

New Model Adviser®

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24 June 2013 ■ Issue N° 361

Parental issues

Provider ownership of networks:
why the model is broken



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Passive investing

Beta in action



High Court case sounds warning to advisers

Peer into Lord Oakeshott's investment approach

One paraplanner's plea for clearer costs

Buoyant prospects

James Relph has no qualms over operating as a small fish in a sea of large IFA firms

Business



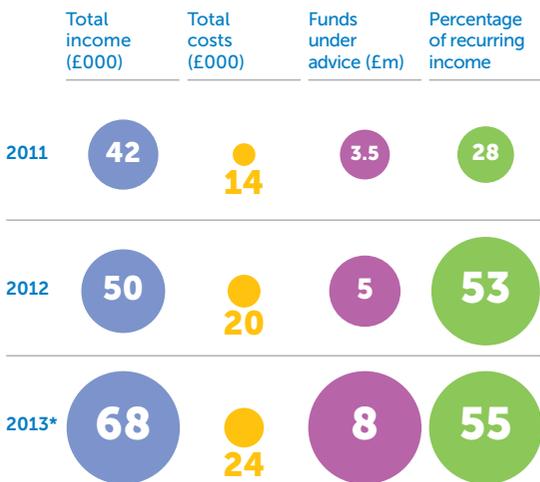


Testing uncharted waters

Facing the headwinds of an increasingly competitive world, James Relph is setting a course of modest expansion and a niche offering to keep his young, small firm, Executive Wealth Management, buoyant

Business

BUSINESS FIGURES
EXECUTIVE WEALTH MANAGEMENT



*projected figures

Setting the right service levels with minimum charges is crucial to ensure profitability in a small firm and therefore key to surviving and thriving in the RDR world

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James Relph, managing director of Executive Wealth Management, is defiant in the face of those who say small advice firms cannot survive and thrive in the retail distribution review (RDR) world.

A family man at heart, Relph set up the firm in January 2011 with his wife and children in mind. His wife, Sarah, previously worked as a mortgage adviser and has joined the firm as a full-time office manager. Together the couple run the business from their home in Swindon.

Last year, the firm had £5 million under advice and a modest £50,000 revenue, but it is growing steadily using fixed fee charges and financial planning.

Initial fees range from £450 for a limited review through to £3,000 for a full holistic review.

'I am not keen on percentage-based initial charges,' says Relph. 'I don't feel comfortable taking 3% of £200,000. That is £6,000; did you really do £6,000 worth of work? The argument is that it increases the risk for professional indemnity insurance.

'But if you do the job correctly in the first place, your risk should not be much greater than for a client with £50,000. So I don't think that argument washes.'

Four-tier service proposition

Four levels of ongoing service are offered to all clients. Charges for the first three tiers range from 0.35% to 0.5% plus another 0.2% if a client chooses to use the firm's model portfolios [see box]. The top level of service is aimed at higher net-worth clients with more complicated requirements. These are charged via a monthly retainer, which is a minimum of £4,000 a year.

Relph says he would eventually like to use a fixed fee for ongoing service but cannot at present because platform providers will not allow it.

'When we were setting up, some of the platform providers we used still couldn't offer ongoing trail as a monetary amount, so we had to use a percentage,' he says.

Setting the right service levels with minimum charges is crucial to ensure profitability in a small firm and therefore key to surviving and thriving in the RDR world, he says. The firm aims to be able to offer a service to as wide a range of clients as possible.

'The ongoing service can range from very detailed reviews to someone who doesn't want any at all,' says Relph. 'It isn't dictated by their wealth. There are minimums but if a very wealthy client only wants to see us every other year and do the rest

FIVE top tips

- Don't rush the initial client meeting. Focus on understanding what the client really wants from you.
- Ensure your proposition provides the service your clients require.
- Face-to-face meetings help to build a stronger client relationship.
- Try to ensure your clients' interests are at the heart of all your business processes.
- Aim to build a small number of reciprocal arrangements with quality key introducers.

James Relph
Curriculum vitae

CAREER

- 2011 - present** Executive Wealth Management, managing director
- 2007 - 2011** RSM Bentley Jennison (later became RSM Tenon), IFA
- 2005 - 2007** Edward Jones, IFA
- 2004-2005** Co-operative Insurance Society, sales manager
- 1995-2000** Co-operative Insurance Society, IFA

PROFESSIONAL MEMBERSHIPS/ QUALIFICATIONS

- Member of Personal Finance Society
- Diploma in financial planning



themselves, they can. Equally, if someone has less wealth and wants the full service, they can have it.'

Long-term care plans

Relph previously worked as an IFA for large firms including Edward Jones and RSM Bentley Jennison, and surprised people by setting up on his own.

'People thought it was an odd time to set up on my own, with a lot happening [in the profession and the economy].'



he says. 'But it was the right time for me and the family. Plus I wanted a small number of clients that I can get to know well, see on a regular basis and try to focus and build on the personal service.'

He is keen to keep his broad client base but also wants to develop a specialism in long-term care (LTC) advice. 'More people will require advice on that and we have a good referral relationship with a local solicitor in that area,' he says.

'Trying to get into that niche has taken a long time. I passed the LTC (CF8) exam six years ago; have recently done the equity release (ER1) exams and I have to develop my continuing professional development before I can apply for Society of Later Life Advisers accreditation.' As well as one solicitor, the firm has referral relationships with two accountants; and Relph also advises two group schemes with a total of £2 million under advice.

Small but not static

Relph sees no problem with staying small but does hope to grow by £2 million under advice a year and expand by

Radical action to steer model portfolios back on course

Executive Wealth Management made some radical changes to its model portfolios a month ago in a bid to address underperformance. To research funds in its eight portfolios, the firm uses Capita Financial Software Synaptic, sourced through compliance provider SimplyBiz.

Previously Relph used Rayner Spencer Mills (RSM) ratings, through the Capita system, as one of his selection tools. But ever since they were set up in 2011, the portfolios' returns lagged behind the firm's weighted sector average benchmarks.

'RSM does qualitative and quantitative analysis and had about 200-plus approved funds,' says Relph. 'We felt that by just using RSM rated funds we were limiting ourselves and missing some quality funds. They do lots of reviews and are adding more funds over time, but we felt that weakness was starting to show in our portfolios and we can't justify that to our clients, so we changed the criteria.'

Changing tack

'Since April we have used the FE Crown ratings system on the Capita software instead. We want a minimum of three crown ratings. That covers a wider spectrum. It led to us replacing quite a few of the funds. That is not to put RSM down in any way. It does good research, but it just didn't cover enough.'

The exercise shows what a difference the method of researching funds can make. Out of 13 funds in the old portfolios, only two (Cazenove UK Opportunities and Newton Asian Income) made it into the new portfolios; all the others were replaced with new ones.

'It's only been a month and that is far too short a period [to make a judgment on], but it has improved performance so far,' says Relph.

RSM director Geoff Mills says: 'We have a structured methodology for our rated fund list involving quantitative measures plus a qualitative, forward-looking view. Currently we have over 300 funds from across the whole Investment Management Association (IMA) universe and these are the basis for many of the bespoke portfolios we create for hundreds of UK advisers.'

Will Watling, product and marketing director at Capita Financial Software, says: 'We carry a number of rating systems within the software and are agnostic as to which ones advisers use.'

Off-the-shelf portfolios

Executive Wealth Management also offers clients off-the-shelf multi-asset or multi-manager portfolios. For pensions, it uses the Scottish Life Governed range; for investments either Old Mutual's Spectrum or Aviva's Multi-Asset funds.

'Scottish Life comes out well in terms of its charging structure,' says Relph. 'We like it for the middle rung of clients looking for consolidation or new pensions, plus it offers lifestyling. We use Spectrum because it ties in with the Towers Watson risk questionnaire we use.'

'Aviva is a platform we only started using recently because we didn't just want to be tied to Skandia. For certain clients, Aviva's charging worked out lower and the platform offering was good. But it is early days.'

The model portfolios are targeted at higher service level clients. 'We can review and write out to clients quarterly. Most multi-manager funds are reviewed but you have no contact with the client, so we are trying to build up that level of service.'

Portfolio charges are between 0.96% and 1.19% excluding wrap and adviser charge, which compares favourably with multi-manager offerings, says Relph.

The portfolios have a large weighting to property, with some at around 15%, as recommended by the Towers Watson asset allocation model. Relph says this is a little too high but he prefers it to some other asset allocation models, which at the time of researching he felt were too heavily weighted towards UK equities instead.

Even though more UK weighting would have helped his performance over the past year, he still prefers the overall spreads in this asset allocation model compared with others in the market.

Performance

	2011	2012
EWM 5 portfolio	-3.2%	16.3%
Weighted sector average benchmark*	-3%	17.5%

* Based on the sector averages of all funds held in the portfolio. Data to 31.05.13. Net of charges but excluding platform charge. Dividends reinvested.



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James Relph Executive Wealth Management

taking on a new recruit. 'It may be a paraplanner or someone who wants to train up to adviser,' he says.

'Also if there was a firm of similar size willing to merge, I may consider that. I have no grand plans to become regional, but I am starting to generate some leads over towards Oxford, 30 miles away. I recently started buying leads for OX postcodes.'

The leads have come via the Financial Advisor Network,

Business



“ People may say my figures are not massive, but if it gives us the income to be comfortable and growing, and I still get the family life, that is a big positive for us ”

James Relph Executive Wealth Management

FAMILY FIRM: Relph and his wife Sarah, who is the firm's office manager, are keeping a balance between work and family life

which automatically directs enquiries to Relph. In six weeks, he has had 14 leads, of which two have become substantial clients and there are several more potentials in the pipeline.

He has also been looking into buying the client banks of retiring advisers but has not seen anything that stands up to closer inspection.

'One had £25,000 of trail and was trying to sell for three times trail in three instalments over 12 months,' he says. 'When I started looking into it, I found there were no client agreements and most of the clients didn't realise he was getting trail. He also didn't know that they could turn the trail off.'

'He is trying to sell a business that could have no future income. I offered a far lower amount, spread over five years and he said "no".'

Home and office

Relph and his wife enjoy working from home. Meeting clients there has been made much easier by technology, for example using the Skandia Appetite for Risk iPad app.

'With the app, you can do it all there. It is easy, because you don't need to worry about connecting to wi-fi. And clients can sign it electronically on the iPad,' says Relph.

'If I need an office, my accountant connection has a room he lets me use.'

Family focus

Relph is modest and easy-going with the tell-tale tan of a sailor and has just returned from a long weekend camping and sailing with the family. He has two children and wants to grow the business steadily so it can provide for the family, while keeping a balance between work and life.

'I want to get above £100,000 income in the next 18 months but I don't want to be working 15-hour days,' he says. 'All of this is geared around the quality of family life. Now I have flexibility, working for myself. Having your own business draws on you, but if I want to see my kids' school plays or sports days, I can. Last weekend I knocked off early on Friday to go camping.'

'People may say my figures are not massive, but if it gives us the income to be comfortable and growing, and I still get the family life, that is a big positive for us.'

Relph is assistant scout leader for his son and daughter's sea scouts group, which meets at the Bowmoor Sailing Club in Lechlade. He has just done an assistant dinghy instructor's course so he can help instruct the scouts.

Executive Wealth Management is sponsoring the club's main race event of the year. 'They make a big family day, put on a BBQ and bouncy castle, but it is all about the race,' says Relph. 'You go as a team. They didn't have a sponsor this year, so I said I would do it. It wasn't a huge amount but hopefully it raises the profile.'

Keeping a balance

Relph describes himself as fairly laid back and friendly. 'I don't get too wound up – although the kids might disagree,' he says. 'I get on well with all the clients and build a quick rapport with people.'

He and Sarah have been together for 18 years, and working together has not been a problem, he says. 'We always said we wanted to run a business together at some point,' he says.

'Sarah was quite nervous about giving up her employed income, and because she hasn't been in the business for some time, she worries if we don't have a bit of trail coming in that week. But it has proven okay and she is also enjoying the flexibility.'

'That and working together actually makes family life less stressful. It is hard and there are worries, but I am not looking to earn a fortune. As long as we as a family can have the things we want such as holidays, that is excellent. I am ambitious to grow the business, but not to their detriment.'



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