

## PRACTICE MANAGEMENT

# Straight to the source

Outsourced paraplanning is catching on as advisers seek to clear their desks of paperwork, but experts warn you need to get the arrangements right

STORY Stefanie Garber

**ADVISERS TEND** to describe themselves as 'people-people', for this type of professional, labouring over admin tasks is a missed opportunity to be face-to-face with a client. But if hiring an additional staff member to deal with paraplanning seems impractical, outsourcing could be an ideal solution.

While outsourcing suffers from associations with poor customer service and offshore call centres, the sector has become more sophisticated in recent years. According to business consultant Kim Payne from SRok Consulting, almost any task can be outsourced.

"You can get them to not only write the strategy but they can do the research, they can do the modelling, they can obviously put together the templates, the statement of advice and ... product comparison," she says.

"They can do pretty much most of the activities that you want."

With such a broad scope, practices can choose to contract out as much, or as little, of their back office as necessary. However, Ms Payne suggests, advisers need to be aware of the challenges and get their arrangements right from the start.

## Why outsource?

While outsourcing is still seen as unconventional, many financial planning practices have embraced the model. Ambleside Wealth Advisers were early adopters, first using outside providers in 2006, according to general manager Danielle Carey.

In her experience, outsourced paraplanning has saved the company a substantial outlay.

"As a business, the financial benefit was quite big," she says. "There was no labour overhead, no bums on seats, no IT costs. Plus it's a user pays system. If we have peaks and troughs of Statements of Advice (SOAs), we pay per SOA."

A further benefit, in Ms Carey's eyes, is that the model frees up staff to focus on income-producing and client-facing activities.

"For us, clients didn't perceive value in that SOA document, even if it's a compliance requirement, so we decided to outsource it," she says. "Then we can have our staff focusing on that client relationship."

This can be particularly important for rookie advisers, who often join practices as paraplanners, Ms Payne suggests. Under an in-house model, these newcomers usually end up focusing on admin and missing out on valuable client training. "If you really want to use these people in the capacity you recruited them for in the beginning, outsourcing your paraplanning and the peripheral activity could actually be the best strategy," she says.

Cath Sharples-Rushbrooke, consultant at Practice Support and founder of the Paraplanning Network Australia, says outsourced paraplanners are often highly professional and approach their work with a "different mentality" from in-house staff.

"A lot of outsourcers are quite experienced paraplanners," she says. "They have their own business and the adviser becomes their client, so it's in their interests to service their client as effectively and efficiently as possible."

In addition, outsourcers often have wide breadth of knowledge, gleaned from working with different companies across a range of strategies, Ms Payne suggests.

"They see so many varieties of what they're doing that they can also come up with new ideas you may not have thought about," she says.

Using an outside service also gives practices greater flexibility to meet changing demand. Ms Sharples-Rushbrooke says. When a business is starting out or experiencing an influx of new clients, it might need extra help without committing to a full-time staff member.

However, advisers need to keep in mind that outsourcing means giving up an element of control, Ms Payne adds.

"Some advisers feel more comfortable when they're at least delegating in-house because someone is sitting there next to them and they can keep an eye on them," she says.

"Sometimes they feel like they can't control [an outsourcer], which is why some advisers keep that function in-house."

Ms Carey has also found outsourcing can involve an extended adjustment period where documents may need reworking.

"At the beginning of a

relationship, they probably need to be tweaked until both parties are on the same page," she says.

## Finding good help

Before choosing a paraplanning partner, advisers should consider the type of assistance they require.

"When you're looking at outsourcing, it's about asking what are some of the activities that you're not doing that you need to be doing," Ms Payne says. "The other thing is looking at all of the activities that surround giving advice and getting it documented."

Once advisers have established what to outsource, the question becomes who - and where. While overseas companies tend to offer low cost services, Ms Payne suggests advisers think carefully before going down this path.

"It's really common at the moment for financial planners to look at areas like the Philippines particularly, because culturally they are more aligned to the Australian way" she said.

"However, with something like paraplanning where there is the additional technical competency required, I find outsourcing domestically has been more successful to date."

Although most offshore services offer high standards of training and education, Ms Payne believes staff often lack the expertise and day-to-day experience required for technical tasks. She also warns cultural barriers may mean overseas workers are less likely to take the initiative when problems arise.

In Ms Carey's business, office administration is outsourced offshore but paraplanning is outsourced domestically. In her view, the most important factor in choosing a paraplanner is whether their specialities align with yours.

"It's important they are across strategy knowledge and it's probably beneficial to have someone who knows your license standards quite well," she says.

Ms Payne agrees, suggesting the best providers are interested in understanding financial strategies rather than just being



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"order-takers". She also prefers services with clearly articulated procedures and templates.

Another consideration is whether the adviser's expectations regarding timing and flexibility can be met by the provider, suggests Ms Sharples-Rushbrooke.

"Some outsourcers have very strict procedures that the practice needs to follow whereas others are quite flexible and will create a process that works for the practice," she says.

In her view, the most helpful approach may be asking for a personal recommendation from an adviser with an existing arrangement.

## Managing your provider

If financial advice is a "relationship business", this holds true of the adviser's relationship with their outsourcers as well as their clients, Ms Carey believes.

"Make sure you trust the people you work with and build a relationship that makes them an extension of the team, not someone you forward an internet request to or an email every now and then," she says.

"The reason we have stayed with one company is they know our license standards and they know our business so well that they actually question us."

After working with third-party services for several years,

her guiding philosophy is to "outsource the task, not the responsibility."

"Ensure your staff is still constantly training, constantly educating themselves and are up to date with the strategy. You still want to give personalised advice and you control that," she says.

Ms Sharples-Rushbrooke recommends taking the time to clearly set out guidelines at the beginning of the partnership, including providing any templates, standard texts, calculators and other tools.

"The two main things are expectation and communication - there needs to be open dialogue between the outsourcer, the

person doing the plan, and the adviser," she says.

Addressing potential issues early leads to better results and less frustration down the track, Ms Payne believes. However, she urges advisers to avoid "wasting time" needlessly reworking SOAs if the document is purely being used for compliance purposes.

Despite the challenges, Ms Payne believes outsourcing is a highly effective strategy for business expansion.

"If you want to grow your business, outsourcing paraplanning can be one of the best things advisers can do, as long as they do it properly," she says. ●