

ACCOUNTING SERVICES

UPDATE

Considering options for providing financial advice?

2016/17

Accountants offering specific financial advice have been operating in a new regulatory framework since 1 July 2016. This kind of service offering may not suit all accounting firms but may appeal to some, especially where they are looking to maintain continuity in providing a full suite of in-house services.

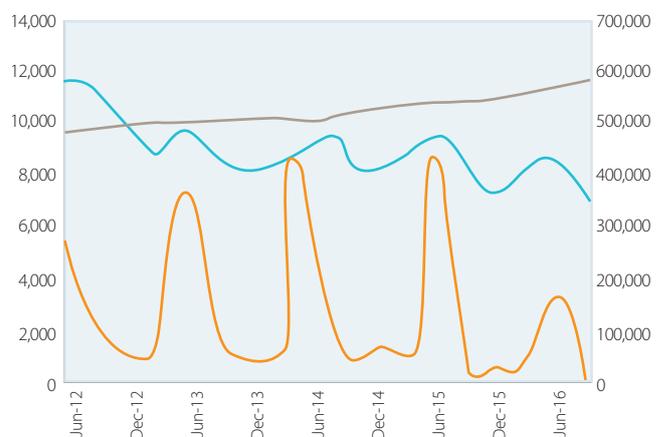
FINANCIAL ADVICE IS A NICE-TO-HAVE OFFERING FOR MANY ACCOUNTING SERVICES FIRMS LOOKING TO MEET CLIENT DEMAND AND GROW REVENUE.

After all, SMSF and financial planning-related services generate around 13% of revenue on average.¹ Growth in new SMSFs may have abated, however opportunities clearly remain (Figure 1).

Directly providing specific financial advice is typically interpreted as providing advice pertaining to SMSFs: for example, advising a client on an SMSF's setup or closure. So it is perhaps unsurprising that there has been some marked increase in the number of AFSLs newly issued covering SMSFs (Figure 2).

Any accountant considering the options for providing specific financial advice should first and foremost give careful consideration to his or her own current and future goals and objectives—along with client considerations. No one option is necessarily recommended, but four could be considered:

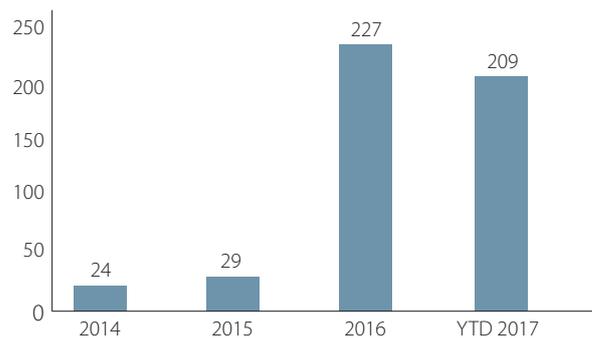
Figure 1: SMSF establishments and wind-ups



Source: ATO¹

— Establishments
— Wind-ups
— Total number of SMSFs (RHS)

Figure 2: Issuance of AFSLs: provision of advice re SMSFs



Source: ASIC²

Table 1: Potential options facing accountants interested in providing financial advice

#	Option	Description	Overall difficulty	Cost	Time to implement	Compliance obligations	Business impact	
							Upside	Risk
1	Do nothing	General factual advice only	Low	Low	None to low	Low	No distraction from core business No to low cost No additional compliance burden	Risk of client dissatisfaction Risk of client loss to full-service provider
2	Refer out	Referrals to financial planner	Low	Low	Low to medium	Low to medium	Meet client needs Potential two-way referral arrangements Potential additional revenue	Missed opportunity
3	Obtain AR	Gain Authorised Representative (AR) status of a third-party license holder	Medium	High	High	High	Meet client needs providing in-house advice Potential revenue Increase client stickiness	Compliance obligations Client perception of diminished independence Restricted product list Risk of AR breaches
4	Get a license	Gain Australian Financial Services License (AFSL) and AR status	High	High to very high	Very high	Very high	Achieve complete independence Gain potential revenue stream Provide potentially unrestricted choice of product	High level of compliance obligations High investment in time and resources Risk of license holder and AR breaches

Refer to ASIC for further information on the licensing requirements for accountants who provide SMSF services: <http://asic.gov.au/for-finance-professionals/afs-licensees/applying-for-and-managing-an-afs-licence/limited-financial-services/afs-licensing-requirements-for-accountants-who-provide-smsf-services/>

Regardless of whether a license or joint venture with a licensed partner is perceived as just unnecessary, or as another requirement to remain competitive or meet client expectations, it could be worth reassessing the options.

Talk to Con Voultios (National Manager, Professional Services) or your local ANZ Relationship Manager today about how we can help your business.

 1800 309 379

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Note:

¹ Based on % of Revenue Median Results (Self-Managed Super Funds and Financial Planning - Fee for Service) for firms with revenue more than \$500k, per The Good, the Bad & the Ugly of the Australian Accounting Profession: 2016 Benchmarking Report & Practice Improvement Guide for Australian Accounting Firms, Business Fitness

² Based on ASIC's Financial Adviser data Extract as at February 2017

References:

<http://asic.gov.au/regulatory-resources/financial-services/giving-financial-product-advice/>
<http://asic.gov.au/for-finance-professionals/afs-licensees/changing-details-and-lodging-afs-forms/changes-you-must-tell-us-about/>