

## A ROBUST, COMPLIANT AND EFFICIENT ADVICE PROCESS

### A LOOK AT THE SIMPLYBIZ GROUP APPROACH

The process of conducting risk profiling mapped to investment strategies, product research and creating suitability reports is often fragmented with different systems and methodologies being used in each. These processes are, however, heavily linked with the same data required for each. The SimplyBiz Group has merged these processes in order to provide an end-to-end investment system to its members, called Centra.

We were recently shown some of the developments The SimplyBiz Group has made in Centra, which is now available for no extra charge to all their adviser firms. These are designed to make recommending an investment compliant, quick and robust.

The system is a tailored adaptation of Defaqto's Engage system, with content designed specifically for SimplyBiz members, and is platform, investment and wrapper technology agnostic. It offers; a complete financial planning proposition, integrated product research, the ability to create suitability reports, ready-made complete centralized investment propositions (CIP) or adviser created CIPs, within a single system.

Considering FCA's suitability requirements for:

1. A system to ensure the careful use of risk profiling tools (FG11/05),
2. Questions and tools - needing to be fit for purpose whilst taking into account the client objectives and financial situations (FG11/05),
3. Highlighting recommendations and making it clear why the new investment will out-perform the old, and is in the client's best interests (FG12/16)

Centra goes some way to ticking all the boxes.

Within this document we have assessed the processes an adviser might go through when recommending investment business, and how they compare with a traditional end-to-end investment recommendation. We will be focusing on the following areas:

- inputting/uploading client information with and without IO integration
- risk profiling
- platform, fund and product research
- suitability report

### YOU SHOULD BE AWARE

This piece of work has been commissioned by The SimplyBiz Group, which has confirmed that the information is factually correct. All the information has been independently assessed by F&TRC. The SimplyBiz Group has had no editorial control over the content.

Any opinions presented in this document are F&TRC's.

## **Inputting/uploading client information into Centra**

The end-to-end review process kicks off with the system pulling through client details from Intelliflo’s Intelligent Office system when the adviser types the client’s name into the search engine. The adviser is then able to select which client they will be creating a plan for and their details are automatically populated. This includes the client’s name, address, date of birth, plans and holdings. For those who do not use Intelliflo’s Intelligent Office system, clients are added via the “Add a Client” icon and webform wizard. Plans can also be added using the “Add Existing Product” Icon.

<b>Task</b>	<b>Typical Time taken in manual process</b>	<b>Typical Time taken using Centra integrated with Intelligent office</b>	<b>Typical Time saving</b>
Inputting data to be used in investment advice process	15 minutes	1 minute	14 minutes

## **Risk profiling**

Once the client is selected, the adviser is able to view their current plans/holdings and create the client’s goals. In doing so, the system provides three different journeys, which is chosen is dependent upon the type of goal: Investment growth, Income and Protection. A questionnaire is then generated which leads to a detailed risk profiling analysis and/or decumulation questionnaire.

To start the process, the adviser selects “add a goal” and is required to name the goal and provide a brief description. Once this is done, the adviser clicks “next” and this brings up four optional questionnaires (risk tolerance, investor experience, capacity for loss and enhanced suitability). These can be completed in any order, either with the client present or the questionnaire emailed to them to be completed at their leisure. Currently, the adviser is not notified when the questionnaires are completed independently, and the addition of such notification could help advisers provide a prompt response.

The risk tolerance assessment is conducted by a psychometric questionnaire where the adviser can select to use either the A2Risk, FinaMetrica or Oxford Risk questions. Whilst each of these have been mapped to The SimplyBiz Group’s risk profiles, to ensure a suitable investment strategy is selected, only the A2Risk and Oxford Risk question sets are fully integrated into the system. For FinaMetrica, the user is required to complete the questionnaire separately and input the end risk tolerance score into the system manually.

The investor experience questionnaire refers to the client’s previous exposure with investing and whether this will have an effect on their risk level. The 12-question questionnaire focuses on a number of areas and answers range from “no understanding/knowledge” to “a high level of understanding/knowledge.”

The capacity for loss questionnaire assesses the client’s ability to absorb falls in the value of their investment. It asks for the client to respond to five statements, selecting either a suitable time frame or whether they strongly agree, agree, neither agree nor disagree, disagree or strongly disagree with the statement. The questions are based on the expected term of the investment, the amount of money the client could afford to lose and still maintain their standard of living and whether they are likely to need access to any of the money. The responses are played back to the client along with a brief explanation of how their responses might impact their ability to take risk.

***“With Centra, we feel more comfortable that our research is comprehensive and that we have more evidence to back up our recommendations. ”***

**Mark Banyard  
Chartered Financial Planner  
Banyard Independent Advice**

The enhanced suitability questionnaire helps the adviser determine the most suitable investment for the client. It asks the client to respond to five statements about the UK Financial Services Compensation Scheme; accessibility, risk, ethical investing and personal circumstances. Statement response options are: very important, important, neither important nor not important and not important.

Once all the questionnaires are completed and the adviser is happy with the responses, users are taken to a projection screen that enables them to complete the details of the client's goal in terms of the amount or level of income required, the time frame to the goal and the contributions being made.

The system automatically populates the natural level of risk (based on the risk tolerance assessment). The natural risk is highlighted by an orange line on an adjustable green bar. The capacity for loss is highlighted on a separate adjustable green bar, as is monetary value.

Using goal details, the system builds a stochastic model graph showing the goal and capacity for loss (either based on a percentage of the goal or monetary amount) with the projected value of the client's contributions at 95%, 50% and 5% limits.

The adviser is then able to discuss this with the client, and make amendments to any of the variables in order to find the optimal way of achieving the goal within a level of risk the client is willing and able to take.

The agreed risk is the level of risk upon which the adviser and client have settled, following their discussions. This is highlighted on-screen with an adjustable green bar which can be moved up and down.

Where the client's risk profile is changed, the system enables the adviser to visualise the natural level of risk the client achieved, set against the recommended level of risk to highlight the differences.

Once the level of risk is agreed, the graph and assumptions can be saved for use in the output report and the adviser can move on to research suitable investment strategy, mapped to the given risk profile from risk rated funds, models or DFMs.

The client projection screen is what really separates Centra from the usual risk profiling tool. The Monte Carlo simulation and link with Moody's analytics can really open up the dialogue with a client. Not only that, all information feeds back into Intelligent Office's system.

The system groups together clients that have the capacity to save regularly towards a particular goal and those that know they should be putting money away but don't have a particular amount to be able to save.

It is clear close attention has been paid to meeting the requirements of the FCA's finalised guide on Assessing Suitability: Establishing the risk a customer is willing and able to take and making a suitable investment selection (FG11/15) and assessing suitability; replacement business and centralised investment propositions (FG12/16). The system ensures that there is a clear and robust process when establishing the risk the customer is willing and able to take. It highlights risk in an easy to understand format via graphs and simple wordings. The system also enables the user to compare existing holdings with the new investment, highlighting the difference in risk, potential performance and why a change is in the client's best interest.

Task	Typical Time taken in manual process	Typical Time taken using Centra	Typical Time saving
Assessing the risk profile of the client by: completing attitude to risk and capacity for loss questionnaire completing investor experience questionnaire discuss risk and capacity for loss with client agreeing final risk level recording conversations for audit trail	75 minutes	40 minutes	35 Minutes

## **Platform, fund and product research**

The regulator and advisers alike are placing far more emphasis on the suitability and quality of products rather than just costs. Whilst the costs to the client are important, it is not the only factor that should be considered. Advisers need to give thought to the suitability of the product and wider features offered. When conducting their research, it is essential for advisers to have a consistent process as well as an audit trail which clearly shows why they selected the recommended solution.

When recommending an investment solution, advisers will need to select the appropriate funds, wrapper and platform (if applicable). For many advisers, this involves using multiple pieces of software to compare the different options for each element of the overall solution. This can be time consuming, with large amounts of data re-entry. Reports would also have to be exported from each tool to add to the client file ensuring there is a complete audit trail.

Centra enables advisers to compare propositions for all three elements of the investment solution in one journey. Users can carry out their research for a defined client goal or they can conduct non-goal-specific research. The research journey begins with the user selecting a tax wrapper type which they are recommending e.g. investment ISA. The user can then input the client's risk level, initial contribution and ongoing contributions. This will be automatically pulled through if the user is conducting research for a specific goal. The system will then automatically filter out the funds, wrappers and platforms which are unsuitable for the given risk level and investment amount. Users can then conduct their research for each element of the investment solution in whichever order they choose.

***"It is a great tool to highlight to clients your expertise and the depth of research conducted."***

**Bal Gill**

**Independent Financial Adviser**

**Intelligent Financial Advisory Ltd**

When exploring the investment funds options, users can choose to select a solution from; risk-rated fund panels, DFM panels or pre-built model portfolios. Users will have The SimplyBiz Group researched fund list created by Rayner Spencer Mills and filters pre-loaded, avoiding the need for advisers to manually find the investments and allocations. The SimplyBiz Group also provides complimentary due diligence materials for its CIP, including minutes from their investment committee's quarterly meetings. This will enable adviser firms to provide the justification required for their investment strategy without the need for their own time-consuming investment due diligence process.

For advisers who wish to create their own bespoke CIP, The SimplyBiz Group offer a consultancy service to provide guidance on how to build model portfolios and supporting documentation. If instead, advisers choose to select a solution from the fund or DFM panels within the system, they will be directed to the filtering tool. This allows users to shortlist the propositions in the panels by selecting desired features. Templates of the features which users select can be saved and re-used for a more streamlined and consistent process. Centra will come pre-loaded with The SimplyBiz Group's templates to guide users on what features to filter on. The SimplyBiz Group has clearly demonstrated that it caters for all advisers and investment strategies, offering expert guidance and time-savings no matter the chosen investment selection method.

Once users have shortlisted the fund or DFM propositions, they can then rank and sort them. The system can generate a range of tables and graphs allowing the user to produce direct comparisons between products. The process is similar for the platform and wrapper research and users are able to quickly switch between each element, allowing them to complete the journey in whichever order they choose.



FINANCIAL TECHNOLOGY RESEARCH CENTRE

This is will be ideal for those advisers who have particular products they like to use as they will likely have different preferences on which element to select first. It should also draw to their attention any new options which would meet the same criteria. Once a product has been selected for one of the elements, the system will automatically filter out the offerings that cannot be held with that product. For example, if the user selects a particular fund, all platforms and wrapper products which the fund cannot be held with are filtered out. This is a key feature as it saves advisers from having to check with product providers.

A white labelled research summary report highlighting all the products the user wishes to recommend can be exported in word format. The report provides an overview of the inputs and outputs of the research journey providing a full audit trail. The report is customisable, users can add the charts they generated in the journey to the report and can choose whether to include or exclude each section of the report. This can be a valuable document to store on the clients file to highlight the process the adviser has gone through for compliance.

Task	Typical Time taken in manual process	Typical Time taken using Centra	Typical Time saving
Selecting appropriate solution for client's risk profile and goals entailing: comparing and selecting investment funds comparing wrappers products & platforms exporting audit trail for compliance	2 hours	20 minutes	100 minutes

### **Suitability Report**

Once the recommendation is made the user is able to generate a suitability report directly from the system. This uses The SimplyBiz Group template suitability report and enables the adviser to use wizards to include or exclude paragraphs, tables and graphs from the report. The suitability wizard, allows the adviser to copy and paste relevant information from examples listed in the navigation pane which can be

***"This has potential to be the best proposition in the market, for advisers who invest the time, to understand the processes "***

**Gerry Towler**

**Principal Director & Senior FA**

**My Financial Services Ltd**

tailored and/or inserted directly into the suitability letter. This process can be done for all sections except boxes without a tick. Boxes without a tick, mean the adviser has to go into that area and click the relevant statement which are typically soft facts.

The suitability report does not include the charges being applied for the recommendation, as these have to manually be copied over from the research report and/or inserted using the free text function in the suitability wizard. Fund fact sheets, reasons why a provider has been selected, a playback of the assumptions made in the process and the end recommendations have to be entered in manually.

The Navigation pane on the left hand side highlights which sections have been completed, autosaving information to ensure information isn't lost. White ticks on a green background indicate that a particular section has been completed, a green tick on a white background, suggests the section is incomplete.

Once complete, this report is then populated into Intelliflo's Intelligent Office system against the client's record, to complete the full audit trail.

On closer inspection, there were a few areas that could be improved in the suitability report functionality and The SimplyBiz Group are working on these. Charges have to be entered manually, this includes platform and product charges as well as charging structures that have been created in Intelligent Office. In addition, information from the research report has to be

manually copied into the suitability report and the suitability report wizard only allows one product to be recommended at a time.

We would like to see greater integration between the suitability wizard and research reports where graphs, charges, and research are fed through to the report. Adding the functionality for the system to pull through more information, such as soft facts from Intelligent Office and introducing the capability to recommend more than one product at a time would be welcome enhancements.

Task	Typical Time taken in manual process	Typical Time taken using Centra	Typical Time saving
Writing Suitability Report	90 minutes	30 minutes	60 minutes

## **Conclusion**

There are many elements to the investment advice process with numerous methodologies for tackling each component. Bringing these methodologies together to create an overall process is a challenge for advisers that often creates inefficiencies. The SimplyBiz Group's end-to-end service helps advisers avoid these inefficiencies, data re-entry in particular, whilst still maintaining a thorough and consistent advice process.

That said, in order for advisers to reap the full benefits of Centra, they will need to invest the time into training to ensure their team are proficient with the system. In addition, adviser firms will need to ensure that client data within Intelligent Office is accurate and up to date to make the most of the integration.

Being able to risk profile a client, compare and select solutions and generate a suitability report within one system will be an appealing proposition for advisers and could yield considerable time savings. Centra offers not only efficiency but comprehensiveness too. Powered by Defaqto, Centra's risk profiling and product comparison tools are very helpful. By adding a suitability report generator, and their own investment expertise, The SimplyBiz Group has created a truly powerful tool in Centra.

Advisers should keep in mind that the suitability report generated is not a finished product and will still require manual input, however we believe it can provide vast efficiencies compared to manual processes. Also, advisers should note that the system does not have the functionality to produce full transfer analyses. Hence, when making a transfer recommendation additional software will be required.

Advisers may also require additional tools to help them select the appropriate wrapper type for an investment. Centra requires users to have made this decision before starting the research journey. For this cash-flow modelling tools may be needed. While Centra does offer an 'At retirement' cash flow modeler, it offers limited functionality with few practical use cases.

Below we have highlighted, based on our findings, the time savings that could be achieved throughout all of the processes we have highlighted in this document. The analysis highlights that Centra could save advisers 2 hours 59 minutes per case, which is an 66.3% time saving.

Task	Typical Time taken in manual process	Typical Time taken using Centra	Typical Time saving
Collating client data	15 minutes	1 minutes	14 minutes
Risk Profiling	75 minutes	40 minutes	35 minutes
Platform, Fund and Product research	90 minutes	20 minutes	70 minutes
Suitability report	90 minutes	30 minutes	60 minutes
<b>Total</b>	<b>270 minutes</b>	<b>91 minutes</b>	<b>179 minutes</b>

**66.3% time saving from a manual process**

## TEST THE SAVINGS YOU COULD MAKE BASED ON YOUR OWN ESTIMATION OF TIMINGS

Using our breakdown of the tasks involved when making a recommendation, find out how much time using Centra could save you. Whilst there will undoubtedly be other processes you go through we have highlighted below some of the tasks where the system could help save you time.

Input how much time you believe each task takes you and compare this to how long we believe each task will take via Centra.

Task	Typical time it takes you or your paraplanner	Typical adviser time taken using Centra	Typical client time taken using Centra
<b>Copying client information from the fact find</b>			
Inputting data to be used in investment advice process		1 minutes	
<b>Risk Profiling</b>			
Attitude to Risk		4 minutes	
Capacity for Loss		3 minutes	
Investor Experience		3 minutes	
Discussing results with client		20 minutes	
Recording conversations for audit trail		10 minutes	
<b>Platform, Fund &amp; Product Research</b>			
Comparing & Selecting investment funds		10 minutes	
Comparing Platforms & Products		10 minutes	
Recording research for audit trail		0 minutes	
<b>Suitability Report</b>			
Writing the suitability report		30 minutes	
<b>Total</b>		<b>91 minutes</b>	
<b>Your time saving</b>			