Paying for advice - finding the right revenue model

With tightening regulations and more sophisticated clients, family advisers who align their interests with those of their clients and lend genuine, holistic advice will be most successful. This also justifies the desired fee-for-advice model.

The wealth management industry globally has been undergoing a fundamental shift in how it compensates its advisers and charges its clients.

Today in Asia, too, the need to upskill advisers and at the same time educate clients as part of the move towards charging for the advice provided is key, especially as retrocessions and commission-based models start to disappear.

Practitioners believe that fee-based models create more transparency, plus align client and adviser goals.

Seasoned advisers are thus showing an increased preference for this approach. And firms are picking up on this trend, warming up to retain adviser teams and offering client-book-size incentives to drive revenue and check against attrition.

BEHAVIOURAL CHANGE

Simplicity and compliance seem to be the flavour of the day, both for the industry and wealthy families. Firms are therefore reducing product-based incentives to promote more of a focus on client needs and to streamline adviser compensation.

They are increasingly building in factors like perceived level of fairness, nature of work, level of effort and broader target acquisitions within their incentive structures.

Many firms are also turning to technology to help reassess how advisers are being compensated. This also helps to track the client relationship.

Tools that were formerly used to track B2B and B2C sales and performance, allow wealth managers to monitor progress set on incentive-based targets.

CLIENT DEMANDS

Regulatory changes, coupled with unparalleled access to the industry and information, is enabling clients today to ask for more than just investment options from their advisers.

In line with this, increased client awareness and purchasing power is forcing advisers to re-evaluate their priorities and lend solutions that are aligned with those of the clients, according to several industry practitioners.

Clients are inclined to have more open and honest conversations with their advisers, including knowing what their advisers are being paid.

Practitioners say that most clients today feel that they have inadequate knowledge of how much their advisers are being compensated. Also, they don't know what the combination is of salary and commission.

Such an opacity can easily give way to mistrust, leading to strained adviser-client relationships - clearly detrimental to advising wealthy families. ■