

Stronger Together

Independence is an intricate concept. We all love the idea of being truly independent as it insinuates that we call the shots, however, achieving this is tricky and somewhat scary. There is also some very deep seeded primal wisdom in English writer John Donne's poem "no man is an island". The problem thus lies in marrying your desire to generally get what you want, with staying connected to the world and benefitting from the sounding boards and feedback loops that comes with it.

One would after all have to be rather naïve to believe the best outcome would result from relying on your own skills for all facets of running a successful enterprise. Simply hiring subordinates is not good enough either, as you also need peers to test ideas and add value. You cannot keep scooping from your internal bucket of intellectual capital without replenishing it, as advancement is limited without external resources present to stimulate evolution.

The trick is thus to align yourself with like-minded individuals, whom have similar goals and values. You need a support structure of people whom create the most conducive environment for your expertise to shine, whilst not interfering, thus providing you the freedom to focus on what you are good at.

This is currently very relevant for Advisors who might be considering independence but fear regulatory compliance, especially given the impending onset of the Retail Distribution Review(RDR). Various institutions have cookie cutter solutions to accommodate this, but how do you ensure you truly retain your independence and your clients, should it not work out? It truly is a conundrum.

We believe that each role player should focus on what they are good at, and what RDR is trying to achieve in a nutshell, is to ensure that anyone in the value chain needs to be compensated for the aspects where they add value. An advisors value add, in our opinion, is the relationship with the client. The perfect solution would thus be for someone to offer them regulatory compliance and asset management and in turn get compensated for that, whilst not meddling with their client in any way. This then frees up the time for the advisor to get out there and do what they do best, with the ease of mind that the rest is taken care of.

Another consequence of regulatory changes, as far as current proposed drafts are concerned at least, seems to be that the additional costs of compliance imposed on the industry is mostly passed on to the client facing advisors whom in many cases earn small margins already. This, for example, through making it very hard for them to earn an income on their client's investment book, even though they are the ones facing questions and defending positions, which is not an easy job given how emotional people are when it comes to their money.

These regulations are by no means intended to be malicious, but rather to achieve transparency of fees and ensure investment decisions are not made for the wrong reasons. It is thus a completely unintended consequence, yet still has very real implications in terms of loss of income.

Your planning for the future must take all of this into consideration, which is entirely attainable if planned carefully from the start, but highly unlikely to be achieved through the "one size fits all" solutions being rolled out in the mass market. Partnering with someone on your level in a customised fashion instead of becoming a number, as we are after all Stronger Together.