

How to help young professionals reach their goals



with

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Issue

Orange Wealth co-founder Michael Chew's clients are typically young, professional families. They have higher-than-average incomes but their wealth often comes with big lifestyle goals and expenses. Most know they need to change but not all are ready for it.

Solution

Moneysoft helps clients reach their goals by automatically collating all of their accounts and analysing their expenditure. For those clients not yet ready to change their lifestyle, Moneysoft's hard data improves engagement by prompting regular conversations, which contributes toward improving a clients' overall financial capability and builds a longer lasting, trusted relationship.

Result

Orange Wealth's clients are more engaged and are more likely to reach their goals such as owning a home or paying for their children's education.

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Many of your clients are earning good incomes and have probably spent quite freely. Suddenly they face a potential big mortgage and private school education costs. How important is a money management solution?

People want to feel in control but those bigger financial goals are quite long-term and can be difficult to achieve, so it's often easier for them to just spend money in the moment.

About 70% of the people we see for the first time don't know what they spend. That's fine but the problem is they often can't achieve those bigger goals so we have to make them care.

About 30% of new clients really want to embrace a cash flow or cash management system – we call it our Orange Money Management system. We give clients an automated structure that helps them manage their money so they're not just relying on willpower alone.

We have regular conversations to help them transition from 'uncontrolled' spending to something that is just a part of their lives. After three months they've worked out that it can be done and after another three months they've embedded it in their lives. So the full process takes about six months.



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Then there are other people who want to do it but aren't ready to commit. Having the data in Moneysoft lets us check in at relevant points in the future and have an informed conversation about money.

It might go down the lines of 'these are your two or three big objectives over the next two or three years and you're not really making any progress – why not?' The data allows us to make that conversation informed rather than subjective and that can be very powerful. It's still up to them and whether they want to change but they can't hide from it.

How difficult is it to sell a service when clients are not always receptive?

Most people don't come to us and say they want a budget but we put everyone on Moneysoft so we can collect all their financial information in one spot. People have different banks, property, investments – there's no one point where it all resides.

It starts there and, depending on the strategy we run for them, the money management system drives them to

engage with us on a more granular and regular basis. We have clients who log into it every day and clients who log in very infrequently, so there's a full spectrum. It depends on what their focus is.

So even if the client is not engaged with a cash flow strategy, which is fine, we've got the data. That way, when we're having the next conversation, we have relevant information and can then coach them and advise them on opportunities or have a hard conversation with them, about meeting their goals.

Every client should know how much they're spending but they don't. It's a basic part of managing your finances.

When it comes to clients' expectations around what they spend and what they save, they're often a long way apart. We ask them in a questionnaire before they come in and the number that they think they spend, is always very low when compared to what they actually spend.

The challenge is some clients don't want to know – and we need to do better to change that as well. They are comfortable but still want to achieve these big goals – but

because there's no instant gratification, they can lose interest in how to get there quickly. You have to try and keep them on track.

Are they putting their money towards things that are really important to them versus spending their money on stuff that doesn't really matter? That's what we talk to them about and when they start to engage.

If they want to spend it on a car and then make that the objective rather than their kids' education... Having that conversation is an eye opener for them. It doesn't change their behaviour straight away, but it helps to set up an automated process where they spend money on their kids' education first.

How much of a challenge is it to offer a money management service without being swamped by the minutia, given the client is not always engaged and needs help to stay on track?

If the client wants to participate in it (which is probably 30% of our total clients), we'll spend time to help them. We won't push it on the clients who aren't engaged.

Engagement is often driven by how far they are from meeting their objectives. We've got one client whose first kid is starting private school this year. They're hurting because they have this private school fee – the husband is a director and his cashflow is lumpy. They have to get on top of it or their kids can't go to the school they are already sending them to.

So their incentive is really high – they're worrying about it. We will work with them one-on-one to get there but they also do a lot of the work themselves. We don't manually match the occasional transaction that doesn't auto-allocate – they do that themselves.

While we currently use Moneysoft's cashflow reports there is functionality that we are not yet using but plan to do so ie. Moneysoft has tools that allow you to automate the communication with clients yet.... it's something we plan to use in future.

Money management solutions are a key advice service but one that hasn't been standardized across the industry – why?

This is an area where the industry should be able to give cheap advice to help people. It is a basic need – to manage your money. The industry should be able to help people with that and at the moment, advice in general, is viewed as being expensive. A proposition around cash flow can help tackle this perception. The key is finding the right pricing point for the service.

Cash flow doesn't actually need to be an expensive or time-consuming service to run when you have the process in place and it's an automated process.

The industry needs to keep working on ways to provide

advice that everyone needs in an affordable way en masse, rather than one-on-one.

Did you try any other ways of offering this service before Moneysoft?

We're a new business, about two-and-a-half years old. Moneysoft was our solution – we haven't used anything prior to that. We did look at a couple but we chose Moneysoft because of the support and openness of the directors in the business, their willingness to engage and take feedback and answer questions. We found Moneysoft did it better than anybody else. We felt they listened to us.

Those clients who are very engaged, it must turn their life around? This is often the only way, and certainly the fastest, for most people to achieve those big goals like home ownership or paying for their children's education.

They smile – there's a moment when they twig. They say 'I didn't believe it but it seems like it's working at the moment' and the next month it gets better and the following month it gets even better.

They were engaged before because they had to be, because they felt like they were going to miss out and now they're engaged, because it's working.

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