

A person is running away from the camera on a suspension bridge. The bridge has a chain-link fence on both sides and is set against a backdrop of a river and dense green trees. The entire image is covered with a semi-transparent green filter. In the center, there is a white logo of a tooth with a small notch at the top. Overlaid on this logo and the background is the text "GET in SHAPE" in a large, white, sans-serif font. The word "in" is smaller and positioned between "GET" and "SHAPE", partially obscured by the tooth logo.

GET SHAPE

WEBINAR SERIES



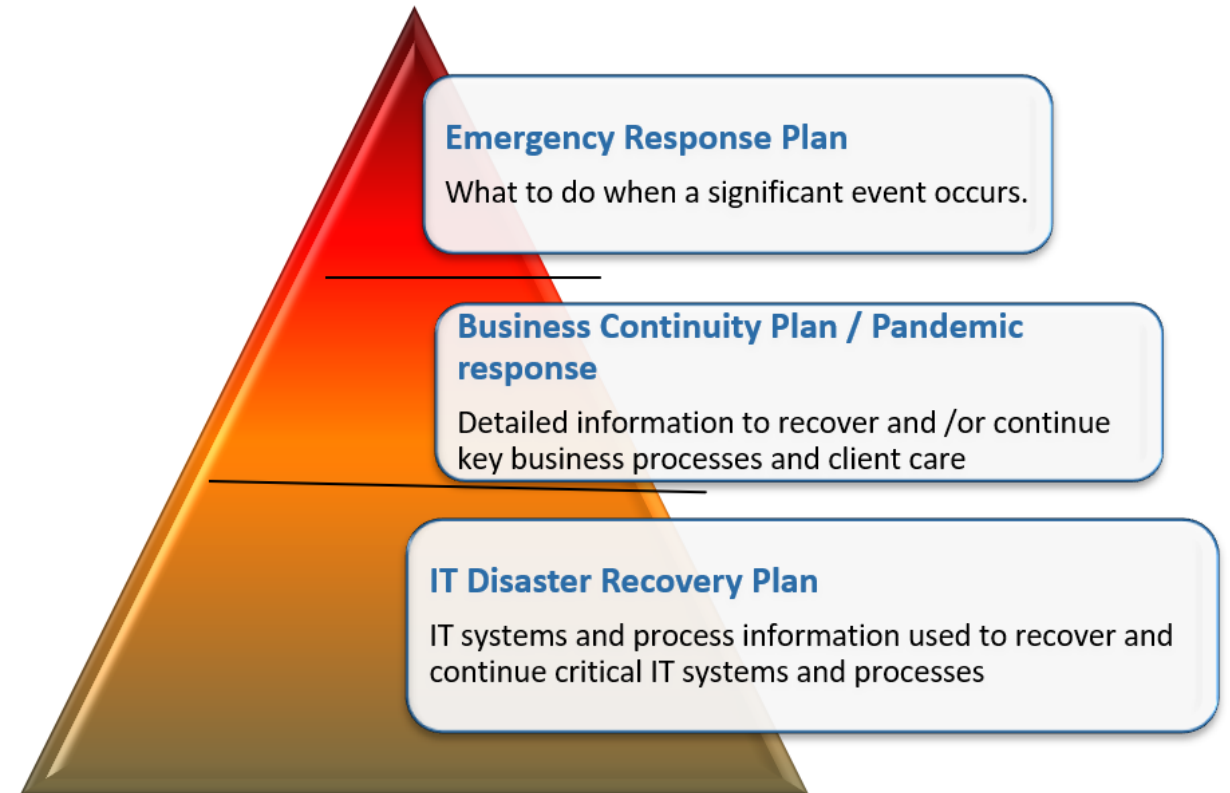
Commercial considerations and financial management

David Greenslade – Strategi
David Ireland – Dentons Kensington Swan
Mark Banicevich – Partners Life

1 October 2021

Re-cap of Previous Session

- What could interrupt your business?
- Creating your Business Continuity Plan
- Locum arrangements
- Testing your Business Continuity Plan
- Cybersecurity and cyber resilience



Agenda

- What do I need to think about?
- Defining your service proposition
- Business structures
- Commercial considerations
- Tips



What do I need to think about?



CRM FSP levies and fees Regulatory compliance support

Cashflow Outsourcing

Product provider arrangements

Client service proposition

Training Licence class

Business accounts

Good customer outcomes

Cyber security

FSLAA responsibilities

Financial commitments

Client 'ownership'

Client money handling

Commission v Fees Control

Liability risk management

PI cover

Capability

Starting point – what is your financial advice service proposition?

Are you designing your business structure and commercial arrangements based on:

- Maximising opportunities, future trends and your desired service proposition?

OR

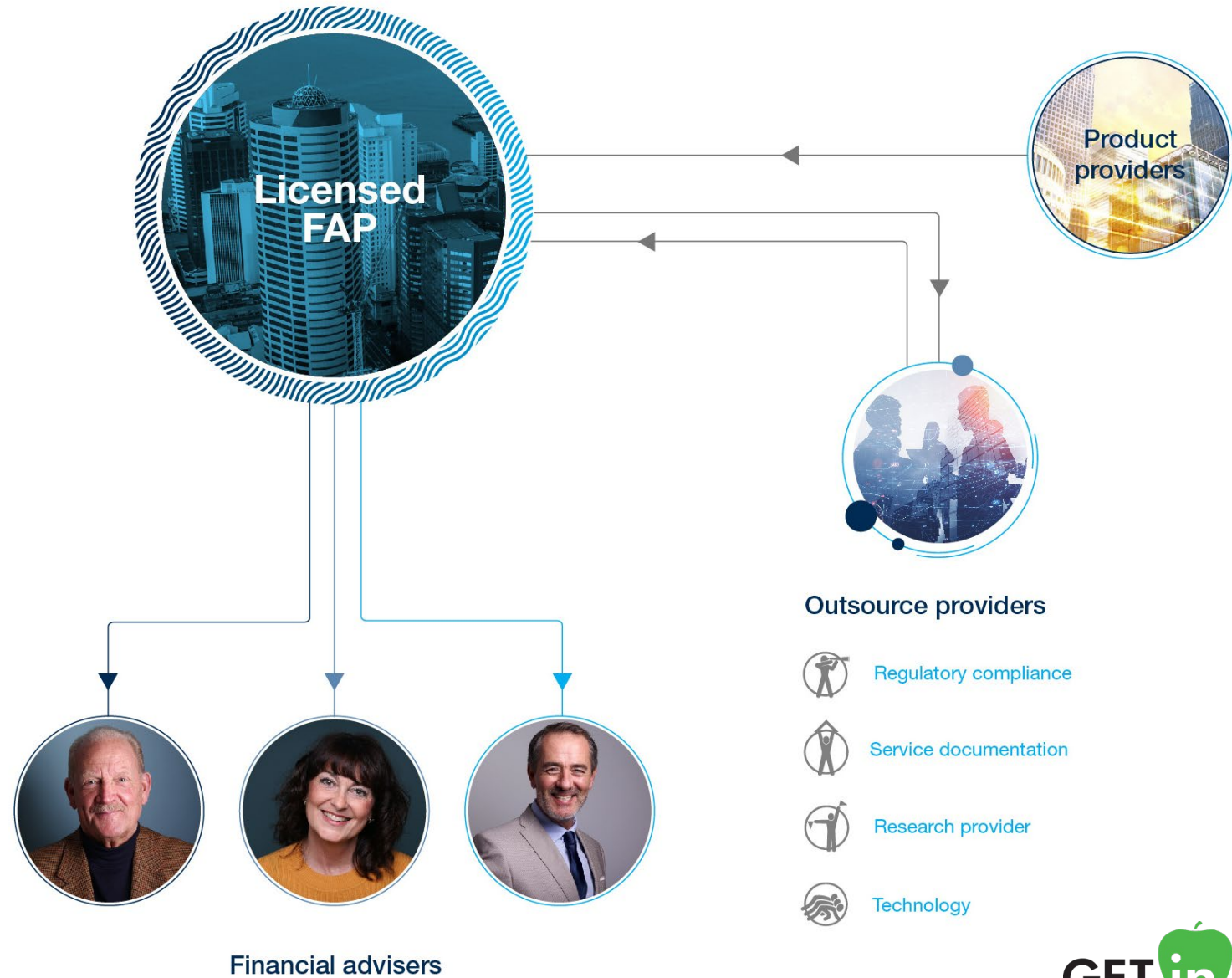
- Your current or past business structure and commercial arrangements?

Why are you in business. What do you want to achieve. The past or the future.



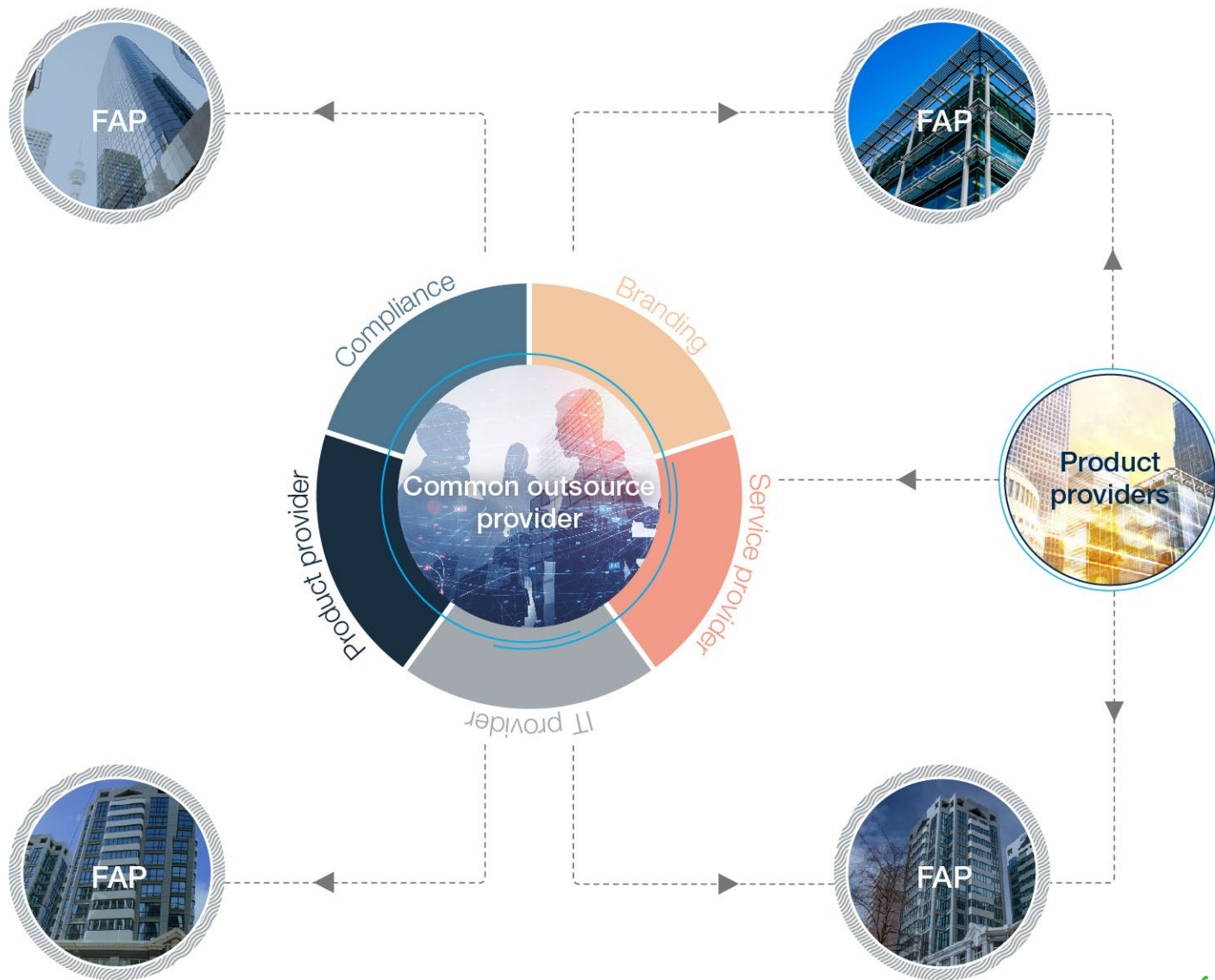
Implications of business structure

The licensed FAP owner controls own destiny with no FAP contagion risk, but also assumes all other risks.



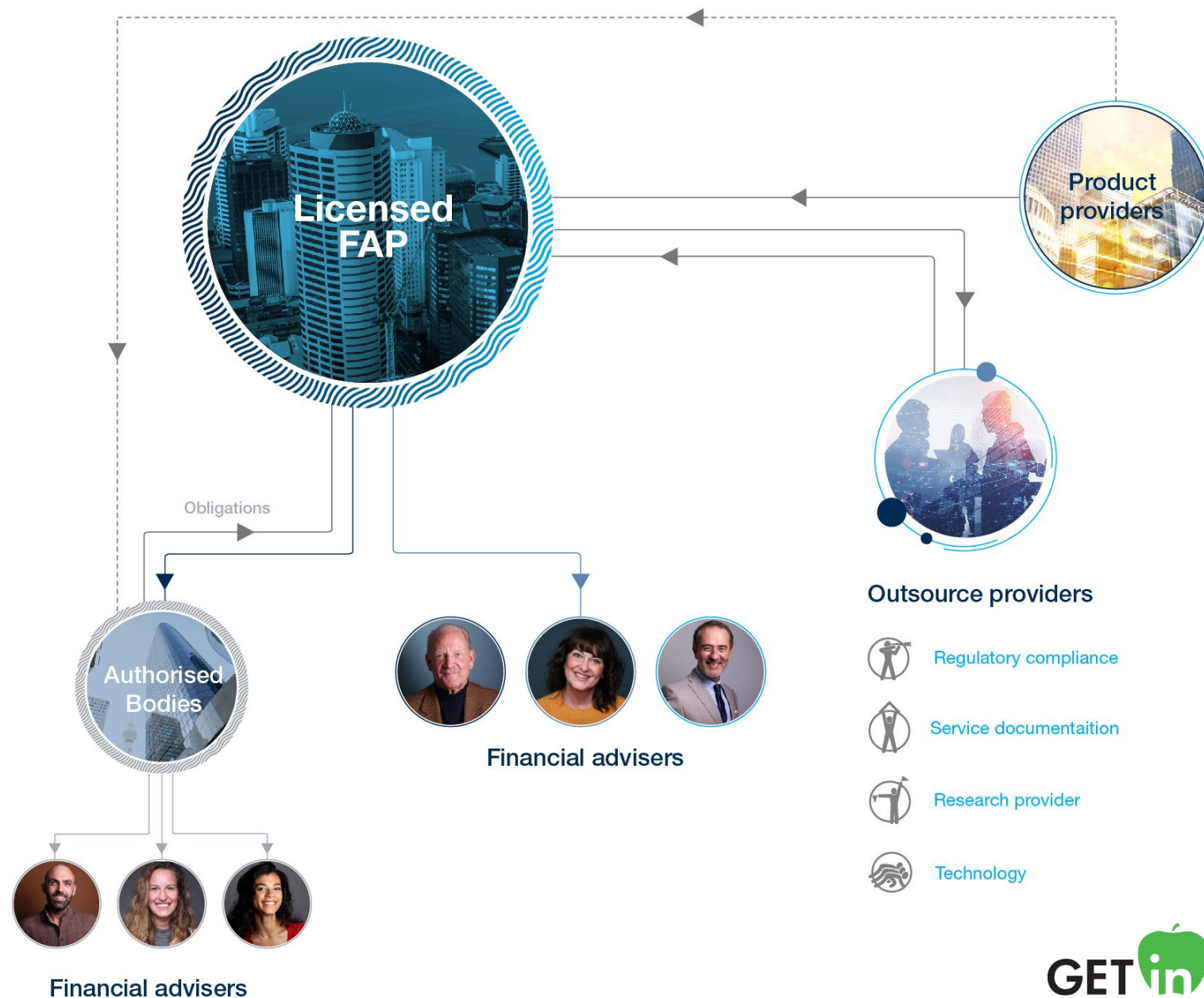
Implications of business structure

Purchase shared services. May aggregate for enhanced revenue and purchase discounts. All hold own FAP licence. May or may not have common brand, with potential FAP contagion risk.



Implications of business structure

As an authorised body, you are still a market services licensee. Still have company and FAP obligations, plus contractual obligations to the licensed FAP and possibly product providers. Must follow licensed FAPs systems. FAP regulatory risks remain for both AB and FAP, with FAP and AB contagion risk.



Commercial considerations

- Who owns the client relationship?
- Who is managing the client relationship and data?
- Who controls the relationship with the product providers?
- How are remuneration arrangements working?
- Who is responsible in the event of a regulatory breach?
- What are the contagion risks (i.e. you being infected by someone else's failing)?
- Impact on business salability and capital value
- Cost of paying licensed FAP vs paying directly yourself
- Fees and levies implications of advice delivery options



Financial considerations – Business 101

- Operating a business as a separate entity
- Separating out client \$ from firm \$
- Budgeting and forecasting
- Cashflow management
- Compliance costs
- PI costs
- Staff: recruiting, training and salary

Tips

- Understand the flexibility of the new regime, consumer and technology trends before making a commercial decision
- Know your business motivation and also weaknesses
- Be comfortable with those who you share the licence with
- Ensure you can have confidence in those you are responsible for
- Know the implications of exiting a licensed FAP arrangement
- The new regime enables FAPs/ABs of all sizes to flourish
- Egos vs logic
- Keep it simple
- Understand what will best drive your business profitability and value

Summary

- Plan for the future - not right now
- It is not as hard as some make out
- Transition period fast running out
- Your business structure will impact profit and capital value
- Get good impartial advice
- One size does not fit all



Next Webinar

Session 21: Compliance Framework and Compliance Assurance Programme

- Topics Covered:
 - What is compliance?
 - Developing your compliance framework
- Friday 3 December, 9:30am
- Registration details on the FSC website under Events, or via FSC e-newsletter
- Contact fsc@fsc.org.nz to subscribe