

#INC2016

Business Practicum: The key ingredients to building a successful modern SMSF practice

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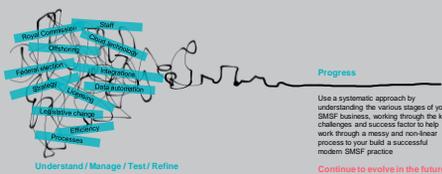
Aaron Dunn

Within the financial services industry, people look to Aaron to learn more about self-managed super and the growth of the sector. Highly admired amongst his peers, Aaron's insights into technical issues and the SMSF industry sees him regularly sort out to participate in Government reviews, including the Super System Review and more recently the 'Reinventing the ATO' program. Aaron is the CEO and Co-founder of Smarter SMSF (formerly known as The SMSF Academy), a business that inspires best practice in training, documents and support for accountants and financial planners. He is the author of the Future of SMSF report, which provides insights into the way in which practitioners operate within the SMSF industry. As a CPA and SMSF Specialist Advisor, Aaron has worked within the SMSF sector for more than 20 years. A lover of sport, in particular AFL football (Essendon) and athletics, Aaron was previously a nationally ranked high jumper having set a personal best jump of 2.14m.



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Where are you at today?



Use a systematic approach by understanding the various stages of your SMSF business, working through the key challenges and success factor to help work through a messy and non-linear process to your build a successful modern SMSF practice

Understand / Manage / Test / Refine → Continue to evolve in the future

How do we work through the ever-growing number of factors impacting our SMSF business?

The 'modern' SMSF practice





What makes a successful SMSF business standout?

Recipe for a modern SMSF practice #INC2018 

1. Willingness to want to change
 - High performing firms (HPFs) take a top-down approach, with engagement across all levels of the practice
 - They have a documented strategy for their SMSF business (only 35% have done so!), with includes a set timetable around key deliverables for your SMSF business model (1 – 2.5 years)
2. Key focus on specialisation
 - Evidence shows the HPFs as specialists are growing substantially faster than generalists (282% faster, and captured 74% of new SMSF business in the past 12 months)

Recipe for a modern SMSF practice #INC2018 

3. Sizable leverage of technology within the practice
 - HPFs are achieving efficiencies through effective implementation far well in excess of 81% average improvements over 2-3 year period.
4. Standardisation of processes within the practice
 - HPFs continue to spend in excess of 5 hours p/mth on managing change and process improvement

Recipe for a modern SMSF practice

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- 5. Consistency and strong linkage back to the deed
 - Ever-growing importance of ensuring that the fund's deed is referenced as the first port of call
- 6. Regular reporting model that links to your customer segment (e.g. B2C and/or B2B)
 - HPFs have a strong understanding of what 'regular' looks like, listening to their clients – whether daily, monthly, etc.

Recipe for a modern SMSF practice

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- 7. Value proposition that goes well beyond compliance
 - HPFs are actively using member analytics to better understand activity within the fund to take a proactive role in the management of contribution, pensions, TSB, etc.
 - Also leads to far more regular touch points with the client, delivered both digitally (personal automation) and face-to-face
- 8. Pricing model that provides an annuitised revenue model
 - Helps manage ongoing cashflow within the business, but more importantly has an impact of the business valuation

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- 9. Strong digital engagement – accessibility & content
 - HPFs are investing resources into sales and marketing as a core activity to leverage new business, but also strengthen and retain existing relationships
- 10. Ensuring that conversations stay on the right side of the fence – licensed vs. unlicensed
 - HPFs have put in place appropriate risk management within the business to ensure compliance with legislative requirements

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11. Education plays an important role for both clients and staff

- HPFs are investing time in clients to ensure that they are understanding of their responsibilities as trustees
- A strong level of investment place into ongoing CPD, both in terms of hours p/mth and budget allocation towards SMSF training.

The ingredients themselves don't make the dish...

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Drivers shaping an SMSF practice

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Important for practitioners to understand the drivers within the sector and how these can create their own unique challenges for a practice, including (but not limited to):

- Number of SMSFs within the practice
- Skillset and knowledge within the practice
- Types of services provided within the practice to SMSFs (e.g. admin, audit, advice)
- How the business is structured to support their SMSF clients (e.g. specialist division)
- Level of automation
- Utilisation of cloud technology with the business
- Number of employees / utilisation of resources
- Use of outsourcing or offshoring services within practice
- Service delivery – how ongoing service is provided to SMSF clients
- Regularity of service delivery (e.g. annual to daily)
- Pricing model adopted (e.g. fixed fee, time cost)

Some drivers will have a greater impact on practitioners



OR



Important to understand what drivers will have the greatest impact on your SMSF business at particular stages?

Activity 1



List 2 to 3 drivers that you believe represent the biggest challenges in your SMSF business today?



5 stages to SMSF success



Stage 2:

Steady Practitioner

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- Has benefited from the growth of the SMSF sector since ATO regulation, representing up to 30% of service providers
- Typically between 25 – 75 funds within the practice
 - up to 35% of total practice revenue
- Likely to include niche SMSF businesses (10.8%)
- Also takes a 'generalist' approach to SMSF clients, which includes:
 - Annual compliance services, although supports client 'as required'
 - Time cost (53%) still most common method, with billing annually (or as required)
 - Low number of client touch points (once a year)
 - Minimum level of upskilling, poses

Stage 2:

Steady Practitioner

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Biggest challenge:	Lack of resources
Secondary challenges:	Keeping up-to-date Attracting new clients



Success Factor

The key to advancing from this stage is to spend the time planning and implementing your SMSF cloud technology

- Cloud technology seen as the panacea, not the enabler with your business
- Adoption of SMSF cloud technology has occurred, but **big difference** between cloud adoption and cloud implementation (new technology, old thinking)
- Always busy... need to make the time (3+ hrs p/mth) to deliver the true gains in efficiency & improved value proposition to attract new clients.
- 75 – 100 funds provides a tipping point to be a 'specialist' business

Stage 3:

Specialist Provider

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- As SMSF sector has continued to grow, so has your business
- Now within the top 10% of service providers (by number of funds)
 - Typically representing about 25 – 35% of total practice revenue
 - Anywhere between 75 – 250 funds within the SMSF business
- Dedicated resources into a team to drive use of technology and skillset to improve the value proposition
- The specialist approach to your SMSF clients allows you to:
 - Leverage automation and technology benefits, resulting in higher efficiency gains
 - Build processes for more 'regular' reporting to support client relationships
 - Look to standardise fee structure and pricing model

Stage 3:
Specialist Provider



Biggest challenge:	Implementing change
Secondary challenges:	Keeping up-to-date Business Model consideration – expand or niche?



Success Factor

The key to advancing from this stage is to focus on standardising your processes, service delivery and fee model to enable you to scale successfully

- Important to this stage of growth to look at how technology enables a more client-centric focus, rather than simply driving efficiencies – e.g. online access (average 38% / specialist – 43%)
- Process will require some redefining of roles within the practice keeping up-to-date, but also increasing client touch points
- This change management process will some time to transition existing clients & demonstrate the improvement value proposition.

Stage 4:
Emerging Player



- Journey from specialist to emerging player has seen a successful transition of processes and service offering for business growth
- Now amongst the highest 3-4% of SMSF service providers
 - Typically 250 – 500 funds
- Ongoing focus in efficiencies through process automation, opportunities exist to broaden appeal to new markets as an emerging player (specialist)
- The specialist approach to your SMSF clients allows you to:
 - Leverage automation and technology benefits, resulting in higher efficiency gains
 - Deliver timely (e.g. daily) reporting to support client relationships (incl. advisers)
 - Clearly defined fixed fee structure and building strong annualised revenue within the practice

Stage 4:
Emerging Player



Biggest challenge:	Business Model – decision to expand or niche
Secondary challenges:	Attracting new clients Keeping up-to-date



Success Factor

The key to advancing is to be clear about the future direction of your SMSF business model – i.e. expansion of services (advice), or niching further (admin).

- Start devoting time to the strategy – understanding your customer segment(s), clearly define the value proposition, types of relationships (low or high touch), channels, etc, to move forward.
- Need to start contemplating the resources required to be able to support the next stage of the business.
- Opportunity is substantial with growth at this stage 282% faster than typical practice.

Stage 5:
Major Player



- The 'pointy end' of the SMSF sector, 0.25% of services providers, but represent a significant number of SMSFs
- Firms >400 funds have gained more the 5x the amount of new work compared to industry average
- Whilst this segment is small in numbers, it is highly competitive to further scale the business to drive growth and profitability
 - Service offerings may become multi-faceted to broaden appeal given current fragmentation of SMSF service delivery in the sector
- Contraction in fees over past 4 years, dropping by 12% or more – has lead to major players build globalised workforces

Stage 5:
Major Player



- Can see more diversity within business model at this level - for example:
 - 1st & 2nd tier firms offering broader range of services (10+)
 - SMSF administrators – B2B and/or B2C
 - Progressively may see Financial Planning embed SMSFs in to broaden scope of retirement services

Stage 5:
Major Player



Biggest challenge:	Attracting new clients
Secondary challenges:	Pricing & Competitiveness Keeping up-to-date



Success Factor

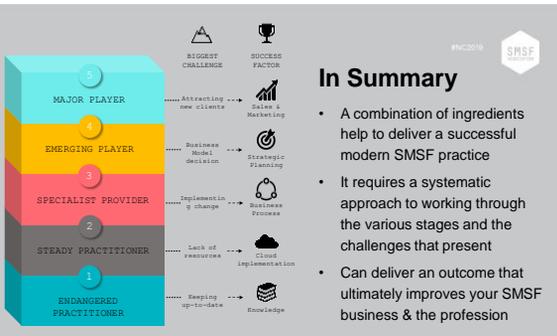
The key to advancing from this stage is to focus on an increased level of knowledge to support ongoing client relationships.

- Becoming a major player comes with a mature understanding of market forces and how the business needs to respond – albeit the flywheel is much harder to move initially
- Whilst keeping pace of change can be a strength of the business, it must translate throughout all levels
- Will the globalised workforces recalibrate domestically in the future as a result of technology (e.g. AI & ML)?

Activity 2



**At what stage is your SMSF business at?
What action(s) need to be taken to deliver the next stage of your success?**



In Summary

- A combination of ingredients help to deliver a successful modern SMSF practice
- It requires a systematic approach to working through the various stages and the challenges that present
- Can deliver an outcome that ultimately improves your SMSF business & the profession

Download the Full Report



- As 'thank-you' for attending today's session, you can download a copy of the final report (valued \$299)
- Only available to download today from the URL below:

<https://smartersmsf.com/SMSFA19>



Note: A copy of the final report will be automatically emailed upon completing the form. No extensions of time will be granted to download this report.

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