



## A Change of View

Neil Kendall tells Jackie Pearson how he transformed a commission-based life insurance business into a fee-based financial planning practice.

Neil Kendall has strong opinions about how planners should do business. Shaped by years with NAB and BT and five years of advising his own clients, Kendall is firm in his conviction that financial planning needs to be positioned as a profession; a development he thinks will happen only with the enactment of legislation to ban commissions.

"There shouldn't be commissions on financial products," Kendall says. "Just as doctors shouldn't get a percentage commission for each Prozac prescription they sell, planners shouldn't get commissions for selling investments."

Kendall served as BT's business development manager during its funds management heyday, where he worked for seven years. He looked after financial planners throughout Queensland and gained an insight into adviser businesses. "With 800 businesses to look after for BT, I saw the good,

the bad and the ugly of financial planning," he says.

Kendall left BT to head up a NAB-owned licensee with 120 planners and 60 support staff. The licensee was a NAB experiment, with planners charging a fee to produce financial plans but continuing to take sales commissions. Part of his role was to conduct audits of planners in the field and he admits that he probably took over some of the joint appointments he attended with NAB representatives.

"People would also come to me and say 'I've got this client and I don't know what to do with them,'" he says. Kendall became quite passionate about the process of finding solutions for clients and decided he wanted to work with his own financial planning clients outside the corporate environment, finding that "institutions have an agenda for financial planning that doesn't necessarily put the client's interests first."

### THE NEXT STEP

Neil Kendall was familiar with Tupicoffs, essentially a four-man-show, owned by Gary Tupicoff, as he had spent a year there as an administration employee during the 1980s.

"In 2002 it was a commission-based life business but I bought in on the basis that it became a fee-based financial planning business," he says. "Gary was of the view that the business had reached a maturity in its current form and he couldn't keep selling life insurance to clients who already had millions of dollars worth of cover so we turned the life client base into a planning client base." It was an opportunity to work with a client base who already had a positive view of the business, but there was a huge opportunity to do more for them.

Before entering a business agreement in 2002, Gary and Neil drew up a cultural agreement. "Gary could have closed the business and retired quite comfortably and I didn't need to give up my healthy corporate salary," Kendall explains, "so we wanted to make sure there was a fundamental philosophical alliance right from the beginning".

Their primary goal was to deliver value for their clients, not simply to maximise profits. Another fundamental principle high in the cultural agreement was to enjoy what they did.

Subsequently, Neil Kendall has purchased the whole business with Tupicoff operating in a rainmaker role. A referral-only practice with a four month client waiting list, the business now employs three financial planners, three paraplanners, two client service managers and a practice manager. Most of its clients have between \$5 million and \$30 million in assets and many are financial planners and fund managers. New business is strictly fee-for-service and existing commission-based life business has been phased out over time. The business structure is a partnership of trusts which worked well with existing structures and investments.

"We just drew a line in the sand and said 'this is what we do now'. We've sold 75 percent of our previous business and last year we sold our biggest life client, a corporate superannuation fund."

Due to the client demographic, Tupicoffs doesn't hire junior staff. Kendall expects support staff to have at least two to three years client service experience and a willingness to do the Diploma of Financial Planning.

"But fundamentally the first question I ask potential advisers is about their belief in adding value for the client. When I ask them if they're prepared to take a cheque from the client and not a commission 95 percent of them opt out."

### DOING GOOD BUSINESS

Neil Kendall doesn't believe the fee-for-service nature of his business hinders its growth or success.

"Virtually all fund managers and platforms will rebate commissions including trails. Financial service providers are resisting the end of commissions because it

## 'I saw the good, the bad and the ugly of financial planning'

would destabilise the industry for a couple of years but I think clients certainly have a bias to pay for advice."

Kendall says a new breed of financial planning graduates is also looking for higher professional standards. They don't feel comfortable as paraplanners writing plans for an adviser being paid \$60,000 commission for a three-hour autotext statement of advice. "The typical financial planning relationship is about capturing investment dollars because that's how they get paid.

"We run our business to deliver for the client. We don't automate our payment systems, we issue an invoice each year so they can assess whether we've performed.

"We quote a fixed fee for our work before the client engages our services for the initial statement of advice and the first year's work. We tell them upfront what it will cost and we guarantee if we take on the work and they don't believe it has added more value than it cost they can give us the advice back and they don't have to pay." Only four clients have handed back their advice in the past five years; three were

the children of existing clients.

According to Neil Kendall regulation of financial services via disclosure doesn't work. "I have no doubt that people don't understand disclosure," he says. "I had a client who was paying \$85,000 in commissions and platform rebates per year on a \$10 million portfolio. I quoted him \$35,000 and he said that was too much. When I said he was already paying \$85,000 he said 'no I'm not' so I had to walk him through it. I dealt with someone in a senior industry role and quoted him \$5000. When he questioned it, I told him he was already paying his adviser \$12,000. He proclaimed that he had never dealt with and did not have a financial planner. I told him to call the fund and it turned out he did have an in-house planner who was being paid \$12,000. I would expect a senior industry participant to understand how it works."

Neil Kendall's main concern for the future is to build a healthy reputation for his profession. He's tired of cringing when he tells people he is a financial planner.

"Financial planners don't have a fantastic reputation. I'd like to be able to say 'financial planner' without therapy."

