

How to create a new cashflow service business



with

Jacques Hugo

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Issue

Luda Financial Solutions' founder Jacques Hugo knew his clients needed a cashflow management solution, but his manual process was taking 16 hours to set up per client and he wasn't happy with the software solutions he tried.

Solution

Jacques spoke to the team at Moneysoft and decided to trial its cashflow management software with a small number of clients.

He was happy with the results and it now forms an integral part of the advice every client receives.

Result

Moneysoft has helped Hugo slash the time it takes to set up his clients' cashflow position by almost half.

He now plans to set up a separate business dedicated solely to cashflow management.

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We plan to strip out the cashflow business from our existing business into a separate business – there's a huge market for us to tap into there.

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How did cashflow and budgeting become such an integral part of your advice business?

Many years ago, I was in my early-30s with two children and had a good accounting practice. I started importing water purifiers into Africa but I was 10 years too early so we just about lost everything. I understand what it's like when you don't know where the money is going to come from to buy food for tomorrow.

I set up Luda Financial Solutions in 2011 in Perth and cashflow has become an absolute condition for clients to engage with us. I'm yet to get pushback once clients understand what we're doing.

A family comes and sits with us, tells us what their goals and needs are: how am I going to buy a house, get out of debt, or maximise my super or insurance? The first thing we look at is how they manage their cash because all the other stuff becomes almost impossible to implement or manage unless they understand their expenditure.



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I don't give advice without knowing how clients spend their money, because they need to understand how they spend their money to reach their goals.

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Helping people change their expenditure can be an involved process: how did you manage it?

We started with a very manual process using .csv files. We would take six months of bank statements, plug them into a spreadsheet, allocate them, and work out a critical budget for the client.

To gather that cashflow information would take us about 16 hours. It now takes us five hours – Moneysoft Pro has saved me at least 10 hours per client in preparation time.

It's also helped from a regulatory perspective. For advice to be appropriate, I have to show that it won't put clients in a worse position from a cost perspective. If they can't afford what they need now, we need to build in steps to get them there.

What do your typical clients look like?

I have clients who, between husband and wife earn \$300,000 a year, and two days after pay day they have no money. Then there are clients who try but just made some bad decisions – there's debts they can't get out of. They have these credit cards and personal loans and it's just getting too much.

I had a client walk in recently who said 'we're here under duress because so and so said we have to come and see you'. I said 'I'll do a deal with you. This is how we work. We'll analyse your financial position and if I can't find money in your budget for you, you don't pay me and I'll do everything else for free. But if I do find money, then this is my fee.' He said 'That's fine because we've checked our budget'.

So we did our analysis through Moneysoft and found \$780 a month, \$500 of which was his wife buying four to six takeaway coffees a day. His expenditure was golf, Foxtel and so on. They obviously paid the fee.

What's the biggest challenge when offering this service?

My challenge is to get people to admit they need help with their cashflow. They all know they do but they have to take that step to stick up their hand and say 'I'm an alcoholic'. We've even signed up with Ezidebit – it's so crucial that people get this advice I'm quite prepared for people to pay me over a three-month cycle.

They then have to carry on monitoring their cashflow and budget. We find that it goes well in month one, maybe month two, but then golf is far more interesting than reconciling a bank account.

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We've recently found a four-hour habit change workshop for our clients – we're hoping that this will help resolve the problem of falling back into bad habits.

What are the common ways that clients derail their financial goals?

Tap and go is probably the big culprit. With the old envelope system, where you had actual cash for expenses, such as groceries or entertainment kept in separate compartments, it was easier. With tap and go, you don't see how much money is left.

People also find it hard to save for future expenses like their car rego, tyres, maintenance, house rates, taxes – even their annual home loan fee. Then there's takeaways, coffee shops... the average amount we see for a family in a month is \$450.

A large part of the problem is they're not taught how to manage money. We show them how to automate their budget through different account systems – the money is put aside for those irregular expenses or at least saved in their mortgage offset where they can't get to it. We need people to think they've earned the money now but it's already earmarked for a cost in the future.

How do you incorporate cashflow and budgeting into your advice fee?

I don't give advice without knowing how clients spend their money, because they need to understand how they spend their money to reach their goals. So we offer it in multiple ways.

One is through a holistic financial plan that covers areas such as super, insurance and estate planning where we will include the budget advice free of charge.

We also have a standalone initial budget, cashflow review and recommendations package supplemented with an ongoing advice package just for cashflow management. We reconcile clients' bank accounts for them on a weekly basis.

They just need to check how they're tracking against their budget – Moneysoft automatically sends the reports. Each quarter clients can sit with one of our cashflow coaches and talk through how they're tracking.

What Moneysoft features do you find the most useful?

It's still very much a part of our work in progress. It provides that three-month picture of how clients spend their money which I can then plug into my spreadsheet. The Moneysoft team provides excellent support and we plan to keep trialling new features as they are introduced, such as the diary feature.

What's the biggest change that Moneysoft has introduced to your business?

We plan to strip out the cashflow business from our existing business into a separate business for a once-off fee. There's a huge market for us to tap into there. The margins are tight but it will also become a funnel for some clients to take up our mortgage broking or holistic advice services.

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