Pricing advice – Valuing the intangibles

To celebrate Financial Planning Week 2022, the FPA (now FAAA), commissioned new research to highlight the quality of life between advised and unadvised Australians. The research found that advised Australians are more likely than non-advised Australians to feel financially secure.
This same research saw the launch of the inaugural Value of Advice (VoA) index. My key takeaway from the VoA was that two of the top 10 key benefits received from a financial planner were improved financial wellbeing and improved general wellbeing (e.g. peace of mind, health and social aspects)[1].

Greater financial security, improved financial wellbeing and general wellbeing; these are powerful benefits! But do we really talk about these benefits enough with our clients? With the cost to produce advice now estimated to be $3,580[2], and the cost of providing ongoing services most certainly higher too; I would argue now is the time to be incorporating these intangibles into discussions with clients. The key to charging higher (but appropriate) fees is recognising the value we Advisers add to clients lives beyond just the numbers.

Retainer: A naughty word?

What if we approached the fee discussion with a 'retainer' in mind. I believe thinking about the services you provide in that way helps shape discussions with clients, in selling your services. There have been many occasions where I have been able to justify my fees in tax saved, uplift in benefit entitlements or helping a client retire early. But once a plan has been formulated, what is stopping the client from taking that plan and trying to implement it themself? Nothing really! But we know circumstances constantly change, and so their plan too must change; the advice must adapt.

I believe there is a place for one off hourly service or advice fees. There have been times when I have employed this type of arrangement for clients where an ongoing service was not appropriate. The problem is these clients only get to experience the tangible benefits of advice (i.e., strategy, fee savings, tax savings etc). Strong, connected client-Adviser relationships require regular conversations and transparency. Can you truly build this type of relationship when charging by the hour? Would your clients even call? It is likely the thought of a $300 phone call, or $5,000 Statement of Advice, would put them off.

Think about your health; if your Doctor was always on standby, would you let concerns go unattended, or would you seek professional opinion immediately? What if it was something sinister? What about legal matters. Many of the decisions we make on a regular basis have legal implications. If you did not have to pay your Lawyer by the hour, would you be more inclined to call them for service or advice. Being on retainer invites conversation, and whether needed or not, will help clients make more informed decisions.

The sleep at night factor.

The Value of Advice Report (2017) by SunSuper, found that financial stress has a considerable effect on people's lives, with health and family relationships being impacted the most[3]. We need to do more to highlight the role we play in reducing stress, easing these pressures. Through good advice and dedication to our clients, we really can change lives for the better. Advised clients can 'sleep at night' knowing much of their financial stress is being appeased by their Adviser.

Financial advice can be valuable, not just financially, but emotionally and behaviourally[4]. It is the latter two where I feel the greatest value lies. Whilst I do not think we need to apply a strict dollar value to these components; it should certainly be factored into the fee Advisers charge. Putting emphasis on the intangibles will help nurture a greater level of conviction in the value you add and the role we as Advisers play in client's lives. We are not Lawyers and we are certainly not Doctors, so why charge like them. Maybe that is the key difference with our profession, that we have more meaningful ongoing relationships with our clients.

[1] Australians who engage a financial planner have a better quality of life: FPA launches inaugural Value of Advice index - Financial Advice Association Australia (faaa.au)

[2] https://www.financialstandard.com.au/news/financial-advice-firms-profits-jumps-research-179801178?utm_medium=email&utm_source=WildebeestNewsletter

[3] 2017 Value of Advice Report, Sunsuper

[4] Value_of_advice.pdf (australianunity.com.au)