

Financial Planners Talk

How to Change Lives and Build Client Engagement with Moneysoft



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Jackson Millan knows what it's like to help a client out of insolvency and get back on the path to home ownership. Moneysoft spoke to the Yellow Brick Road Dee Why principal and money coach about the power of budgeting and how he uses it to build a closer relationship with clients.

Traditionally financial planning has been focused on investments and products while budgeting has been neglected. But isn't that how most people get ahead and achieve their goals?

I agree. A couple that came to us around a year ago had a problem with some unsecured debt. The wife had lost her job and she was in a management role, so it took her a few months to find an equivalent position. When they didn't have an emergency fund or any cash reserves left they actually defaulted on their debt and had to go into an insolvency debt

agreement in the order of \$60,000. When they came to us, they'd been making the minimum repayments and still had around \$50,000 of unsecured debt.

By doing a budgeting exercise, tracking their previous spending and working out how much they needed to live their lives, we were able to set a simple and sustainable plan that allowed them to pay off all of their debt. Within 12 months they've completely paid off the debt agreement.

They've got used to living on the amount of money they had under the plan, so now we've created a savings plan based on the same habits. They're starting to progressively put money into savings and investments and in around 12 months they'll be able to buy their own home. In just 24 months they've gone from being in the pits to being close to some level of financial freedom.

It's easy to get into debt but far harder to get out of it. How do clients do it?

Making a change comes down to basic behaviours – you're motivated by those big goals, but unless you can break it down into small, achievable steps, you'll end up going down the path of least resistance. Unless there's a path of least resistance that's heading in the direction of your goals, you're never going to achieve them.

That's generally the hardest part for clients to comprehend: what do I need to do on a day-to-day, week-to-week basis to make what I want a reality?

We may be seeing more of these debt problems in future, particularly when people have over-leveraged into property and as interest rates eventually go up. This sort of budgeting is going to become crucial.

A lot of people haven't priced in the cyclical nature of those property markets and interest rates. I think that cash flow solutions like Moneysoft, supported by money coaching and mentoring are going to become more popular and sought after by clients.

When we look at the traditional advice relationship that was seen to be all about investing and wealth management, I think there's only a particular niche of clients that are interested in those types of services. Whereas when we talk about cash flow management and debt reduction, and the strategies that are relevant to everyday people, I think there's going to be a substantially higher uptake of advice for financial planners offering those services.

Budgeting is simple in theory but hard to implement in practice. What prompted you to give Moneysoft a try?

In 10 years as a financial planner, I've always viewed cashflow management as a very real and critical part of the advice equation, especially when it comes to holding clients accountable to what they want to achieve. A lot of clients come in looking to achieve big goals and with large aspirations, yet they tend to lack the clarity that a solid road map provides. Cashflow management is, generally, the cornerstone that will help them get there. It's always been extremely difficult to facilitate without technology – having to get bank statements and Excel spreadsheets and whatnot.

Until I discovered Moneysoft, I was using some business accounting software, modified to serve a similar role. It wasn't as specialised, it was cumbersome to manage, and it wasn't very pretty or client friendly. Moneysoft is a specialist tool that has made it really easy for us to deliver cashflow management and accountability for our clients.

What's the response been like from clients? Is there a dramatic change in their behaviour or does it take a lot of coaching to keep them on track?

Moneysoft brings transparency and responsibility – if clients know that we've got access to their transactions on a day-to-day basis, it influences their behaviour at the checkout.

Our biggest value proposition is about trying to help clients discern the satisfaction of their short-term buying behaviour, in pursuit of their big goals and aspirations. That's sometimes the hardest part. Their specific response depends on their own personal wealth journey and where they've come from.

Some of our clients have got themselves into a fair bit of strife with unsecured debts. We use Moneysoft's goals functionality to break their plan into small, measurable steps and show their progress, or conversely their setbacks if they haven't followed the plan. Then we can hold them accountable to what they really want to achieve and, ultimately, put the decision back in their hands.

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Our job is to facilitate the dialogue and their job is to make the ultimate decision.

For other clients who are more advanced in their wealth journey and perhaps have a number of properties, the biggest thing for them is simplicity. They are able to use Moneysoft to view everything in one place, track whether they're getting their rent for all their properties, and see all of their costs coming out.

Have you found that clients are receptive to how you charge for the service?

I've always been of the view that advisers shouldn't be remunerated based on assets under management or charge percentages based on the money that they manage, because it leads to an inefficient client/adviser relationship. Everything that we do is on a fixed-fee basis.

That's for a couple of reasons: one, the client has transparency about what they're paying and what they're getting, so it develops the mindset that they need to chase value above and beyond what they're paying. And two, the fact that the clients have transparency holds us accountable to delivering that value. So, it creates a 50:50 partnership, which is the most crucial part of any professional relationship.

Our approach holds clients accountable to actually invest the time and want to change. We find that their mindset will change if they're invested. People are generally invested in one of two ways – either with their money or with their time. We take a transitional path, from initial commitment to the money, to sitting down and creating a path that we follow up on over time, to help our clients reach their goals.

What impact has Moneysoft had on your business fundamentals?

What Moneysoft allows us to do is increase and deepen our client engagement. We speak on a monthly basis to all our clients using Moneysoft, whereas if you look at a traditional advice relationship, you might have a review with your adviser once or twice a year, if you're lucky.

We've positioned ourselves as being our clients' personal CFO and using the service as a means to develop a long-lasting relationship. Moneysoft is the vehicle that allows us to facilitate that conversation.

At the end of the day, we still (obviously) need to provide the coaching, mentoring, and the accountability. It forms a part of a big picture that has allowed us to increase our value proposition to clients and then, further to that, increase our fees because we are able to deliver that much more value.

When you talk to clients and you go through the full value proposition of what you offer, what's their biggest concern?

We begin by taking our client through an engagement process that is about self-awareness – you need to know where you're going. That includes getting them to do a budget of their own, just in an Excel spreadsheet. Then once we set the client up on Moneysoft, we contrast what they think they spend versus what they actually spend, and reflect on the historical data with them.

The common trend is that people don't actually know what they're spending. Because it's so easy for people to spend money, they lose transparency of their daily spending habits. A lot of people think they're saving more money than they really are, regardless of their financial position. When we go through that exercise, it's actually pretty confronting for clients to have that self-awareness and to see how much they actually spend. That forms the basis from which we can optimise their behaviour.

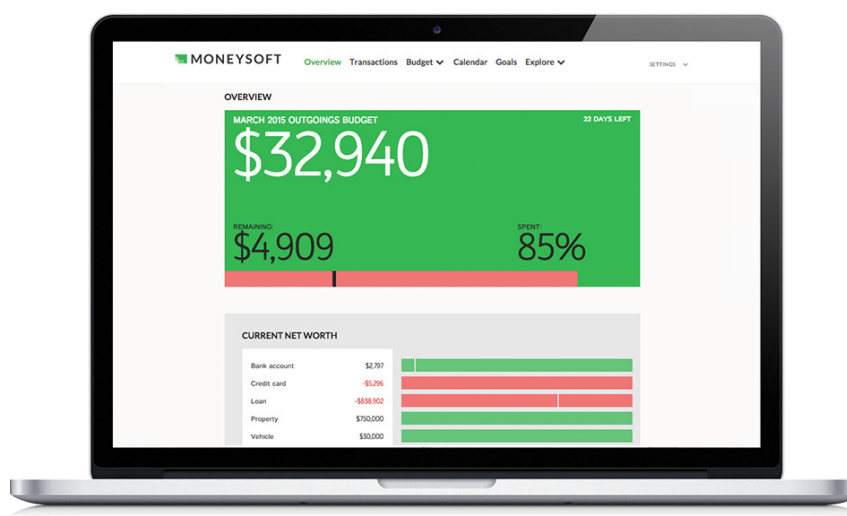
It's amazing how frictionless payment methods have become, making it all too easy to destroy your savings plan without realising it.

Exactly – that's why we put a lot of emphasis on getting the structure right.

We find that Moneysoft is similar to working with an accountant. When you go and do your tax return, the damage has already been done. Your accountant is just reflecting on the historical activity that's happened throughout that financial year.

Through the ability to reflect upon past buying patterns and spending behaviours Moneysoft is similar. However, it also has other powerful benefit such as a real time view of a client's habits that can then empower them to make wiser spending decisions. It's important to have the right structure in place to influence the buying behaviours at the checkout.

We segment our clients' fixed and discretionary spending and determine a safety net that they can spend within. That way, they know they've only got an allowance of \$X every single week, and they only use a certain card for that spending activity. That helps to stop the behaviours before they even occur!



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