

# news*opinion*

## A DECLARATION of independence

Written by Andrew Varlamos, Powerwrap chief executive



**T**he conventional wisdom in mainstream media reports on the changes taking place in our industry, especially the impact of the Future of Financial Advice (FOFA) reforms, is that they will inevitably lead to a decline in the viability of independent advice, with a consequent increased concentration of advisers under the influence of the major banks. Fortunately, this defeatist view is wrong: it both underestimates the strength of feeling of clients on independence and the ability of new entrants to assist advisers to give clients what they want.

First, the FOFA reforms are merely legislating a deeper shift gaining momentum in the market. That is, clients increasingly understand the central importance of the advice they receive being untainted by the temptations of any conflicts of interest.

*We see a flourishing and growing independent adviser sector as inevitable. Clients want independent advice.*

Yes, you can have trusted relationships even where clients understand these conflicts exist, but the more advisers are able to emphasise their independence, the easier it is for them to build and maintain trusted relationships. Perceptions really do matter.

### **Independence is not black and white**

Most people would agree there is no black and white definition of independence; that there are graduations of independence. The less the adviser needs to rely on the support and services of the subsidiaries of a big bank to run his business, the less scope there is for the bank to use those touch

points to seek to influence the adviser to recommend its products and solutions. That influence might be overt or subtle, but however you describe it, what really matters is the client's perception of it.

Those who argue the FOFA reforms will cripple the independent adviser sector must be saying it's too hard and too expensive for most advisers to assert their independence. Perhaps that has traditionally been the case; certainly many advisers we meet with talk of the cost and hassle in obtaining and maintaining their own licence. But, equally, others argue it is manageable and, indeed, an inevitable destination for all independent-minded advisers.

### **Choice matters**

Surely this debate misses the point. In dynamic economies, where there's demand, supply soon follows. It is inevitable that many more suppliers will emerge to offer lower-priced products and services to assist advisers seeking to become more independent.

There are now several wrap platforms offering advisers greater flexibility and control in how they wish to use the platform to run their business. Such platforms have listened to advisers and are offering much wider choice, not just of fund and model managers, but also offering a number of different providers of cash accounts, term deposits and insurance. These independent platforms are 'open', and add weight to the value proposition of the independent adviser. By contrast, do clients receive a mixed message being placed by an independent adviser into the platform of a major bank?

What all of these suppliers will have in common is that they will vigorously proclaim their independence as a means

of helping the adviser to demonstrate their own independence to clients. As I said, for advisers to be independent, it doesn't mean every service they use must be provided by someone

*Those who argue the FOFA reforms will cripple the independent adviser sector must be saying it's too hard and too expensive for most advisers to assert their independence.*

independent, but the less they rely on a big bank, the more consistent and clear their value proposition.

### **Independents will thrive**

Rather than FOFA triggering an inevitable squeezing of a beleaguered independent adviser sector, enabling the banks to go on an uncontested buying spree, we predict the opposite. That is, growing numbers of successful and fulfilled independent advisers building and maintaining trusted relationships with their clients, supported by a vibrant and competitive ecosystem of independent service providers. And if in the short term the major banks do continue to buy advisory firms, they aren't necessarily buying the adviser. Certainly, they can't buy the client – no-one can.

We see a flourishing and growing independent adviser sector as inevitable. Clients want independent advice. The more vigorously advisers demand and then use independent, flexible solutions, the sooner they will be supported with an even greater range of options to help them in their efforts to maintain and enhance their independence. By supporting each other, we independents, and our clients, will prosper. «