

Growing a practice with



Profile's Phillip Win (left) and Garry Ohlsen.

Transitioning to fee for service is the shadow hanging over the heads of many practice principals, although they may take some comfort from the experience of west Sydney-based independent financial planning practice Profile Financial Services, writes CAROLINE MUNRO.

It's been a tough slog for financial planners over the last 18 months or more, and perhaps more so for smaller, non-institutionally aligned practices. However, Profile has actually seen growth over this difficult period and has recently opened a practice in the centre of Sydney.

Managing director Garry Ohlsen believes that professionalism is key to a well-run business,

and that any good business will expand in tough times. However, he also believes that financial planning practices will only be truly professional if they move away from commissions.

"How can you be a professional body if you're going to be commission-based?" he asked. "Moving to fee for service is the only way you're going to get professionalism."

Ohlsen started his career in the financial serv-

ices industry in 1977 with AMP and became a Hillross planner in 1989. He left in 2002 to set up his own fee for service practice under his own Australian Financial Services Licence.

His junior partner, Brett Davidson, later emigrated to the UK, where he provides training and consultancy services to advisers looking to transition away from commissions.

"Now I understand Brett is rated as one of the 20 most influential people in the financial planning industry in the UK," said Ohlsen. "He took what we did at Profile and its fee-based model to the UK, and he is very instrumental in showing practices in the UK the reason why they should go to a fee-based model."

The transition of Profile to a true fee-for-service practice did not happen overnight, and

ethics in mind

involved extensive communication with clients. Profile director and senior financial planner, Phillip Win CFP®, said the key issue is articulating value to the client.

"If you can't articulate what it is that is being paid for, then there's nowhere to hide," said Win. "That's the thing with fee for service, it's very transparent. Our clients can see the money coming out of their bank account every month – it's not hidden, or wrapped up or bundled into any particular product."

Win said remuneration is not a difficult thing for clients to understand, and that it is not difficult for the planner to clearly disclose fees.

"The product provider charges a fee, the fund manager charges a fee, and the adviser charges a fee – there are only three fees," said Win. "It's rather frustrating when I read other plans and I can't understand the fees, and we're professional advisers in the industry!"

"I think our fee disclosure is very clear, to the point that it sometimes becomes an issue because the client actually knows what they are paying and they try to compare apples and oranges with another financial planning practice."

Win started out as a paraplanner in 1996 at a practice in Canberra, and he has always worked for fee-based practices. When he did join a commission-based practice, his job was to transition clients from commissions to fee for service. Profile later acquired that practice when Ohlsen realised they were well aligned. Although he was only looking to acquire the accounting arm, he realised that the clientele and Win would be a good fit.

Ohlsen was at that stage implementing a succession plan, which fell apart when the person he had in mind as his successor moved overseas.

"My succession plan went down the drain and I had to start over again," he said. "But I could see in Phil the future, which was really important to me. Many people in my generation are looking to sell their businesses, but

Profile is not for sale at any price. Our industry looks to constantly take money out – I could go and sell this practice tomorrow on the open market, with a number of people wanting to pay a lot more, but I've got a genuine succession plan in place."

Back in 2000 when Ohlsen wanted to leave AMP, he was caught up in a legal battle to keep his client book.

"When Garry left Hillross, there was a huge fight to be independently owned, and you don't go through that and then give it up by selling your practice to an institution," said Win.

have any weak links. A financial planner has to do a range of things, and those sorts of people get shown up very easily. We've been unsuccessful in hiring already-trained financial planners so we've chosen to go organic – it's a slower path, but it's a more sustainable path."

Win said there have also been issues with the fact that many do not have what Profile considers are the minimum entry requirements for the profession.

"In an effort to increase the number of planners, there can be a potential conflict with the larger institutions in that they actually

"Moving to fee for service is the only way you're going to get professionalism"

– Garry Ohlsen

Profile has seen growth despite the ravages of the global financial crisis and Ohlsen is of the opinion that the key to success in managing a practice is putting good systems and processes in place, and taking on the right people.

Profile prefers to develop financial planners from within, as Ohlsen and Win believe the training base of many financial advisers currently in the marketplace is out of the institutions.

"A lot of planners are actually fed their business through the distribution network and many do not have the ability to actually go out there and get their own clients," said Win. "They want to get paid the great salaries that they have become accustomed to in our industry, for really sitting in the office and waiting for someone to put clients in the reception area for them to see.

"With a small business, you can't afford to

reduce the education standards in order to get more people qualified," said Win. "That's a conflict that the industry faces, between becoming a professional industry versus actually reducing education standards in order to get more people to sell. The industry needs to make a decision as to whether it actually needs to advise the public – that happens over time as people are educated correctly – or fast-track and reduce standards so that we can have more people."

Ohlsen agreed that the industry needs to raise the bar on education requirements.

"Profile looks at itself as a long-term business, and in order to achieve that you have to do a lot of things to be successful. Firstly, people are your greatest asset," he said.

He asserted that Profile's expansion is due to the calibre of people he took on board.

"If you employ really good people, the

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capacity to do work at a higher level with good systems increases," he said. "That's why some of the calls we have made for our clients have been so strong, why we reduced our exposure to the equities market over two years ago, and why we got into bonds when we did."

"So when the industry is doing it a bit tougher, we are now ready to expand. Good businesses will always expand in tough times, and that's the space we're in. And we need to grow in order to provide better and better offerings to our clients."

The company has grown from two planners to five, and two of their protégés, who have been working as understudies, are ready to take on more significant roles.

The company invests a great deal of time in growing people internally and sometimes that has its risks. Win said one of those they had trained left in search of more money, but soon returned because he was unhappy with the way the new company operated.

"They were commission-based and he lasted three months because of the ethics involved," said Ohlsen. "I can tell people what's happening elsewhere in the industry, but unless they go and experience it they don't know."

"And he's a great advocate because he's been to hell and back," added Win.

Ohlsen will retire in a few years' time and his ambition is to leave behind a legacy for the industry.

"I hope I'll leave this industry in a better place than when I joined it," he said. "It's really important to me that the Australian public deserve a fair go – the industry's not giving them a fair go at the moment."

"I want to leave something for this industry that will put it in a better position. The people that I employ will carry that on and will build it into a better and much bigger company in the future, but I will be proud to say I started it. We're going to grow and we're going to prove that we can be a big player by doing it ethically." ♦

PROFILE SUPPORTS MENTAL AWARENESS INITIATIVE



The global financial crisis has left in its wake a large number of financial planning professionals feeling stressed and depressed.

Profile Financial Services is a sponsor of a mental awareness initiative run by Soka Gakkai International Australia, an organisation that is based on Buddhist practice.

Managing director Garry Ohlsen believes passionately in the work undertaken by the organisation in opening the dialogue for those suffering from depression.

"It is a serious issue in our community that can touch anyone's life," said Ohlsen. "We have been in the worst financial time that the world has ever seen since the Great Depression, in terms of the magnitude of the fall-out. It has impacted on many people in different ways."

Profile director and senior planner Phillip Win said while clients who have experienced losses over the last year may be feeling down and depressed, it reverberates with the planner.

"A lot of advisers have felt very lonely," he said. "No adviser tries to lose their clients' money and they actually carry that burden themselves. It's not one person, it's your whole client base and some people have thousands of clients. That's pretty heavy."

Win said that many people feel they can only open up and express their feelings when

someone else has taken the initiative, which is why it is often so important for someone to provide a platform. And Soka Gakkai has done just that.

Soka Gakkai has hosted a number of exhibitions in conjunction with Beyond Blue, the national depression initiative, whereby members of the community can access information and listen to the views of panellists from various fields, including the psychological and psychiatric fields. The exhibitions also provide a platform for those suffering from depression.

"Through dialogue, people start to recognise that they are not isolated and that there are other people who are experiencing similar issues," said general director of Soka Gakkai International Australia, Greg Johns. "Through that dialogue they also recognise that there is a need for them to encourage others."

Johns suffered depression before joining Soka Gakkai and came to understand how it was affecting those around him. But the issue really became a burning concern when he realised that many in the general community were also suffering.

"Studies state that 30 per cent of people are suffering from depression and about 60 per cent are affected, but that is actually conservative," said Johns. "It comes on at different times in people's lives, and they have different experiences, but the reality is that people are affected and, although some people want to see it as a disease, that stigmatises it. We wanted to open the dialogue to actually normalise it."

For more information on Soka Gakkai International Australia and the work they do around mental awareness, visit their website at www.sgiaust.org.au or contact the organisation on 02 9763 2283 to find out the details of their next exhibition.