

Enhancing Your Practice Value - Incorporate Personal Financial Advisory Services

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Increasingly, there has been talk that accountants should incorporate personal financial advisory services (encompassing the areas of investment planning, risk management & insurance planning, mortgage & liability planning, estate & tax planning, retirement planning & any other wealth management matters) to enhance the value they create for their clients in this era of fierce competition and changing business environment. The issue is whether it is worth their while to venture into this new arena amidst their busy and tight statutory deadlines.

While few would dispute that the accounting industry is mature, the wealth management industry is still in its infancy stage compared to its peers in U.K. and U.S. where financial planners integrate the various financial instruments seamlessly to meet individuals' needs. In Singapore, the growth would be driven primarily by demographics in view that at least 20% of Singaporeans will be over 65 years of age in 2030 as compared to 6% - 7% today. Coupled with rising life expectancy, there would be a greater need to better plan and optimise the use of our limited resources for retirement.

In particular, there are growing segments of the market that remain untapped. For example, in the area of investment advisory, there is a greater need for on-going investment advisory as the traditional ad-hoc advisory is inappropriate in rapidly changing market conditions. What is relevant today may not be appropriate in the future and thus we must adapt and adjust our investments according to the prevailing economic trends. As investment advisors, we are able to charge an on-going advisory fee based on the gathered assets. This income is not only recurring but layered as it increases with the amount of assets gathered.

Accountants can also incorporate financial advisory services via a cost-driven approach. They can help companies to create substantial savings on the premiums for the Company Group and Term Insurance by offering an array of choices to them. The same strategy can also be applied in the area of mortgage or commercial loans where accountants can advise their clients to refinance their loans to lower their interest expense. These are lucrative areas where accountants have an edge over other players in the financial

sector as they are often asked to generate cost savings for their clients. Accountants can also leverage on the trust that is built up over the years on these areas where they and their clients can benefit from.



Finally, the regulations also favour the accountants as two modules of regulatory examinations are exempted for Certified Public Accountants. This gives accountants a head-start over the competition and enables them to focus more on the revenue generation process.

So how do you get started? We would suggest accountants start off as introducers to financial advisory firms as this does not require them to clear any regulatory exams. Typically, the indicative fee sharing is between 10% to 20% of fees and commissions earned in the first of year of introduction. The accountants can immediately benefit from it when deals are concluded between their clients and the financial advisory firm. More importantly, you gain confidence in the process before venturing further into this area without much commitment of time and effort.

Should you wish to venture further to get a bigger cut of the pie, you would need to obtain the relevant MAS CMFAS qualifications and be licensed as a Financial Advisor Representative. Next, an accountant can kick-start this process by working with an experienced advisor who would guide them on the right path. Based on our experience, we would advise accountants to set up a dedicated financial advisory division within their practice to focus on this area of business. This is important as you would probably be occupied meeting statutory deadlines and would be unable to direct your attention to this growing pie. You would have to assign an individual to solely focus on this area and you should align that individual's interests by giving stakes in the concluded deals.

Finally, an accountant can set up his own financial advisory firm after they have accumulated sufficient years of experience in this business. That should be a long-term goal as it requires a paid-up capital of \$150,000 and much of your time and effort.

Based on the experience in the West, the tide towards this synthesis is irreversible and it would certainly be profitable to incorporate financial advisory services within your practice in your quest towards your next pots of gold.

Table 1 shows an illustration of the potential income stream (some are recurring in nature) an accountant could expect based on the types of wealth management services one engages in over time. The assumptions used are conservative in nature:

This is the second in a series of articles on financial plannings.

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Table 1: Your Possible Pot of Gold

Types of Wealth Management Services	Year				
	1	2	3	4	5
Investment (Advisory Account)					
(Assume a wrap account of \$200K per quarter)	\$3,750	\$9,750	\$15,750	\$21,750	\$27,750
Whole Life Insurance					
(Assume a whole life case of \$3K is closed per quarter)					
First Year (50%) – \$3,000 x 4 x 50%	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000
2nd Year (25%) – \$3,000 x 4 x 25%		\$3,000	\$3,000	\$3,000	\$3,000
3rd Year (25%) – \$3,000 x 4 x 25%			\$3,000	\$3,000	\$3,000
Group Insurance					
(Assume \$5K Premium case per quarter)	\$1,800	\$3,600	\$5,400	\$7,200	\$9,000
First Year Commission = \$5,000 x 4 x 15% x 60%					
Mortgage Loan Referrals					
(Assume \$500K mortgage loan referral per quarter)	\$1,800	\$1,800	\$1,800	\$1,800	\$1,800
Annual Referral Fees = \$500,000 x 0.15% x 60%					
Total	\$13,350	\$24,150	\$34,950	\$42,750	\$50,550