

## Profitability is key to success

As the financial world continues to recover, many independent financial advisers identify their greatest challenges as decreasing revenues and the rising costs of running a practice, as well as the effects of compliance and administration on productivity.

According to Ian Middleton, managing director of Masthead, this raises the question of whether advisers are indeed running their businesses at the most efficient – and hence profitable – level.

"Some advisers are clearly running efficient practices," says Middleton. "Those who have sufficiently dealt with the impact of compliance on their time and resources do not consider adherence to regulation as an unmanageable burden."

However, there are advisers who find they need to put in much more effort to achieve the same level of profitability prior to FICA, FALS and other recent regulation. "If this is one of the reasons why the number of financial advisers has declined over the past year, then advisers urgently need to evaluate how they are running their practices," says Middleton.

It takes the right mindset in many instances to begin operating efficiently, he notes. The new thinking requires commitment to change, as well as allocation of time to implement changes in the business.

"Advisers also need to consider a range of strategies to enhance the efficiency of a business," says Middleton. "One of these is the extent to which technology has been embraced and how much has been invested in systems. A good CRM system, for instance, will help meet several compliance requirements, improve long term relationships with clients and reduce time spent on administration."

Other strategies to take into account include regularly checking the relevance of your range of products for your client types and how you take client feedback into account. "By focusing on all the financial and non-financial aspects of the business,

you ultimately address the main underlying issue – profitability."

"To evaluate how well your business is being run, you need to know your exact costs and income, and be able to forecast your revenue going forward," says Middleton. "Month-to-month tracking of this information enables you to quickly identify problem areas, measure results of specific campaigns or plan for future capital expenses. It is easier to more successfully reduce costs and increase income when you manage your financial information."

Once this is done, put steps in place to make changes and improve. "Even where you have skills or knowledge, it is worthwhile to bring in the outside expertise of practice management consultants who can provide an objective view."

"A practice management offering should be built on a holistic approach that is systematically applied, focusing on taking it step by step according to each practice's needs and prioritisation," says Middleton. "It should maximise business opportunities and enhance efficiencies to create and sustain a viable business model."

"Masthead's practice management methodology is unique in that it entrenches value in a business by virtue of three consultants. These are a practice consultant who focuses on business efficiencies, a member consultant who concentrates on sales and distribution, and a compliance officer who looks at risk."

Advisers who implement changes after a practice management intervention have achieved significant results.

To ensure you are running your business optimally, contact a regional Masthead consultant for further information, or visit [www.masthead.co.za](http://www.masthead.co.za)



**Ian Middleton: Check the relevance of your range of products**