

Why Malaysia would benefit from holistic advice

A product-driven approach appeals to a Malaysian investor's short-term instincts. But successful advisers know that long term, needs-based conversations will lead to stickier relationships, says Yap Ming Hui of Whitman Independent Advisors.

The majority of financial advisers and planners in Malaysia seem to be content in continuing to have product-led conversations with investors.

This short-term vision, however, holds them back from accessing what are likely to be bigger opportunities if they can offer independent wealth management service.

an emerging market like Malaysia, Yap Ming Hui, founder and managing director of Whitman Independent Advisors, believes there is a place for a more holistic advisory model.

If the industry can drive this, the time it takes to gain momentum will be worth it, since it will lead to a more sustainable relationship with the

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On the flipside, the apparent unwillingness by clients to pay for advice gives practitioners a good reason not to try to change their approach. But even in

current as well as future generation. Customers might also need a little encouragement to pay for advice in the form of regulatory-led reforms.



YAP MING HUI
Whitman Independent Advisors

BALANCING THE INCENTIVE

This is all easier said than done in Malaysia, which adopts a relatively unique

approach to distribution with anywhere between 50,000 and 60,000 agents selling unit trusts on behalf of the fund houses. It has been a challenge to convince these agents to accept any other incentive other than compensation by commission, explains Yap.

It is difficult to see how they can be convinced to take the short-term hit in their pockets from providing advice – which generates much lower fee income initially.

This has a lot to do with the reason why many advisers resist the switch to an advice-based approach, adds Yap.

their customers. This all comes back to being able to put in place a compensation structure that can motivate them to act and behave in this way.

HOLISTIC SOLUTIONS

According to Yap, advisers would be wrong if they simply believe that all Malaysian investors are unwilling to pay a fee for advice. “If you [advisers] are able to design your service offering, whether you call it holistic financial planning or money optimisation service, as long as you do it in a manner which is tangible to the potential client, then they will see the value and they will pay for it,” he explains.

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Yet, the story becomes more appealing if they can look beyond the first few years. “Once you are past the challenges that come in the first and second years, the business becomes much more sustainable,” he says, “and can only increase year after year because there is a bigger chunk of recurring income.”

This happens, for instance, as more trust between clients and advisers starts to develop. In line with this, the opportunity to get to know the next generation becomes more realistic.

This should play to the inherent goal that all professional advisers should have, says Yap – doing a good job for

This idea of comprehensive, or holistic, financial planning is the core value proposition of Yap’s firm.

By taking such an approach, advisers are able to understand what their clients’ real goals are and where they stand; they can then identify the best investment solutions for each client.

INDEPENDENCE COUNTS

Advisers at Yap’s firm are licensed by the Securities Commission, Bank Negara and Federation of Investment Managers Malaysia to provide independent and holistic financial planning services. Whitman’s clients pay professional fees for its proprietary holistic financial plan-

Regulatory push

Providing a holistic wealth planning is a huge opportunity for independent financial advisers in Malaysia. But to make the most of this in a sustainable and long-term way, Yap believes the industry needs help from the regulators.

The fastest way to change consumer behaviour, he says, is to impose regulations that ban the commissions, as in countries like the UK and Australia. Agencies will then either have to shape up and learn what they need to do to add more value to clients, or will be forced out of the industry.

At the same time, however, any change in regulation will represent a big shake-up for the industry, and is unlikely to happen overnight.

In the meantime, therefore, Yap calls on the regulators to play a bigger role in educating consumers about the options and benefits in relation to fee-based advisory models.

ning service known as the Money Optimisation System™. As at 31 December 2015, Whitman advised on more than RM1.7 billion worth of client’s wealth.

In protection planning, for example, they are free to choose from the multiple offerings from various insurance companies, to select the right solution to meet clients’ individual needs. In this way, they can avoid over-paying on an insurance premium, which can eat into the nest egg and impact the long-term investment objectives. ■