



# **PRACTICE DEVELOPMENT PEER INSIGHTS**

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March 2023





## OUR AIM FOR THIS SESSION

*An opportunity to take time out to work on your business leveraging on the experience and ideas of your colleagues.*

*To leave motivated with some key plans to enhance your business, profit and lifestyle.*





# LEARNING OUTCOMES

By participating in this session, you will be able to:

- Explore business critical success factors to help with increasing profitability, value and overall business health.
- Explore current market statistics around business metrics, clients and book valuation drivers.
- Discover through peer collaboration:
  - pricing methodologies, positioning and ways to improve your current position.
  - client demographics, service offering, engagement and improvement ideas.

# MAXIMISING YOUR BUSINESS VALUE

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What are the **critical success factors** you can change to **enhance your book value**?

What are **buyers** looking for?


What are **sellers** doing to build their business and maximise their valuation?

Regardless of business life stage, this is an important exercise to **remain relevant and sustainable**.


# How do you compare ?




## YOUR FINANCIALS




FUM per adviser  
**\$53.8M**




Profit per Principal  
**\$262,073**




Salaries as a % of  
revenue **48.3%**




**26%** of businesses  
generating profit of 40%+



**19%** reported a  
negative profit




**8%** reporting a profit of  
0-10%



**47%** reporting profit of  
11-39%



Average Revenue per  
client **\$3558**










**\$3256** median cost  
of advice



# How do you compare ?



## YOUR CLIENTS

-  Advisers manage 221 Clients
-  5.7 Clients appointments per week
-  15% of advisers review their A clients quarterly
-  1 in 3 clients don't have a current will
-  50% of clients do not have a binding beneficiary nomination
-  Average Revenue per client \$3558
-  80% of kids will fire the parents' adviser





# How do you compare ?



## YOUR PEOPLE

37%

Only 37% of owners believe their staff would rate 'culture' as very good- a significant lower assessment than our 2019 results



03

70% of businesses are owned by a single principal

03

Support Staff per Adviser 1.4

03

Support staff service 210 clients

03

Average adviser age 51

03

Average adviser salary \$135,000



# MARKET VALUATIONS

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Practice sale transactions in the marketplace lead to a valuation outcome. In terms of price achieved this price has always been the result of the convergence of the following factors:

- Quality of assets for sale**
- Supply of assets for sale**
- Risk appetite of the acquirer**
- Incremental profit to the acquirer**
- Level of scale of the acquirer relative to the purchase**
- Ability to fund**

The dominant transaction is the “bolt on transaction,” buying a business and collocating it with the buyer’s current business, the most common transaction that takes place.

This has existed and been unchanged since the inception of the industry. The only real change is the metrics which are achieved.



# MARKET VALUATIONS

## Radar Results Price Guide to June 2022

July 15, 2022 / in Price Guide / by Radar Results

### BASED ON REVENUE TYPE AND AGE

Multiples paid for risk books or insurance-revenue-based practices will depend on the client's occupation, age, premium size, policy type and the geographic location of the clients. The multiples displayed above are for high-quality risk clients with clients ages of between 35-55 years and where the policy owner is a small business owner or a professional based in a capital city.

Revenue Type and Age	Recurring Revenue Multiple
Investment and super clients (aged 80 yrs+)	0.8x to 1.0x
Investment and super clients (aged 65 -79 yrs)	1.7x to 2.3x
Investment and super clients (aged up to 64 yrs)	2.2x to 2.8x
Risk clients (under 55 yrs)	2.2x to 2.7x
Risk clients (aged 55 – 60 yrs)	2.0x to 2.3x
Risk clients (aged 61 yrs+)	1.0x to 1.5x
Mortgage clients – home loan trails	2.25x to 3.25x Previously 2.1x to 3.0x
Accounting fees – business clients	0.90 x to 1.25x
Accounting fees – individual returns	0.5x to 0.9x

### Revenue Multiple Highlights – Revenue Type

#### *Investment and super:*

- 65-79 years            1.7 to 2.3x
- <64 years            2.2 to 2.8x

#### *Risk Insurance:*

- 55-60 years            2.0 to 2.3x
- <55 years            2.2 to 2.7x

### Adding an “extension” to your business?

- Mortgage (*home loan trails*) 2.25 to 3.25x

# MARKET VALUATIONS

## BASED ON FEE SIZE PER CLIENT

Revenue Type	Recurring Revenue Multiple
<b>Investment and super clients</b> Average fee per client \$2,000 to \$4,000 per annum Average fee per client \$4,000 to \$10,000 per annum	2.2x to 2.5x 2.6x to 3.3x
<b>Risk insurance clients</b> Average fee per client \$2,000 to \$4,000 per annum Average fee per client \$4,000 to \$10,000 per annum	2.2x to 2.5x 2.6x to 3.3x
<b>Accounting fees – business clients</b> Average Fee per client \$2,000 to \$4,000 per annum Average fee per client \$4,000 to \$10,000 per annum	1.10x to 1.20x 1.25x to 1.35x
<b>Accounting fees – individual returns</b>	0.5x to 0.9x

The multiples above can vary depending on the terms the vendor offers to the purchaser when selling, the location of the vendor's clients, the client's ages and the investment products recommended. The account balances of each client are essential with the fee-for-service charge—average fees per client between \$4,000 to \$6,000 per annum command the higher multiple.

## Revenue Multiple Highlights – Revenue Band

### *Investment and super:*

- \$2,000 – 4,000 2.2 to 2.5x
- \$4,000 – 10,000 2.6 to 3.3x

### *Risk Insurance:*

- \$2,000 – 4,000 2.2 to 2.5x
- \$4,000 – 10,000 2.6 to 3.3x

## POLLING QUESTIONS

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Join at  
**slido.com**  
**#4873 918**



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**What areas of your business do you need to renovate/enhance most?**

① Start presenting to display the poll results on this slide.



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**How do you plan to grow your  
profitability in the next 12 months?**

ⓘ Start presenting to display the poll results on this slide.

slido



**What additional services do you think your clients or prospective clients would value?**

① Start presenting to display the poll results on this slide.

slido



**What's the most important change required to your current client base?**

ⓘ Start presenting to display the poll results on this slide.

## REVIEW AND ENHANCE YOUR BUSINESS

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Renovating or enhancing your business to optimise its value regardless of what business stage you are in.

Now with a view of the market statistics what could you do to generate more return from your business?

***Activity – 15 minutes then report back***

What **services** could you enhance or introduce?

Are you better to **purchase** clients or **grow organically**?

What are you doing with **low value or non-profitable clients**?

How do you rejuvenate your book with **new clients**?





## PRICING YOUR ADVICE – ENSURING PROFITABILITY

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One of the key ways to drive your profitability is to know your **cost to service** and to **set your pricing**.

This is an **essential process** that **needs to be revisited regularly** and is often done in stages.

The **key obstacle** to increasing clients' fees is normally **the adviser and not the client**.

Many who have agreed on their pricing find it difficult to transition existing clients and still have various unprofitable legacy clients in their business.

Some find starting with new clients help build the confidence...

Some believe that justifying ongoing review/progress year on year can be hard...

**The key is to get started and enhance your positioning, confidence, value proposition as you progress. START.**

## TABLE DISCUSSION

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Objection handling: **What's in your head?** vs **What did your clients tell you?**

How will you **position** the fee review?

How do you **justify (tangible and intangible) values?**

What is the **experience** of those at the table who has done this?

What do you **currently** charge? Where do you think it **should be?**

What is your **potential revenue** increase from this exercise? What is your **potential loss?**

# VALUE VS PRICE

## Value of an Adviser – Russell Investments



WHAT IS THE POTENTIAL CUMULATIVE VALUE OF THE VARIOUS SERVICES OFFERED BY A TYPICAL ADVISER?



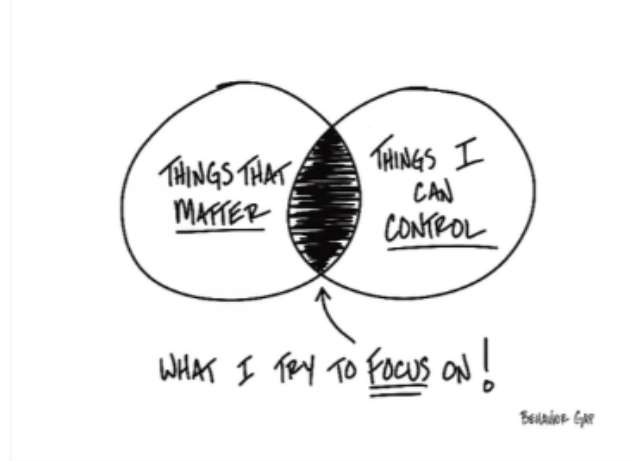
= at least **5.8%** - the value of your advice in 2022

- A** Appropriate asset allocation
- +
- B** Behavioural coaching
- +
- C** Cash optimisation
- +
- E** Expertise in additional wealth management services
- +
- T** Tax-effective investing and planning



A new horizon for the value of financial advice

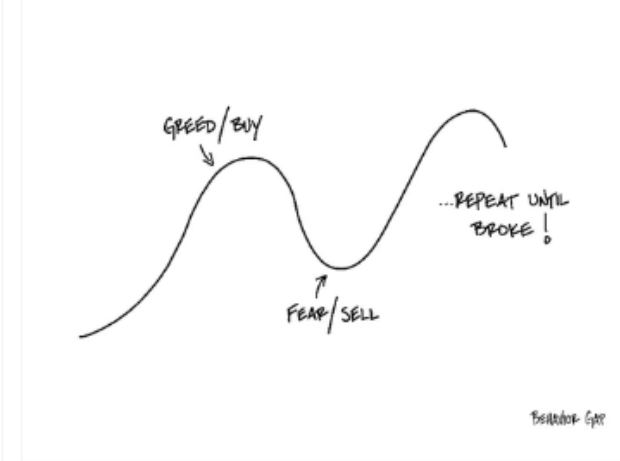
# ILLUSTRATING ADVICE



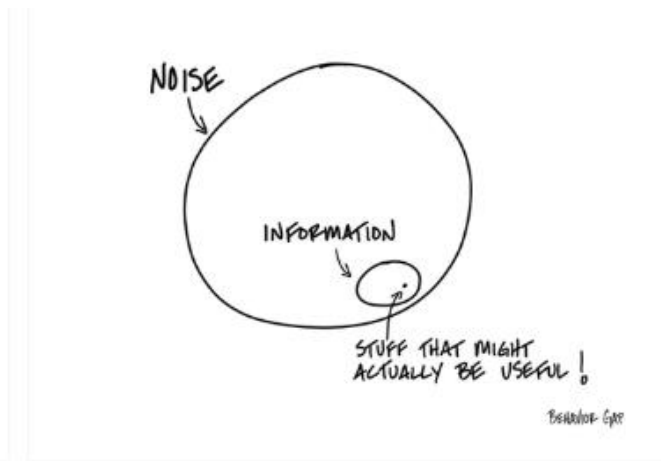
Focus  
\$100.00 USD



Between You and The Big Mistake  
\$100.00 USD



Fear and Greed  
\$100.00 USD



Noise Info Wisdom  
\$100.00 USD



Plans and Guesses  
\$100.00 USD



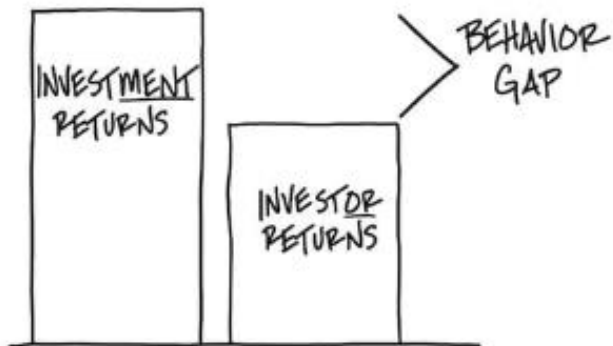
# ACTION ITEMS

What **changes** do you need to make to your pricing?

Identify **next steps**?

What is your **timeframe**?

What **support tools** do you need, documentation, scripts, client communications?



Behavior Gap

Behavior Gap



Credit to *Visionary Design Partners Helsinki*

CENTREPOINT  
ALLIANCE

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**THANK YOU**



# POLLING QUESTIONS POST TABLE DISCUSSIONS

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**POLL Q 1: What areas of your business do you need to renovate/enhance most?**

Your Financials | Your Clients | Your People | Your Processes

**POLL Q 2: How do you plan to grow your profitability in the next 12 months ?**

**(pick your immediate priority)**

Purchase more clients | Introduce a new adviser | Reduce costs | Introduce new services | Increase pricing

**POLL Q 3: What additional services do you think your clients or prospective clients would value?**

**(Tick top 3):**

Estate Planning | Lending Services | Accounting | Cashflow Coaching | Lifestyle/Retirement Coaching | Business Coaching

**POLL Q 4: What's the most important change required to your current client base:**

Need more ideal clients | Need more profitable clients | Provide more services to help holistically | I'm relatively happy | I need to be more aware of my client metrics