

Prestwood Planning Tips



Beauchamp House, Prestwood, Stourbridge, West Midlands DY7 5AF; Tel: 01384 872137; Fax: 01384 872318

Key Points:

- Decide, in principle, to become fee-based as from a specific date.
- Decide your target annual turnover.
- Decide your target maximum number of clients.
- Divide your target turnover by your target number of clients, thereby identifying your target average turnover per client.
- Consider the various fee options available (e.g. a flat fee per client per year, an investment linked fee, time based fees, monthly or annual retainer plus one or more of the others, any combination of the above).
- Consider what your market will bear and whether you will need to upgrade your qualifications and/or your service to justify what you will be seeking to charge.
- Remember – commission offsets may reduce or eliminate many fees.
- Decide whether to apply your new terms of business initially to new clients only or to all clients. Accept that you may lose some of your existing clients.
- Take account of FSA consultation paper CP121 and decide if its and your proposals would be in conflict.
- Keep time sheets and/or whatever records will be necessary to enable you to review your chosen basis.

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Prestwood Planning Tips
(a free service)**

How to move to ‘fee-based’

Some of the reasons why you should consider becoming a fee-based Financial Planner:-

- Clients may perceive it as more appropriate for a ‘professional’.
- It may soon be an FSA requirement for independent advisers.
- It would enable you to be paid for all the work you do for clients.
- Any perception of commission bias would be reduced or eliminated.
- Fee-based clients make cash flow problems a thing of the past.
- Commission claw-backs would no longer be a threat.
- Fee-based does not mean ‘fee-only’. Commission could still be received and offset.
- An established business with ongoing regular income should attract a higher sale value.

Will clients be willing to pay?

Provided clients in your target market can afford your proposed charges they will probably be willing to accept new terms of business if they are convinced they will receive significant added value.

The key point must be to differentiate your service by its quality, breadth and depth and to communicate clearly the benefits to clients. Almost certainly, a comprehensive financial planning service will be appropriate and Prestwood software, systems and training are available to help you. These are major resources, developed over many years, and should be used to your advantage.

If you select a time linked fee basis, should support staff be charged out separately?

Logically, ‘yes’. Staff should be ‘profit centres’, not ‘cost centres’. Build a strong team who deliver superb service at a lower cost to clients than your own charges and eventually your business may not be dependent upon your continued involvement. When you are ready to retire, someone may be pleased to buy it and continue to provide your service. A ‘win/win’ situation for you and your clients.

What fees would you have had to have charged in the past to equal your commission earnings?

Time spent in researching the answer to this question may help build your confidence, especially when expressed as an average per client per year. Expressed as a monthly fee may be even less frightening.

What about clients who will not accept new terms of business?

There’s no easy answer to this. You may be prepared to make an exception for a few special clients but, if you are serious about restructuring your business, you must come to terms with the possibility that a number of clients may leave you. Prestwood’s experience has been that the best clients stay. Decide whether what you are considering is what you really want to do. Is there a viable alternative consistent with your objectives and ambitions? There may not be. In which case....

Let Prestwood help you:

Benefit from Prestwood’s 18 years’ experience of fee-based financial planning by attending a ‘*Managing the transition to fees*’ seminar (Click on ‘Events’ on web www.prestwood-group.co.uk).

Topics you would like covered in ‘Planning Tips’ should be emailed to prestwood@dial.pipex.com.

Paul Etheridge, MBE, TD, MBA, FIFP, FCII, CFP (Certified Financial Planner & Chartered Insurance Practitioner)

Prestwood Software & Systems – probably the best available for serious Financial Planners