YOUR BUSINESS

Full focus on fee-for-service

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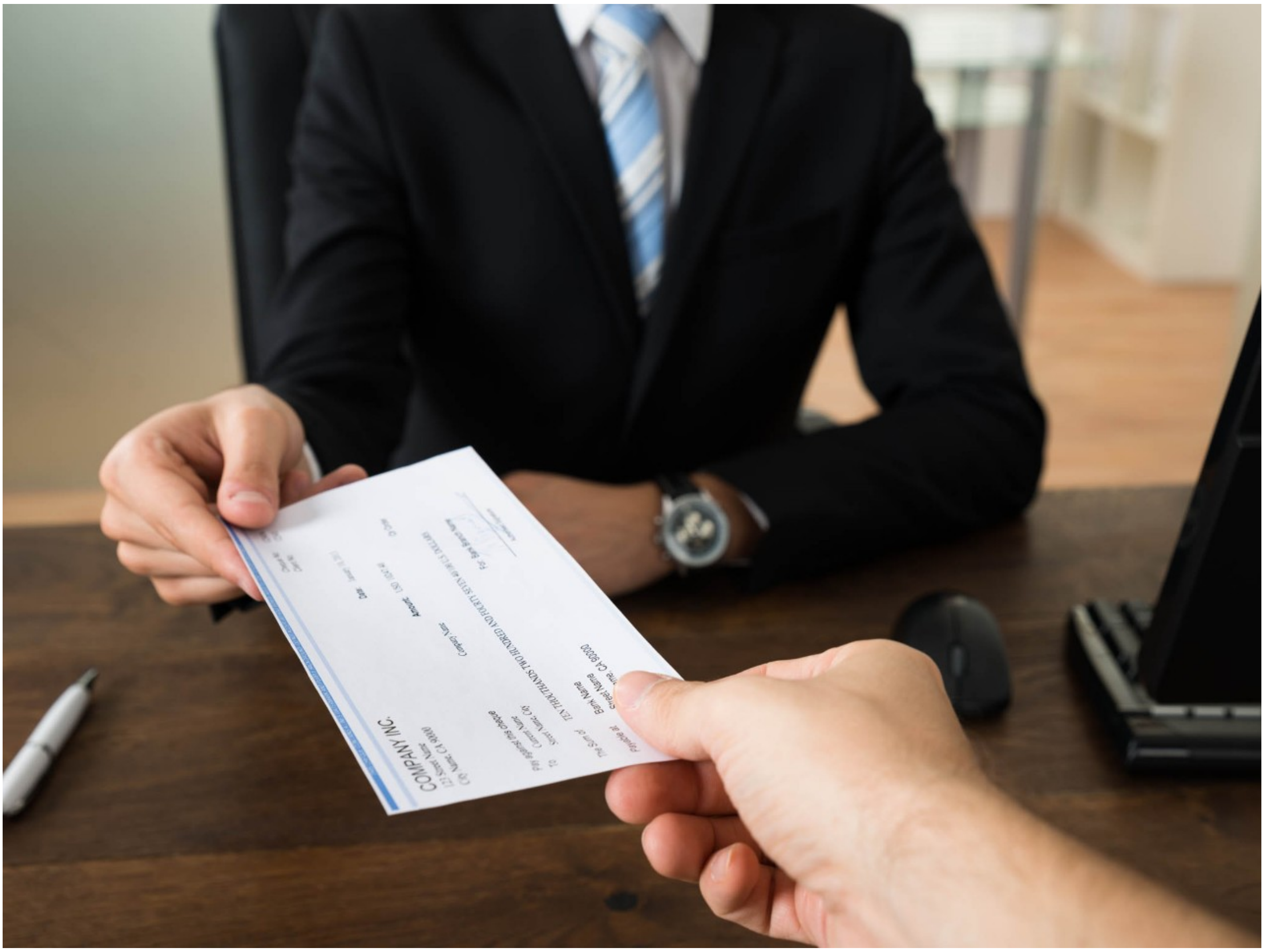
LIF is changing retail insurance commissions: Nigel Bowen explores some tips on how to adapt.



Come January 1, 2018, the process will start that will see financial advisers' upfront commissions on retail life insurance progressively reduced to 60 per cent by January 1, 2020. Trail commissions will be doubled from 10 per cent to 20 per cent. Nonetheless, many businesses will need to move from a commission-only to a hybrid commission-plus-fee-for-service model.

To provide advisers with the information and tools required to prosper in a transforming industry, ANZ has created a LIF update hub and will support advisers with a series of webinars.

Getting customers to show you the money

"The old way of doing things just isn't going to be feasible," notes ANZ Wealth national risk specialist Mark Neil. "The business model based on upfront commissions just isn't going to work come 2018."

That's the confronting news. The good news is that introducing a fee for service, as businesses are already doing, isn't as big a deal as some advisers commonly imagine.

"The industry has been moving towards fee for service since the global financial crisis," says Neil. "I've seen plenty of advisers introduce, say, a $550 fee for individuals, a $660 fee for couples and panic that nobody will pay it. The reality is most customers don't blink an eye and the ones that do probably weren't solid prospects anyway."

What price advice?

Sales performance expert Julie Watson shares Neil's belief that advisers shouldn't feel the need to give their time and intellectual property away for free. She points out that if customers are directly paying for something, they want to feel they are receiving something of value in return.

"As I explain in detail in the webinar, given the LIF changes it's going to be important for advisers to develop less transactional, more trusting relationships with their customers," Watson says.

"They are also going to need to be able to drill down to their emotional needs and address them. Two of the classic emotional needs of buyers are to reduce anxiety and increase confidence. I'd suggest that to manage their customers' price sensitivity, advisers should be communicating the value of getting advice and purchasing products that will help safeguard their future."

"It's by no means unreasonable for a professional to charge $550 to spend 10 to 12 hours getting to know a customer's situation and objectives, doing some research and coming back with a plan of action," adds Neil.

"People are always going to be initially taken aback by the cost of insurance premiums. But it remains a matter of demonstrating the value of setting aside a relatively small sum each year to have the reassurance of knowing your life won't be turned upside down in the event of a misfortune."

Feel the fear and do it anyway

“If it’s any consolation to advisers, lots of service providers are anxious about charging a sustainable fee for their services,” says Watson. “I tell everyone that while there are a small proportion of customers who always go for the cheapest option, and a small proportion who go for the most expensive one, for most consumers price is just one factor in the purchasing decision. Those who create trusting relationships with their customers and communicate the value of what they are providing them don’t usually have any problems charging handsomely for their time and expertise.”

“If they’re nervous about asking for a fee, I’d suggest advisers practice doing it in front of the mirror,” Neil says. “Any competent adviser should have enough confidence in the worth of the service they are offering not to feel awkward about expecting to be paid for it.”