



Death of a salesman

By Larry Schlesinger

In May this year, at the height of the commission changes, NAB Broker's Matt Lawler told a ballroom full of brokers that the industry needed to move away from one based on selling products, to one that "delivers advice".

At the time he said he was not talking about "advice as regulated by the law" but "advice as perceived by your client". By being a trusted advisor, Lawler said, brokers would move away from a focus on 'price' to a focus on 'value'; instead of satisfying what clients wanted, brokers would satisfy what was needed. Being an advisor, he argued, meant taking a long-term view, offering broad advice and service, and considering the future impact of decisions.

Since then, of course, broking conditions have changed considerably and with the announcement in October that ASIC would assume the mantle of industry regulator in the middle of next year, some brokers are, indeed, moving in the direction of advice, as Lawler suggested – or are being encouraged to do so.

A better advisor

Linda Cooper, project manager of Firstfolio's broker-to-advisor program, said the aggregator was putting its full support behind getting brokers "regulation ready". Its broker-to-advisor program encourages members to choose the level at which they wish to diversify, and provides training and support.

"There are products in the program for brokers who want to remain lending specialists, referral-based products and products for those brokers looking to move into the advisor side," she said.

With the focus on brokers taking a "holistic approach to business development", the aggregator has developed bespoke product training with Intellitrain that includes giving the broker the "context of that product sector" so that when a broker talks to an accountant or financial planner they understand the environment their referral partner is operating in.

"It gives you the tools to talk to referral sources," she explained.

Among the eight module online bridging courses being offered by Firstfolio is a commercial lending module to help brokers understand complex financial structures and an ASIC general knowledge module which gives brokers a framework for understanding

'advice versus what is not advice'.

To help with follow-up questions, once a broker completes a module, they have access to an online forum, where they can post questions or experiences and build a network.

"We're piloting self-managed super funds in November to see what the uptake is. If the demand is there, we will look at rolling out."

Firstfolio is also promoting the Property Investors Association of Australia's (PIAA) new property investment advice course.

Once they complete this, brokers receive a Certificate of Real Estate, enabling them to sell investment property and real estate under the supervision of a licensed real estate agent, and, if they complete the full course, offer general and investment advice under PS 146 (with the potential to become licensed financial planners).

Financial planning skills

Some brokers are indeed taking it one step further and moving very firmly in the direction of financial planning.

National Brokers Group co-founder Mandy Kilgore recently completed a Diploma in Financial Services and is in the process of obtaining her Advanced Diploma in Financial Services. Kilgore, who now runs National Mortgages with husband Dave, told *Australian Broker* the impetus to diversify into financial planning came as a result of the brokerage referring clients were seeking financial advice.

"We were passing [on the work] and thought ... why not do it ourselves," she said.

Even more persuasive, Kilgore said, was that when clients heard the brokerage was thinking of branching out into financial advice they said "contact us when you're qualified". Kilgore said when it comes to diversification there is a "real fine line between broking and advice".

"It has been interesting. Lots of clients have made the comment that we are the ones giving financial advice," she said, echoing the sentiment expressed by Lawler to brokers in May.

The result has been the creation of Lomond financial services, a sister company of National Mortgages, which offers risk insurance, superannuation and investment advice.

"Now as part of a mortgage application we visit the client after formal approval and offer them a 'needs analysis' free of charge. They can



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then decide if they want full financial advice," she said.

While some detractors claim it is a lot harder in practice for brokers to move towards a full financial advice model, Kilgore disagrees. "We saw the writing on the wall and have diversified into financial planning – it's the best licence pitch for brokers."

And Kilgore is not alone. Reverse mortgage specialist Craig Swan and North Sydney-based broker Vijay Reddy have both enrolled in the PIAA course with the intention of obtaining property advice accreditation.

Swan sees property advice as an area of opportunity. "Brokers are not entitled to sell or advise on property – it's left a bit of a void because financial planners are reluctant to move into that space too," he said.

Swan intends to complete all modules of the PIAA course and obtain the Diploma in

Financial Services, though he said his intention was not to be all things to all clients.

"You can set yourself up as a planner, a real estate agent or specialist property investment advisor. I'm not sure which road I'll walk down, but I want as many options as possible and will naturally swing into one speciality."

Reddy said he is undertaking the course to "get in at the front end" and will complete all modules. For him, it is not about becoming a real estate agent or advisor, but "getting access to clients at that level".

"I will remain more a broker, but in terms of closeness with the real estate agent ... it will become a more secure relationship."

The course will allow him to "differentiate from the general broker space". "Clients will see I'm an accredited property advisor. It's a tough market. You must do something better than just peddle mortgages."



Craig Swan



Firstfolio CEO Mark Forsyth – spearheading the move from broker to advisor