



Your smaller clients can be our best!

Jim Monger, one of our independent financial advisers, explains how he changed accountants' perceptions as to how clients can benefit from financial planning advice and, as a result, helped get the practice back on track financially.

When I first became an IFA, accountants would always ask what types of clients they should refer to me. In my eagerness to impress, I would ask them to target those who had a high net worth. In reality these clients are high net worth for a reason – because they are smart – and normally they have already utilised a lot of the financial planning solutions available via accountants and IFAs.

Then I learnt better. The reality is that every client you have, however rich or poor, can benefit from a financial review (even if they already have an adviser, a second opinion is often wise). The very least they'll get is peace of mind.

After a time I came up with the following six questions to ask people. In my opinion these are the only six questions that are ever needed:

- How often do you review your personal financial position? (The answer is that it should be at least annually and if you don't do this why don't you?)
- How well-protected are you and your family if you were to die or fall ill?
- What plans have you made for retirement?
- How often do you review the performance of your pension and investments?
- Are they tax-efficient?
- What plans have you made to reduce inheritance tax?

It is really no more complicated than that.

My best clients were their worst, without exception

Your worst clients are possibly my best clients. Clients who are not particularly profitable for you could be for me and could therefore become more profitable for you!

Without exception my best clients were the

Instant response

Jim sent an email version of this article to Andrew Gray, Chairman of Kirkpatrick and Hopes, an accountancy practice he works, with and received an almost instant response:

“The fact that our worst clients could be your best clients is a surprise to me and gives us real food for thought. It may well influence how we treat the smaller clients and leads for this type of work, as it will help increase our “passive” income now that there are fewer tax schemes around.

I have shared this with our other directors and the rest of the team so they are all aware too.”

Andrew Gray, Chairman & Business Development Director, Kirkpatrick and Hopes

accountants' worst clients in terms of income generated – none have yielded more than £600 in fees per year. And they were all referred to me for simple reasons such as help with a state pension forecast, corporate cash to place on deposit or a mortgage to arrange.

The client with the state pension forecast query used to pay his accountant £400 for a simple tax return each year. The work I did gave the accountancy practice £6,000 in the first year and £500 per annum subsequently. Poor quality to good quality. When referring the client to me the accountant said “I am sorry to ask you to do this as it is going to be a waste of your time.....”.

They don't have to be rich!

It doesn't matter what their age, what business they are in or how much or little money a client has. The bottom line is that if a client has a pulse they should be referred to an independent financial adviser for a financial review. In my

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experience there is no such thing as a referral who is a waste of time.

Anecdotally a number of practices we look after who have been heavily involved in tax planning strategies such as EBTs have seen their turnover reduce as a result of legislation. For some this has reduced by as much as 20%. A lot of practices are therefore reviewing strategy and some have decided to concentrate on the basics again. In some instances the higher risk tax strategies has resulted in losing clients, so short term gains have become long term losses.

Safe and profitable income stream

A number of our practices have now realised that offering a financial planning service can add more value than they first thought. Although Lighthouse Carrwood may have worked with certain firms for a number of years some partners have not been particularly pro-active in introducing clients as they do not perceive it as being of high value to the practice. It is now seen as the some of the safest and most profitable work they can do.

Remind clients to check their total pension contributions

Under the new pension rules, which come into effect on 6 April 2011, the maximum amount that can be paid into an individual's pension in a year is £50,000. It is important to remember that this is the total contribution – it includes amounts paid by the employer.

It is therefore important to check that the total paid by employer and employee does not exceed £50,000. For instance if each pays in £30,000 they clearly need to review the agreement.

In cases such as these, the employee could receive the balance of the amount that would have been paid as an increase in salary.

Please refer to the January issue of Wealth Management Alert for further information about the changes to the pension regime.

LighthouseCarrwood advisers are experienced in working with accountants to help clients on all aspects of financial planning. They understand how accountants work and can be based in your office or visit on regular days each week. Please contact us to discuss how we may be able to help your practice offer clients a more complete service.

LighthouseCarrwood is one of the UK's leading providers of financial planning services to professional practices. We would be delighted to work with you to help your clients reduce their tax liabilities. To discuss how we could work with your firm in a way that suits you and benefits your clients and your business, please contact:
Mark Dallas, Managing Director, on 07899 981607
Mark.Dallas@lighthousegroup.plc.uk
www.lighthousecarrwood.co.uk