Building an IFA business? The 5 things you must know

If you're in the process of building your advice business or just starting on the journey, it can be both exciting and a bit daunting at the same time.

To help you, we've set out five key steps and some of the important actions you should be looking to take to help you develop a compelling proposition, acquire new clients and achieve your business objectives.

1. Develop and communicate a persuasive proposition

Consumers usually seek financial advice when they have a problem they need to solve or an aspiration they want to achieve. It might be a simple problem or something more complex, such as understanding whether they can afford to retire.

Either way, they want to understand whether you're the person or organisation to help them. To answer that question, develop and then communicate a clearly defined proposition that will take them from where they are now, to where they want to be. That is, be outcomes focused!

This process should start by creating detailed client personas, including a deep understanding of what motivates your target client and what concerns them. Only after doing that can you start to create a proposition that will resonate with them.

Once you've developed your proposition, it's time to communicate it by explaining the benefits as well as the features. For example, if you offer independent advice, explain how it benefits the client:

- How does your independence help them to solve their problems or achieve their objectives?
- What does it mean you can do for them that a restricted adviser can't?
- How will your independence improve their outcomes?

Key actions

- Develop client personas, including their challenges and aspirations, for each of your target markets.
- Produce a clear proposition showing what you do for your target audience and the benefit of working with you.
- Think about how you, and your team, communicate the proposition to both new prospects and existing clients so that it resonates with them.

2. Get your back-office and regulatory framework sorted

If you're an adviser looking to set up your own business, you'll need to be authorised by the FCA.

If you have sufficient resources and compliance experience, you can consider being directly-authorised, where you will be responsible for all regulatory requirements.

These requirements can be onerous. For example:

- You’re responsible for all the advice given to your clients and ensuring you have suitable liability and professional indemnity insurance.
- You’ll need to fulfil and maintain regulatory mandated capital requirements, which start at around £30,000 in cash and net assets.
- You will also need to enter into commercial agreements with service providers, and agency agreements with providers and platforms.

If that doesn’t sound attractive and you want to spend more time on your client business, there is an alternative; you can be an Appointed Representative of a network.

. As an Appointed Representative of a network, you will have the time and capacity to develop your advice proposition without having to worry about back-office and regulatory functions, which would be managed by your network.

Furthermore, as part of a network, you don’t need to fulfil capital adequacy and professional indemnity requirements as these are managed at network level. Likewise, compliance and regulatory requirements as well as agency agreements will be set up and managed by the network and you will be able to access their broader financial services proposition and support services.

Key actions

- Review your business proposition and the potential regulatory requirements you’ll need to fulfil.
- Also, consider your back-office needs and your own skill sets and capabilities.
- Then decide which regulatory route best suits your business.

3. Build a proven client acquisition strategy

Given the potential long-term return for taking on a new client, marketing is an area that advisers should embrace.

The advisers that successfully market themselves and take advantage of the significant need for financial advice in the marketplace, start by developing a comprehensive marketing strategy that gives their business a clear focus, helps attract new clients and provides a roadmap for future growth. Those advisers also know the value of developing a compelling online presence combined with social proof.

Key actions

- Develop a marketing strategy that defines your targets and appeals to your detailed client personas, which are essential if you’re going to market your business successfully.
- Review your online presence: can potential clients find you easily and will they be impressed by what they see when they do?
- Then, focus on maximising the opportunity for client referrals and only after that consider the other tactics you could use to generate incremental enquiries such as eNewsletters and social media posts.

4. Harness the power of technology and data

Technical innovation is positively impacting the value proposition for clients by creating efficiencies, improving the user experience, and increasing accessibility to access advice.

This has led to changing consumer expectations, especially among the younger ‘digitally-native’ generation that seeks more control, more personalisation, and more transparency in the way they access financial advice.

Furthermore, new regulatory developments, such as Open Banking, are removing many barriers to business, while benefitting consumers. But at the same time, many adviser firms are not evolving at the same rate as the wider advice market.

As consumers, we’re increasingly discerning, with a lower tolerance for poor service and higher expectations. We’re also more impatient than ever before and expect seamless service with information at our fingertips.

Furthermore, with increasing costs and overall margin pressures, financial advisers need to adapt and create efficiencies within their business.

To tick those boxes, you need to harness the power of technology. The reward for doing so is significant, you will differentiate your business, create efficiencies within your operations and turn clients into advocates, which is the key to maximising the referral opportunity, and attracting new clients.

Key actions

- Take a step back and list all the technology you’re currently using in your business. Then spend some time considering whether it’s actually fulfilling the purpose it’s intended to.
- If you don’t already have one, consider giving your clients access to an online portal that allows them to see valuations and communicate securely with you. Not only will this be a valuable extra benefit of working with you, but it’ll create efficiencies too. Once you’ve made your selection, think carefully about how you maximise engagement; it takes consistent communication – one email announcing the launch isn’t enough!
- If you already have a portal, review the number of clients who use it, and how regularly they engage, by reviewing the MI provided by the portal and running a survey of clients. Then, based on the results, run campaigns to improve things where necessary.
- Consider other ways to use technology to drive efficiencies. There will be others, but the obvious example is to continue with remote meetings. Now we’re all used to Zoom and Teams calls, it’s a great way of working more efficiently. Ask your clients, perhaps by using a survey, about their preferences moving forward. You might be surprised by the results!

5. Be adaptable to the changes in working patterns

With the regulatory challenges and advances in technology you’ve read about here, it’s clear that being adaptable and open to changing practices is a prerequisite in the current business world and advice market.

Hopefully, the days of lockdowns and restrictions are behind us, however, there is no doubt though that the impact of the pandemic on working patterns remains.

Research[3] in February 2022 shows that 84% of employees who had to work from home because of the pandemic, planned in future to split their time between working from an office and their home.

That trend will benefit employers who adapt their businesses to accommodate a new way of working. However, those who don't will find recruitment becomes even more challenging, leaving holes in their team and stunting growth.

Key actions

- Look at your client engagement and annual review processes, how can this be undertaken remotely or by using client portals? How can you combine the benefits of face-to-face meetings for relationship building with the efficiencies of remote engagement any automated systems? Studies show that a combination of in-person and remote communication methods build stronger client relationships.
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- Consider too how you will manage the disadvantages of home-working. Despite the undoubted advantages for many employees, there are also drawbacks and risks, which need to be identified and managed. For example, many remote workers report feeling isolated from their colleagues and even lonely. A move to flexible/hybrid working affects every process, from simple things to dealing with the post and answering the phone to more complex issues such as how you manage your data protection obligations. You can learn from your lockdown experiences though, after all, it worked then, why can't it work now?

Helping millions achieve their financial objectives

The work that advisers do is incredibly valuable, giving their clients peace of mind, reassurance and confidence that they can achieve their objectives and that they will be "okay". Take pride that your work has never been more important as millions of people face the challenge of moving from work into retirement.

We have full confidence that advisers will rise to the challenge and continue to provide financial advice to support those people that need it. We hope that this article has been helpful, and we wish you all the best on your business journey!

<u>Sources</u>

1. Octopus Investments
2. Statista – 2020
3. Office for National Statistics