



## Media Release

# Future Value of Financial Planning Practices Continues to Concern Owners

**Friday August 30, 2013.** Seaview Consulting Directors Bob Neill and David Fotheringham have confirmed that the impact of FoFA and the release of numerous reports and findings over the past six months is the source of a growing number of enquiries they are receiving by financial planning practice owners seeking to understand the impact on the value of their most valuable asset, their business.

“It is my view that in the short term the trend for values will continue to be down across the board. It is important to understand that value is a measure at a point of time and it is based on a view of what is going to be delivered in the future,” said Bob Neill.

“The more certain the outcome, in other words, the lower the risk, then the greater the price someone may be willing to pay for the future results. Inversely the less certain or greater the risk then the less someone will pay. This is a fundamental that simply does not change and should be kept in mind when determining what the impacts of change are going to be”.

Both Neill and Fotheringham are of the view that the industry is in a period of quite significant and unprecedented uncertainty about what the future holds for financial planning businesses; and although there are a raft of changes being proposed, some will come to fruition, some will not and almost certainly some new ones will emerge over the next couple of years.

This creates a landscape which warrants practice owners to take great care in setting their business direction.

Seaview Consulting expects to see more certainty emerge over time and this will continue to influence values in the medium term.

David Fotheringham added, “I am highly positive of long term values of financial planning businesses with a couple of provisos. They will have to be businesses which are positioned to deal with change and have an efficient operational framework in place”.

“Furthermore, the financial practices will need to have control over their revenue sources, a robust client value proposition and engagement model together with a strong governance culture and be economically strong”.

“If the above description sounds just like a good business regardless of the industry or profession you are right. They are sound business principles which some business owners have ignored and been carried along on past values the industry sector delivered in the past”.

In particular, Seaview Consulting has observed a ‘polarisation’ of values with the ‘strong’ business as described above attracting good prices matched to reasonable liquidity whilst the ‘poor’ businesses languish behind.

Some of the short term decline in value will be driven in part by an outstripping of supply over demand, quite the reverse from what the industry has experienced over the past six or seven years. A large part

of this supply will come from practice owners choosing to put their businesses on the market rather than to go through the changes required to be effective in a new regime.

It will also come from business owners looking to rationalise their client base and to sell off the section that does not fit their target client profile.

What then should the financial planning business owner do over the next year or so to maximise value?

It is Seaview Consulting's opinion that it is critical that time is invested in setting very clear and specific strategic plans with an implementation timetable.

The successful business will be one that sets and executes its direction most effectively in a period of change. Running the business with adherence to sound business principles sounds straightforward but it does not happen by chance so the reporting and management regime must be vigorous and appropriate skills applied to its execution.

Ensuring that the service offering is appropriate and effectively delivered will be crucial in an environment where clients are given a range of choice hitherto unseen in the financial advice industry.

Above all maintain a focus on profitable growth, repeatable systems, and sound management. If practice owners do this effectively they will reap the maximum reward in what will be a vibrant industry in the future.

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