

White Paper – July 2020

iFactFind – the new standard in client data collection and management

Introduction

Collecting meaningful client information before providing advice is more than important – it is legally required. The introduction of the FASEA standards, and in particular standard 8, has caused a re-think about how to gather and manage client information. However, there is surprisingly little guidance regarding what data to collect, or how to collect and store it.

History

Without going through the entire history of Financial Advice and Planning (we all know where we came from), the collection of client information to make recommendations can be traced back to the early 1990's – maybe a little earlier in some cases. The document used was paper-based for (no other option obviously) that was typically between two and five pages long. This form often included a risk tolerance questionnaire as well as client contact details and some very basic questions about client needs. Frankly, this was more about justifying a financial product recommendation than a quest for complete client information.

As Financial Advisers and Planners began to professionalise towards the second half of the 1990s with the introduction of the Diploma of Financial Planning, the importance of gathering better quality client information became more apparent. The quality of the client data collected became one of the differentiators between quality advisers and, well, the others. Depending on the requirements of the licensee's involved, the length of the data collection (variously called a fact find, financial needs summary, personal financial details collection and others) grew to a document of between eight and twenty-five pages.

It was still completed on paper, but while the document length increased, the completeness of the information remained a problem as clients would routinely leave questions unanswered. Sometimes these questions would be left because the client did not know the answer, other times because they didn't think they needed to answer and other times because, well, they didn't get around to it.

There was no way of knowing how complete the document was until it was returned to the adviser, and even then it often remained incomplete if the adviser didn't need the information based on the expected recommendations.

Notwithstanding this, the data collection form became the core document used by advisers to demonstrate the 'know your client' rule originally established as a requirement under s961B of the Corporations Act 2001.

The section requires that a financial adviser or planner must identify "the objectives, financial situation and needs of the client that would reasonably be considered as relevant to advice sought on that subject matter (the client's relevant circumstances)", and then, "where it was reasonably apparent that information relating to the client's relevant circumstances was incomplete or inaccurate, made reasonable inquiries to obtain complete and accurate information".

Finally, any advice provided must be based on "judgements in advising the client on the client's relevant circumstances".

So, even from these early days of the profession, the gathering of accurate client information has been a legal obligation – every time advice is provided.

Current situation

The regulation of Financial Advisers and Planners has become almost a sport over the past two decades. The Financial Services Reform Act 2001 was just the first of the plethora of changes imposed over the past twenty years or so. FSRA was a disclosure-based regulatory framework aimed at managing conflicts of interest that had, let's just say, limited benefits to consumers and the profession.

FOFA was the next regulatory regime that came after the Global Financial Crisis and the issues of product failures and mis-selling. It introduced a requirement for regular re-engagement with clients and produced an effective end to 'passive income streams'.

Currently, financial advisers and planners are dealing with the introduction of FASEA and an associated set of new standards and educational requirements. It seems that so far, the FASEA changes are having by far the biggest impact on Financial Advisers and Planners with both a strict educational requirement as well as a set of binding standards of operation.

Of the 12 standards established under the FASEA Code of Ethics, two standards particularly apply to the need for complete and current client data.

FASEA Standard 5 – this standard states that “all advice and financial product recommendations that you give to a client must be in the best interests of the client and **appropriate to the individual's circumstances**”.

FASEA Standard 8 – this standard states that “You must ensure that your records of clients, including former clients, are **kept in a form that is complete and accurate**”.

It becomes clear that Financial Advisers and Planners now have a legal obligation to collect, store and manage complete information about their clients. In fact, updating client records has become a part of the on-going client management requirements.

In recent years, the 'adviser technology stack' has become a big talking point as Financial Advisers and Planners look to technology to assist them in meeting the three core objectives of client satisfaction, compliance with the law and practice profitability. There

is no single piece of software available that manages all three needs, and so practices frequently use multiple software programs to meet all obligations.

However, no software has existed that operates in a truly interactive manner with clients and advisers, that can become the single source of truth (SSOT) regarding client details.

The majority of Financial Advisers and Planners still use paper-based fact finds to collect client information. Some use various types of editable PDF documents, and there are some that capture very basic information through cash flow tracking software. Unfortunately, the following applies to these formats:

- Paper-based and editable PDF formats offer no adviser visibility regarding the level of completeness or where the client is up to.
- Paper-based and editable PDF formats are static by definition, and a new form is required each time the client information changes.
- Paper-based and editable PDF formats require scanning, saving, and re-entering into multiple other formats – providing room for error.
- Basic data gathering regarding cash flows and account balances does not capture the depth of information required to provide holistic advice and tends not to interact with the client.
- Goal articulation and setting tends to be simplistic rather than detailed, which struggles to meet the new standards established under the FASEA code of ethics.
- Information gathered and recorded is not auditable regarding who and when information was added or updated.

The Future

The COVID – 19 crisis seems to have proven one thing – digital technology is being accepted across the board as a method of communication. So while face to face communication will remain a vital component of trust development between advisers and their clients, the ability to communicate online is now an acceptable tool.

iFactFind has been developed from the ground up as a tool where advisers and their clients can work collaboratively, online, to ensure that all client data is collected, updated and recorded in an auditable form. We record who adds or edits information on all client records, and provide for a 'snapshot' of the complete client data record each time advice is provided – whether this on an ad-hoc basis or as a part of a regular review.

Software as a Service (SaaS) programs offer the ability to customise the questions to the client. The show/hide functionality of this type of software means that the data collection is only as long as the client data requires.

SaaS programs also allow for the academic analysis of de-identified client data – something that the advice profession badly needs. The development of a large body of knowledge about our clients (their goals, financial situation and estate planning, for example) should add valuable insights for our profession as a whole.

Comprehensive client data, collected and visible in real-time by both the adviser and their client, audit logs that record who and when information is added, and a snapshot of complete data each time advice is provided or a review is held. Add to this a secure document vault for you and your clients to add information (not in a risky manner like sending ID docs through email).

"iFactFind is the future of the digital fact find."

Key Features of iFactFind

iFactFind has been tested in financial planning practices for over 12 months, and apart from the obvious improvements in the quality and retrievability of the client information, we have found some other valuable benefits.

Family structure

iFactFind can ask questions regarding familial links, including step-children and adopted children. These links are typically not captured in a traditional fact find, but they are important given the number of blended and non-traditional families now.

Employment details

Details about superannuation, bonuses, salary packaging and length of employment are gathered easily on a show/hide basis. Full-time, part-time, retired or currently not working are all options for employment. Of course, the client may choose not to answer any question at this time, but they need to acknowledge this, and it is recorded in the audit logs.

Estate Planning

A comprehensive estate planning details section corresponds to a full estate planning goals area. This ensures that you build a deep family relationship - so important to a long term financial planning relationship. It also opens up discussions regarding other family members and their needs. The importance of estate planning as it applies to financial planning and advice is becoming much better understood by progressive Financial Advisers and Planners

Missing Link functionality

We have built-in a 'missing link' button, where key information may not be at hand, so that you or your client can continue through the process without delay. Both you and your client can see at a glance what information is needed to complete the iFactFind and simply add it when available.

Document vault

No longer is there a need to send sensitive information through email which the COVID – 19 pandemic has shown to be less than secure. Clients are happy to load documents such as ID's, statements, estate planning documents and trust deeds onto our secure system knowing that the data is encrypted. We have also completed an accredited Pen (penetration) Test to ensure that our system is secure from outside access. In fact, we have had clients who have said that finally, all their key documents are in one place!

Client engagement with the process

It is easy to fall into habits with long-standing clients. In the same way as we can start to take our life partners for granted, it's easy to assume that you have all the information on the clients that you need.

iFactFind provides an opportunity to 're-engage' with existing clients to ensure that you haven't missed anything over the years. Information not collected years ago could easily lead to incorrect assumptions regarding your client and their family.

The Process

iFactFind has been designed for both existing or new (prospective) clients. For existing clients, all available details can be added by support staff or paraplanner (or adviser) once the client is added to the system. The adding process takes less than 30 seconds. By pre-populating the iFactFind, you will be able to show the client how the information is added when you meet with them and 'launch' iFactFind for the client.

The 'launch' process is the same for new and prospective clients, and we have built-in an FSG delivery and acknowledgment as a part of this workflow. Ideally, you launch iFactFind while you are with the client (or virtually with them via Zoom, for example) and walk them through the first few screens.

Where you have little or no information for a client (a prospect for example), you will launch iFactFind once you feel that the relationship is likely to develop towards the Statement of Advice phase of the planning process. Following the above steps and walking the client through the first four or five sections generally takes less than five minutes. Actually, you could complete the entire process in around 40 minutes if the information is at hand – and that includes goal setting and a risk tolerance questionnaire.

We know that goals setting is the most important part of the data gathering process and this often takes some time while you assess and discuss client goals and values, but these can be captured live with the client. We have included an adviser notes component in each section and for each goal for you to record – in the client's own words – what is important to them.

Once the clients are on-boarded, it is an easy process to encourage them to keep the system updated, or at least to confirm the accuracy of the data before each review or advice is provided. You can be confident that the client data reflects the advice you are providing and that you have current information about the client – signed off electronically by them each time.

Conclusion

The decision to collect comprehensive client information in a retrievable, updateable and auditable form has become a necessity. It is no longer an option to provide clients with a paper form and hope that the information is completed. More and more clients expect a digital solution from progressive Financial Advisers and Planners.

Furthermore, the whole concept of clients entering information, then advisers scanning and storing the information, then having to re-enter the same information manually into several different software applications needs to be left in the past. Financial Advisers and Planners need to move forward towards a more efficient means of collecting and maintaining all client information

iFactFind will progressively roll out integrations with key financial planning software providers. We realise that this will take a little time, but we need to prioritise based on usage. There is no need to wait for integrations – as they roll out all collected data will be uploaded into the integrated software.