the ongoing changes may encourage new participants to consider developing products for the industry.

"It is now much less expensive to build a planning application due to the new development tools that are available. So there are far lower barriers to entry," he points out. **MM**

year," Webster says. "This is increasingly important in a fee-for-service world and a lot of functionality has been added in that area, plus tools to do more things and do them more quickly."

According to McCabe, software providers are keen to seize the opportunity and assist planners seeking to transform their businesses.

"We are focusing on the breadth and depth of the [planning] business. We want to support practices with the commercialisation process," he says. "We are innovating in different practice management areas so we can support their businesses."

Iress Market Technology, which offers the Xplan and VisiPlan software packages, has noted similar trends. In its July 2010 half-yearly results the company noted advisory firms were seeking "to reposition business models and leverage our integrated and comprehensive solutions to yield cost savings through efficiency and to drive future growth".

Key players

While everyone is pondering the big questions about the future structure of the planning industry and the tools it will need, there is general agreement that at the top end of the market the key providers retain a stranglehold. Coin, Iress (with its Xplan and VisiPlan packages) and Asgard's AdviserNETgain still dominate the market.