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# Financial planners refine strategies for growth

By [Mark Beyer](#)



Justin Gilmour (left) and Peter Toll have established a joint venture that broadens their service offering. Matt Jelonek

**W**ith the financial planning sector going through a historic shake-up, *Business News* looks at how [four](#) Perth groups are positioning themselves.

[Justin Gilmour](#) recalls the occasion he decided to restructure his financial planning business and get his own financial services licence.

“There definitely was a trigger,” [Mr Gilmour](#) told *Business News*.

“It was when we did a compliance review with AMP, which turned into a discussion about why we weren’t using particular products.

“That was the writing on the wall, that was the final clincher.”

Up to that point, about a decade ago, Integro Private Wealth had been licensed through Charter Financial Planning, which was taken over by AMP.

Integro had also operated on the traditional commission-based income model.

As well as obtaining its own financial services licence, Integro shifted to fixed fees and service agreements with clients.

“That’s put us in really good stead for the changes from the [banking] royal commission,” [Mr Gilmour](#) said.

“For the most part, we welcome those changes; I think it has lifted the bar.”

Many other financial planning businesses adopted a similar business model and for the most part it has been business as usual for those firms since the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, which wrapped up in February 2019.

But there were many others who did not see the writing on the wall.

“There were lots of advisers at the banks on inflated salaries and inflated structures that didn’t align with clients,” [Mr Gilmour](#) said. “A lot of the industry was reliant on their dealer groups.

“They ran their own practices, but they were effectively employees of the dealer groups, and were waiting for the dealer group to sort things out.”

The big banks have, for the most part, exited financial planning after the royal commission highlighted the fundamental conflict between being both a ‘product manufacturer’ and an adviser.

[Mr Gilmour](#), whose past achievements included winning a *Business News* 40under40 award, said the process of getting a financial services licence was onerous and time consuming.

However, it had set up his business for the future, providing more flexibility in delivering preferred investment options for high-net-worth clients.

[Mr Gilmour](#) believes another key was building scale, with Integro having a team of 22 people and plans to hire more.

"Since the royal commission, it's [been] very difficult to deliver accurate, timely advice without scale," [Mr Gilmour](#) said.

"The cost of delivering advice has gone up, the cost of compliance has gone up.

"To operate in that environment post-royal commission is pretty difficult for a smaller team."

Integro outsourced some of its administration functions a few years ago – a strategy many firms have considered to boost efficiency and cut costs – but [Mr Gilmour](#) said that wasn't the best approach.

"We pulled it all back in-house, just to make sure the quality is there, and we can control that," he said.

The latest step in Integro's growth journey is a joint venture with accounting firm [BDO](#).

The new venture, which will trade as [BDO Private Wealth \(WA\)](#), is designed to provide a wider range of services to the accounting firm's existing clients.

It builds on a long-running alliance between the two firms, which operate from the same building in Subiaco.

"The idea was to integrate closer, so we could bring in advisers at a moment's notice," [Mr Gilmour](#) said.

"If we had issues in areas like international tax or corporate finance, we were able to bring those to the table as we needed them."

[BDO Perth](#) office managing partner [Peter Toll](#) said the JV would integrate personal and business advice for his clients.

"It's bringing together the footprint of [BDO](#) with the financial capabilities of Integro," [Mr Toll](#) said.

"We don't have the licence or platform to deliver those services."

[Mr Gilmour](#) said his business journey had been helped by a decision two years ago to establish an advisory board, with Sirona Capital founder Matt McNeilly and former EY partner and company director Lui Guilliani.

"It has been really valuable, great for governance and an external sounding board for the business," he said.

"It's something I probably should have done 10 years ago."

Good advice Strategic business advice is one of the major requirements facing many financial planning groups, industry veteran [David Newman](#) believes.

As managing director of [Sentry Group](#), he has repositioned the dealer group in response to the upheaval across the industry.

"It's the biggest structural shift I've ever seen," [Mr Newman](#) said.

This comment is backed up by data from consulting firm Adviser Ratings, which estimates more than 5,000 advisers (20 per cent) have left the industry in recent years.

The decline has been driven by multiple regulatory and structural changes, including the end to 'grandfathering' of commissions, and the exit of the big banks.

Advisers are also required to maintain higher professional standards, including having to pass the Financial Adviser Standards and Ethics Authority (FASEA) exam.

An even bigger hurdle coming up is the requirement for all advisers to hold a relevant bachelor's degree, or equivalent qualification. This is considered a big hurdle for many experienced financial advisers.

Over its 15-year journey, [Sentry Group](#) has experienced first-hand a lot of the changes affecting the industry. At its peak, the dealer group licensed more than 400 advisers at 200 firms across Australia.

Many of these advisers came through its merger with Epic Adviser Solutions in 2008 and its acquisition of Australian Financial Group's financial advisory business in 2009.

Under its new leadership, Sentry has refocused its business operations to suit the current needs of the market.

"Good firms are looking for a licensee who can help them navigate the change," [Mr Newman](#) said.

"Someone who can talk to them, coach them about their goals."

He said a lot of advisers were fatigued by the many regulatory and structural changes.

"We want to work with people who are up for the challenge, ready for a bit of hard work," he said [Mr Newman](#) said he preferred to see Sentry as a professional services firm.

"We're not chasing adviser numbers," he said.

[Mr Newman](#) believes a key task for advisory firms is to define how they can add value for their clients.

"Clients are happy to pay a fee if their adviser can articulate the value," he said.

He acknowledges that Sentry faces the same challenge, in terms of signing up advisory firms.

Its Aspire program provides a package of licensee services at a fixed monthly fee, rather than a share of revenue.

Sentry's targets include smaller firms that have previously operated under the umbrella of the big banks or groups such as AMP and IOOF.

"Unless you are of a reasonable size, it doesn't make sense to be self-licensed," [Mr Newman](#) told *Business News*.

[Mr Newman](#) said Sentry could take a minority stake in advisory firms to facilitate their transition.

Sentry was selected last year as CoreData's Independent Licensee of the Year and was a finalist in the same award this year.

## Past sales

Another Perth business pursuing similar opportunities is Mt Hawthorn-based [PMM Group](#).

Industry veteran [Murray Hills](#), who was founder and chairman of [Sentry Group](#) before leaving early this year, has joined PMM as executive chairman.

He is working with chief executive [Gui De Castro](#), who has ambitious plans for PMM.

Like many financial advisers, [Mr De Castro](#) spent time with one of the big banks before going out on his own. "I was horrified," he said.

"There was no holistic advice, the focus was on selling."

PMM's advisory business has salary-based employees, with no commissions or third-party fees.

[Mr Hills](#) is looking to build that business, which has 10 advisers and six support staff.



[Murray Hills](#) (left) has teamed up with [Gui De Castro](#) to support [PMM Group's](#) growth plans. Photo: David Henry.

More significantly, PMM obtained its own financial services licence last year through subsidiary Badge Financial and is aiming to license other financial planning firms.

"It's rare to have a licensee based in Perth and looking to operate nationally," [Mr Hills](#) said.

Three advisory firms already operate under the Badge Financial licence.

[Mr Hills](#) said the group recently struck an agreement to buy a fourth business, a father-son operation. In this case, the father planned to retire, and the son would join PMM's salaried team.

A key part of PMM's strategy is the use of back-office technology to boost efficiency.

To that end, the group recently recruited [Tim Thornton](#) as chief technology officer.

[Mr Thornton](#) previously held the same role at ASX-listed Intiger Group, which developed the Boom software for financial planners.

Intiger, which was chaired by prominent financial adviser Patrick Canion, achieved considerable technical and operational success with Boom.

A key attribute of the software is its capacity to help with time-consuming tasks such as the production of statements of advice. It allowed clients to input a lot of the required information.

The Boom software integrated with XPlan, the industry standard customer relationship management (CRM) solution.

Intiger's business model included the use of offshore processing centres, with paraplanners and administrative support in the Philippines.

The ASX-listed company appeared to be on the brink of success in 2018, when it started a pilot program with the Commonwealth Bank's financial planning arm.

This included the subsidiary businesses Financial Wisdom and Count Financial.

However, the agreement with the Commonwealth was terminated in May last year, after changes at the bank and as the fallout from the royal commission unfolded.

This was despite Intiger meeting all required service standards, including quality metrics, turnaround times and workflow management.

The collapse of the Commonwealth agreement prompted Intiger to pursue a new opportunity.

It has recently completed a \$7 million capital raising and acquired Melbourne-based Complii FinTech Solutions.

Complii has a portfolio of online services for the financial services sector covering compliance, capital raisings and online portfolio management tools.

In the meantime, PMM has adopted a very similar strategy to the 'old' Intiger.

[Mr De Castro](#) believes PMM has developed a solution that will help advisers spend more time with their clients.

"The problem has been less engagement because of more compliance and administration," he said.

[Mr De Castro](#) estimated that advisers could spend 70 per cent of their time on compliance tasks.

"That's when complaints increase, because the advisers are not in front of their clients," he said.

Like Intiger, PMM's solution combines back-end software with an offshore support centre.

"It doesn't work unless you've got an offshore team," [Mr De Castro](#) said.

PMM has eight people working from an office in Kuala Lumpur, which has been operating for six years, and is in the process of establishing a second office in Manila (Philippines).

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As well as delivering better-quality service, [Mr De Castro](#) believes PMM's package will allow financial advisers to

have more clients.

## Wholesale

A new Perth business carving a very different niche in the wealth management space is [Context Capital](#).

Context has been established by former WA Super chief investment officer [Chris West](#) and two members of his old team: Chris McAlpine and Mark Foo.

It will focus on providing wholesale investment advice to private wealth firms, financial advice practices and family offices.

Context taps into the trend for advice firms to shift away from institutional dealer groups towards self-licensing.

“Our value proposition to a wealth firm is three-fold,” [Mr West](#) said.

“We provide institutional-grade service, we only construct bespoke solutions, and we have a strategic focus away from the traditional financial centres of Sydney and Melbourne.”

The new firm is seeking to fill a gap between institutional asset consultants, such as JANA, Mercer and Frontier, and retail advisers.

[Mr West](#) said there were already quite a few wholesale consulting firms targeting a similar opportunity in Sydney and Melbourne but not in Perth or Adelaide.

The new business has a powerful advisory panel that includes former WA Super chief executive Fabian Ross, investment professional Sharon Hicks, and former Bunnings executive Bianca Starceвич.

It launched this month with four foundation clients representing more than \$1 billion in funds under advice.

They include one of WA’s largest family offices, Wyllie Group, along with financial advisory firms Empire Financial Group and Bruining Partners.

The Context launch came shortly after the merger of WA Super and Sydney-based Aware Super (formerly First State) was finalised.

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<b>6<sup>th</sup> — BDO</b>		<b>181</b>
7 <sup>th</sup> ▲ Grant Thornton		101
8 <sup>th</sup> ▼ Success Tax Professionals		100

109 accountants ranked by number of accountants (including partners) in WA

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