

New Model Adviser®

citywire

For professional financial planners

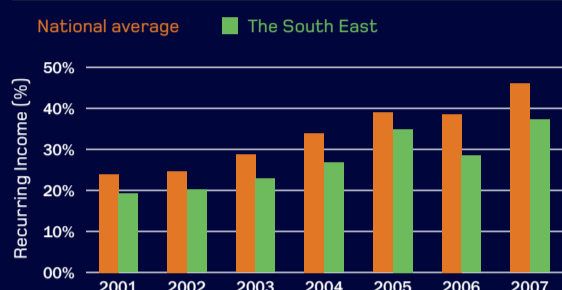
2 February 2009 ■ Issue N° 148

visit us at citywire.co.uk/adviser

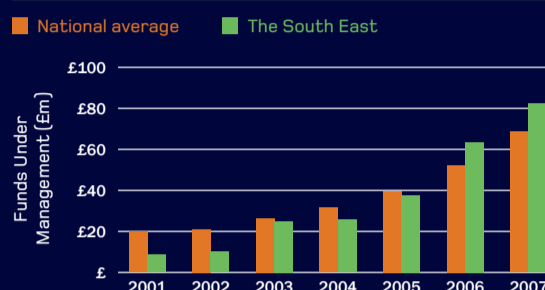
Welcome to your personalised issue of New Model Adviser®

▶ See inside for more....

Compare your % of recurring income



Compare your assets under advice



Gary Allen
Trinity House Financial Planning Limited
87 Vauxhall Walk
Great Hollenden Business Centre
Mill Lane - Underriver
TN15 0SQ

48800



Wired for success

Paul Richardson of Concept Financial Planning plugs into the advantages that technology can offer advisers and takes an upbeat view of his company's progress in 2009

23

Special feature

Bonds away!

UK corporate bond funds have delivered a mixed track record to investors. Is it really the right time to back them once again?

34



Cann crusade

Stop whingeing and seize the opportunity that the downturn presents, says the IFP's Nick Cann

10

Gary,

Bonds are back.

See back cover.

STAR PROFILE

Plugging into the future

Paul Richardson has wasted no time getting Concept Financial Planning in Croydon up and running. In less than two years he has drawn on technology to streamline the delivery of his holistic proposition and is building a reputation through referrals and regular contributions to the media. He sees 2009 as an opportunity for further growth.

Mark Battersby

@citywire.co.uk

▶ At 34 years old Paul Richardson may be one of our younger star profiles but he has clocked up plenty of experience in the financial world prior to launching his company in 2007.

He has harnessed technology to get his business up and running efficiently and on my arrival at his South Croydon base the big flatscreen TV in the office is a prominent feature.

He also uses an iPhone wherever he goes, but more fundamental is his enthusiastic and creative use of IntelliFlo software for the back office that can significantly ease the way the company conducts its business.

While a lot of people buy a property through a pension scheme Richardson highlights the downside of having the responsibility of managing the premises and has plumped for a business park with the technology already cabled in.

Furthermore, as the company grows he says they will not have to move anywhere because there should be opportunities to take vacant space. With more than a touch of forward planning he says one advantage in this scenario is you do not have to change the stationary.

The business park receptionists are all very good too and if the advisers are all out they can divert the phones to reception.

'They answer as Concept Financial Planning and they can text us so we don't have to worry and can focus on the business,' says Richardson.

He says the cost of the office space and its facilities is around £1,000 plus VAT a month which includes the £600 rent.

'It's very easy to analyse what we are spending. Our overheads are not huge and we have a one-month notice period on the agreement so we are not locked in.'

They also have ample parking in contrast to the serviced offices in the heart of Croydon they looked at. 'You can't ask clients to turn up, park on a meter and pay the extortionate amount that Croydon council wants.'

The business park ticks an environmental box too by recycling of all Concept's paper on a daily basis adding another convenient and green minded touch, while it goes without saying that all files are scanned in.

City trader lifestyle

Richardson's home county is Berkshire, where he went to school. He left school in 1992 at the age of 17 to work as a foreign exchange trader in the City with Harlow Butler Udea (now ICAP).

'I used to spot mark the deutschemark against the yen before the euro came in. I was one of the youngest guys on the boards and I lived a lot of dreams. It was hard work but a good grounding and you got paid relatively well. You would sit at your desk at 7am and if you were away by 6pm you were very lucky.'

During this period he bought his first house at the age of 21 in Middlesex, later moving to Surrey and now Orpington in Kent, only 11 miles from the office.

'My future wife convinced me that Orpington was where we were going to live. That's where she grew up.'

Meanwhile, his work as a trader took him to New York and then to Prague but he got to a point where he wanted to reflect on what he wanted to do next. 'I felt enough was enough and I came back and had a look at my career with the intention of doing something slightly different.'

This resulted in a move to Standard Life for which he has high regard and where he says he also received excellent training. He was in IFA sales, predominantly covering pensions but trying to increase the investments side of the business at a time when the group was seeking to raise its profile in this area.

'I had a good career at Standard Life, but I had gone as far as I wanted to go. I said I would never become an IFA, but I love challenges and I love financial services. I thought 'how can we make things different?'

From 2004 to 2007 he worked with a small Surrey IFA but this did not work out. 'It was not the most amicable split. It happened a year-and-a-half ago and it is now done and dusted. It was not the best experience but I learnt from it.'

Clean start

What Richardson wanted to do was to shape a new business which could deliver a different type of experience to clients. With getting on for two decades of financial services experience he could take an informed look at what worked and what did not.

The directly authorised Concept Financial Planning was formed in 2 July 2007 and started life with three people: Richardson, Scott Davis and Doug Fry who all came from the previous company.

It was a clean start with no legacy business and just a handful of clients. 'Choosing the name was probably the hardest thing. Everyone tells you the FSA authorisation is really difficult but we did it ourselves in three weeks. I've got some friends at the FSA and people may look at the FSA as a "big brother" thing but I look at them as a source of help. I've only ever got good things to say about the FSA.'

He owns the business 100% and he injected about £50,000 of his own money to get it up and running.

The business plan is focused on perfecting the client proposition. The decision to use IntelliFlo as the web-based back office system has helped to develop processes for the different stages of the client experience.

Richardson adds: 'It's all about steady growth. Funds under management are massively important. We need to add value for clients with us building relationships with them as financial planners, not engaging in transactional business. I don't take on any clients who do not have an annual review.'

Bespoke charges for clients

There is more flexibility in the way that clients are charged at Concept Financial Planning than at some practices. Richardson even goes so far as to say that 'a lot of the time we may do things and not charge them.'

CONCEPT FINANCIAL PLANNING BUSINESS FIGURES

Year	2007	2008
Employees	3	4
Total no. of clients	150	195
Funds under management	£12 million	£15 million
Recurring income (%)	30	34
Total income	£125,000	£265,000



- 1 Do what you say you are going to do!** There is nothing more frustrating than having an expectation set and being let down.
- 2 Embrace technology.** Use technology to its full potential. We use IntelliFlo and continue to develop it to give real value to our clients and to make our lives easier by automating our processes.
- 3 Do what you do best.** Employ the right people with the right skills and behaviours for your business and develop them to the best of their abilities.
- 4 Focus on your business.** Don't get drowned out by background noise and distractions, we use serviced offices so that we can focus on growing our business.
- 5 Welcome challenges.** Embrace challenges and changes – they will make you a better business person and help identify new opportunities and make your business stronger.

STAR PROFILE



Just because somebody is 22 it does not mean they don't need financial planning. They might need less and they might have different goals they are trying to achieve but they still need it all the way through their life.

CV: Paul Richardson

Career

1992–2000	Harlow Butler Udea (now ICAP) The City – foreign exchange money broker
2004–2004	Standard Life Kingston – account manager
2004–2007	Surrey IFA – director of financial services
2007–present	Concept Financial Planning Ltd – managing director
2008–present	The Pension Advisory Service – consultant (voluntary, part time)

Qualifications

- Certificate in Financial Planning (CII)
- Diploma in Financial Planning (CII)
- Certificate in Regulated Customer Care (IFS)
- Certificate in Supervising in a Regulated Environment (IFS)
- Certificate in Mortgage Advice (CII)
- K20 – Pension Investment Options (CII)
- G60 – Pension Specialised Paper (CII)
- SV1 – Saving and Investment Paper (CII)
- CF6 – Mortgage Advice (CII)
- CF7 – Equity Release (CII)
- CF8 – Long-term care (CII)
- CF9 – Pension Simplification (CII)

Interests

- Family
- Golf
- Reading
- Professional Development



UPBEAT: Richardson is generally positive about the prospects for his business in 2009

The emphasis is on a personal bespoke arrangement with the client where they can pick from different menu options. 'It's fairer for the client. If you charge X amount as a percentage and someone walks in with a million pounds you are going to earn more but you are still going to do the same job for someone with £20,000. So shouldn't the fees be similar?'

He does not charge by the hour, 'because nobody knows whether I work fast or slow, or whether the team works fast or slow.' He normally operates on a fixed fee basis following discussion with the clients about their particular requirements.

The first meeting is 'no obligation, no fee' to see if they can work together. 'If you're trying to build a relationship for the next 25 years you've got to get on.'

At this point he says for some clients they will draw up a proposal setting out the price and the services on offer, while other clients will say that they are happy to engage Concept Financial Planning at the first meeting and they go off and produce the plan.

Where the charges are potentially on a percentage basis, typically for investments, the ongoing cost is 0.5% to 1% depending on the size of the portfolio.

'I have this bugbear with the industry about fees and commission. "I'm fully fees" they say and they put themselves on a different level. Let's call it remuneration. It comes down to what makes good financial planning sense.'

He gives an example here in the context of minimising tax bills with IHT planning. 'Would you want the client to pay the fees from their bank account? Potentially yes because it's reducing the cost.'

The menus are put together in what he has called the 'review advice and administration scheme' which Concept has developed, 'Basically that is our commitment to clients and what they are able to access.'

The idea is that clients can cherry-pick from different service options rather than having to choose the more conventional 'gold, silver or bronze' type packages.

STAR PROFILE

The message is along the line of 'if that's what you want and provided we can do it we will deliver it to you.' The relevant charge is applied and Richardson gives the example that if people want monthly meetings then they can have them.

Financial planning

The type of financial planning Concept offers is inextricably linked into its back office software IntelliFlo which Richardson says 'is a massive part of what we do'.

Although he does not offer lifetime cash flow planning there is a lot of target setting, in other words 'what does x amount per month get you? If that's what you want this is what it's going to cost.' This form of goal setting has been developed with IntelliFlo as an integral part of their system, he says. In the past Concept has used other systems which had to be re-plugged back into IntelliFlo making the process less efficient, whereas the new IntelliFlo system allows them to change the time horizons and risk profiles.

They use psychometric questioning for the risk profiling together with face-to-face testing with clients in terms of where they think they are on the risk spectrum. Tillinghurst Towers provides the asset allocation but these tools do not have the final say. Richardson says the model might come up with 20% to property, which happened recently with a client who was not happy with this level of exposure 'so we took a tactical decision and moved into more cash and gilts.'

The tax planning, protection needs and any other issues are also considered in what Richardson describes as a 'holistic' overview of the client's assets and liabilities.

Who needs a wrap?

He feels no need to have a wrap platform as IntelliFlo is the place where all the information converges. 'We don't have to worry about wraps because it all sits on the IntelliFlo system, including the legacy business,' he says.

When it comes to picking funds, they run an in-house fund selection process to enable them to put together portfolios. Funds they recommend include M&G Global Basics, Neptune Balanced Managed, M&G Fixed Interest/Gilt, Fidelity European, and BlackRock UK Dynamic.

Richardson explains that Davis conducts the investment research, for which they use Financial Express analytics and he looks for positive alpha, first or second-quartile performance over three years and an independent research rating by OBSR or Citywire.

'That gets rid of a lot of funds, but Scott also has regular meetings with fund managers to keep abreast of the situation.'

Funds are then allocated to 10 asset classes including fixed interest, cash and property. Equities are split into UK All Companies, small caps, income, European, American and Far East. Specialist funds such as commodities are allocated to the equities exposure, he adds.

This fund selection process is repeated every month and every quarter they will have a meeting to discuss any funds they are not happy about. 'We've got one at the moment with a fair bit of money in and it's gone onto review. If it keeps going the way it has we will take it off our list and write to clients explaining the alternatives.'

Qualifications and clients

A firm believer that a combination of qualifications and experience makes for a good financial planning practice, Richardson is aiming to embark on a financial planning degree in September and he says Davis is completing his diploma. One of this year's business plan objectives is also to obtain the ISO 22222 which would underline their commitment to clients.

Concept has 195 clients, on average aged 55 (though this hides a wide age range), who come from a variety of occupations such as a master mariners sea captain, a funeral director and accountants. They are drawn mostly from existing client referrals. 'There is no magic wand from a blank sheet where you can go out and get clients. We send out our customer survey and ask them then and get a lot of referral business, says Richardson.



TEAMWORK: (left to right) Scott Davis, financial adviser; Sarah Johnson, PA/paraplanner; Paul Richardson, managing director

Is there any minimum investment? The answer is no and Richardson cites one client who has £10,000 and another who has £1.3 million. 'I think anyone can get financial planning but you've got to pay for it. Just because somebody is 22 it does not mean they don't need financial planning. They might need less and they might have different goals they are trying to achieve but they still need it all the way through their life.'

'If you said you can't take on anyone until they have got a quarter or half a million then you can't help a lot of the market who want financial planning and will pay for it and who can be very good clients.'

The clients are mainly clustered in and around the Surrey and London area with some people in Wales, down to Worthing, West Sussex and as far north as Newcastle.

Routes to market

Other than client referrals, further avenues to market include a column Richardson has started in the *Croydon Life* and *Bromley Life* magazines. Another media exercise which they have recently embarked on is offering client case studies for national papers and to date they have featured in the *Sunday Times*, *The Guardian* and *The Times*. The firm also runs seminars for business owners in the area to give them an idea of financial planning issues in 2009. Invites to this month's seminar went out to the other occupants at the business park, including sole traders, building companies, British Gas, Dyno-Rod, an event company and marketing companies.

Professional connections with solicitors and accountants are bringing in new clients too. Richardson mentions one particular accountancy firm Concept looks after and a number of connections with solicitors in terms of commercial property purchase and also pensions and divorce. Concept also works for other IFAs, providing investment portfolio advice, he adds.

They do try to give a bit back to the community as well. Richardson provides volunteer work for the Pension Advisory Service and in January also gave a talk at a local school to sixth formers potentially going on to university about budget planning. 'The school is very grateful to us for giving the time and we hope to role out the presentation to different schools in the future.'

2009 and beyond

Although he accepts that the current economic conditions make it tough he points to the people who are repelled by what is happening to the banks and who are now considering what financial planners have to offer.

Overall, he thinks 2009 will be a good year for Concept Financial Planning after the first full financial year where they were completely on track with their business plan.

Against a backdrop of interest rates continuing to stay low he intends to stick to the fundamentals, pound-cost averaging and a long-term horizon as key elements in the planning mix.

He reports that some clients have been feeding money into the stockmarket and others who have said they are happy to go in more wholeheartedly now. There are some who also want to move away from cash and believe the market has reached the bottom.

He develops ideas with the rest of the team and says it is key that the business is not just about him. He is also on the look out for more advisers. 'I would be happy with five or six advisers but they have to match the ethos.'

'I'm not looking to take on the world but I am looking for steady growth because that is the only way that good businesses survive through good and bad times. By keeping working, I'm confident the success will be there.' ■



Next issue...

Next week, Wendy Fleming of Fleming McDonald in Aberdeen on why she advises clients to 'fund your passion before your pension'.