

FINANCIALLY SUSTAINABLE PRACTICES

Guy Holwill

FAIRBAIRN **CONSULT**

WEALTH CREATION AND PROTECTION

GUY HOLWILL



From my background as a Civil Engineer and Chartered Accountant, I have spent the last 25 years in Financial Services. I'm really interested in the evolving nature of financial advice and the underlying business models. I am fascinated by building a business culture where people thrive and deliver exceptional results.



AGENDA

- 1. Business fundamentals**
- 2. Strong businesses and global trends**
- 3. Which financial advisors make the most money**
- 4. How you see yourself and your clients**
- 5. Advisor income streams**
- 6. Building ongoing revenue**
- 7. Wrap up**



WHO IS THIS FOR?



Financial advisors who want to maximize their income over the medium to long term



Not for financial advisors who want to maximize their income in the short term

BUSINESS FUNDAMENTALS

INCOME STATEMENT / PROFIT & LOSS

Income
(Expenses)

Profit



BALANCE SHEET

Assets
(Liabilities)

Equity



Does your income always exceed your expenses?
Do your assets always exceed your liabilities?

PROFIT & LOSS

INCOME

Commission	XXX
Advice fees	XXX
Other services	XXX

EXPENSES

Office costs	(XXX)
Staff	(XXX)
Marketing	(XXX)
IT	(XXX)
Your take-home pay	<u>(XXX)</u>

PROFIT

XXX



How do you structure your business so that “your take-home pay” isn’t compromised by income uncertainty?

STRONG BUSINESSES



By focusing on these dimensions and strategies, financial planners can build a strong business model that ensures long-term success.

1. Market Research & Niche Identification
2. Business Plan Development
3. Legal Structure & Compliance
4. Registration & Licensure
5. Office Setup
6. Bookkeeping & Accounting Systems
7. Client Onboarding Process
8. Crisis & Risk Management Plan
9. Fee Structure
10. Marketing & Branding Strategy
11. Lead Generation & Sales Process
12. Revenue Streams & Sales Forecasts
13. Expense Breakdown & Management
14. Cashflow Analysis
15. Capital & Funding Requirements
16. Budget Allocation & Financial Controls

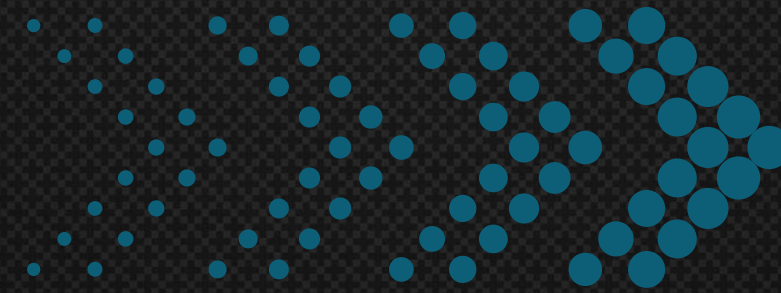


This talk focuses on revenue, but the other aspects are as important

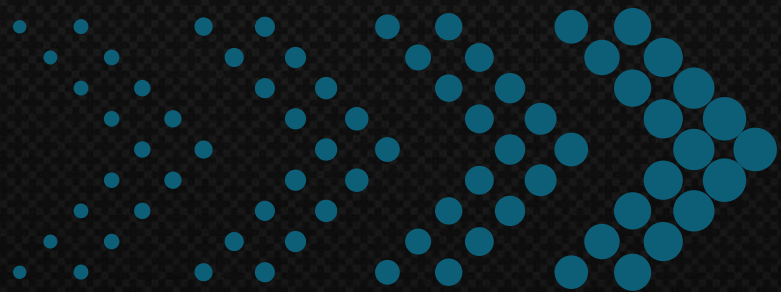


GLOBAL REVENUE TRENDS

Once-off /
upfront
revenue



Ongoing /
passive
revenue



REVENUE STREAMS

DIVERSE REVENUE STREAMS protect you from

- Exposure to one client
- Unexpected economic events
- Regulatory changes

PASSIVE INCOME creates

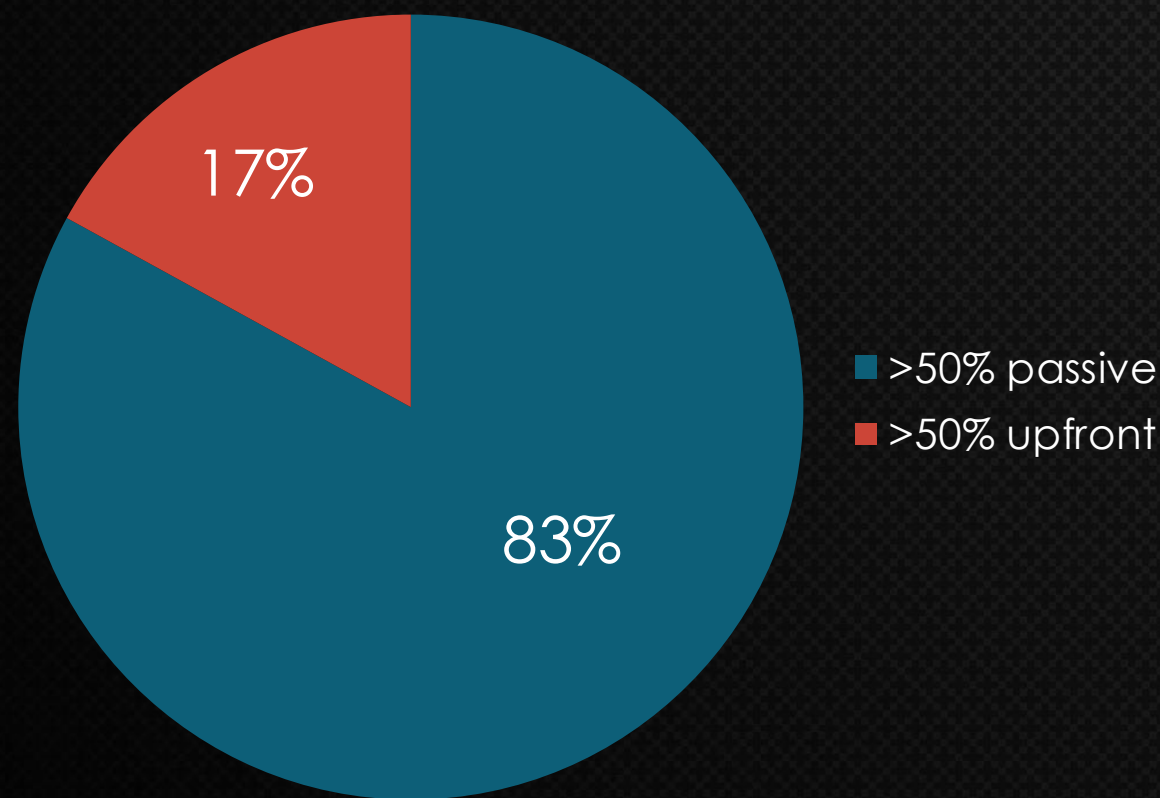
- Predictable and steady income
- Stronger client loyalty
- More financial stability
- Increases growth potential
- Increases practice valuation



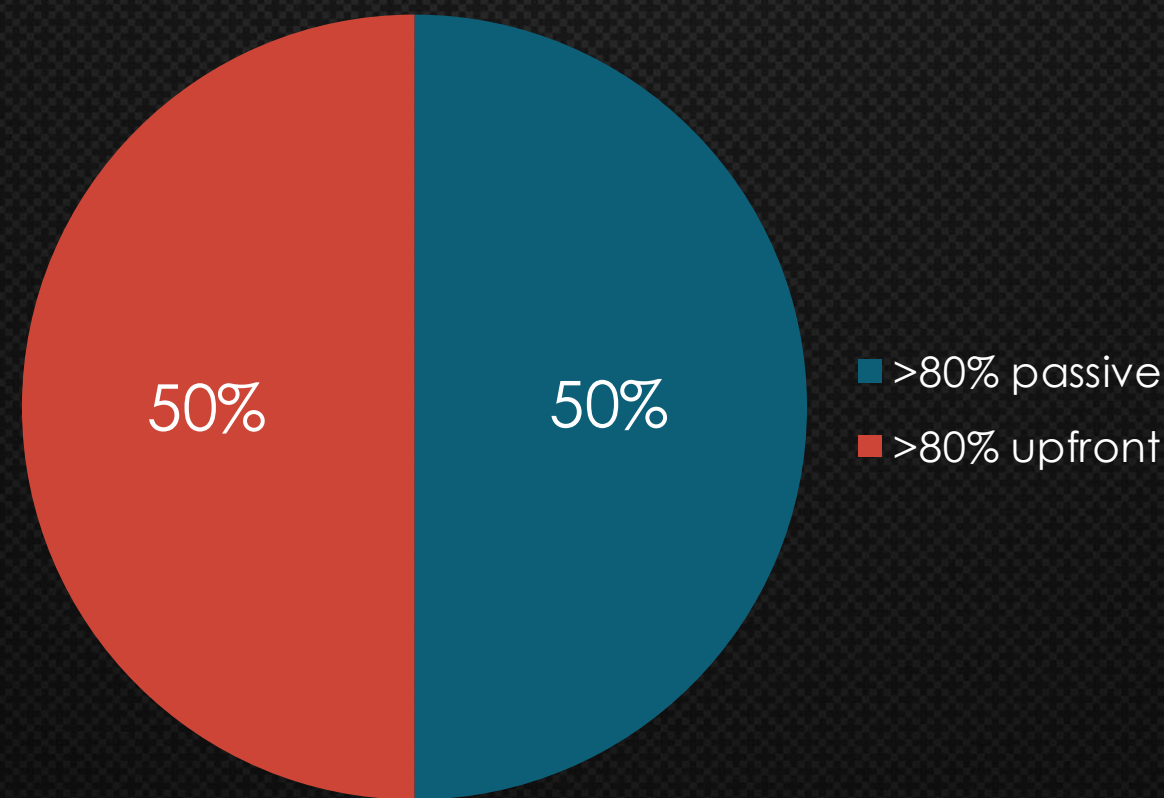
WHO MAKES THE MOST MONEY

Data of all Fairbairn Consult advisors who earned over R1 million in 2024

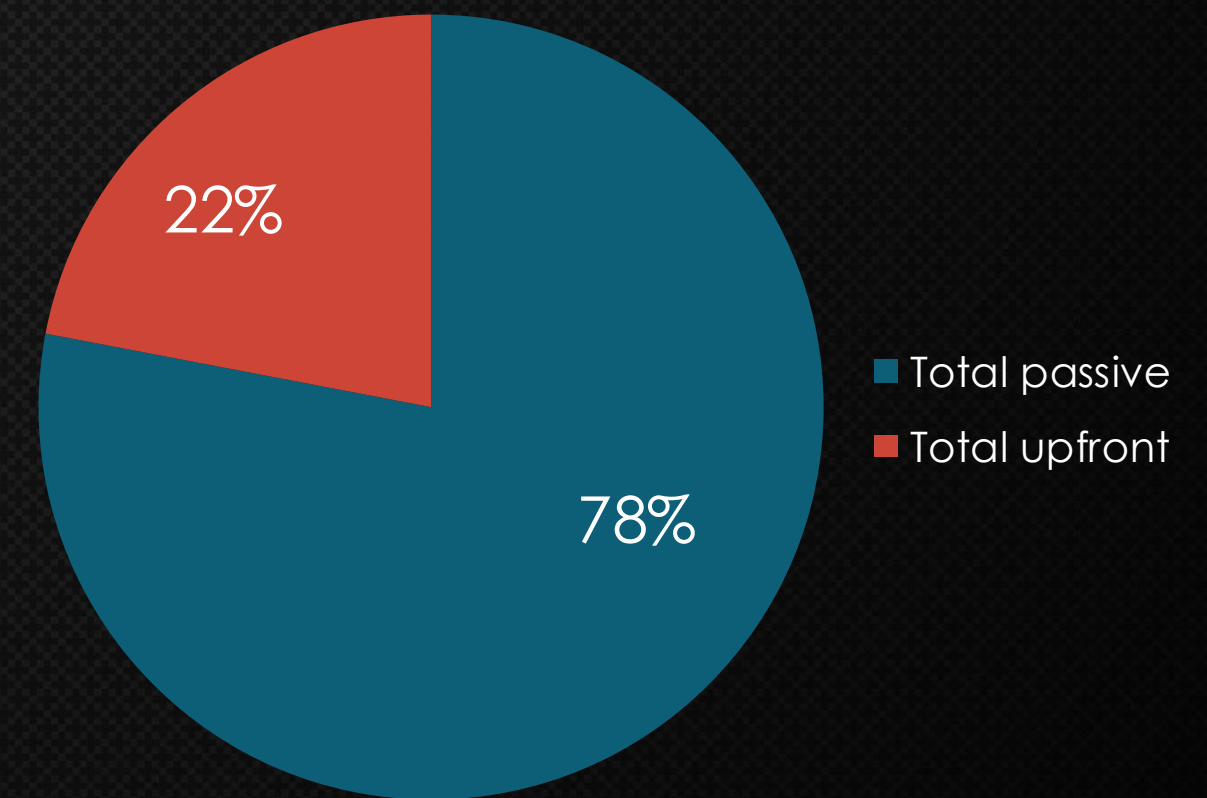
More than 50% passive



More than 80% passive



Split by passive & upfront



Advisors with a high proportion of passive income make the most money because upfront comm is only the result of 1 year of effort, whereas passive income accumulates over many years

INVESTING IN YOURSELF



There is no magic in Wealth creation

For clients to accumulate enough to retire comfortably, they need to sacrifice something today

For you to have a meaningful passive income, you will need to sacrifice something today:

- Use your savings / bond to buy a book
- Earn less for a while
- Work much harder for a while



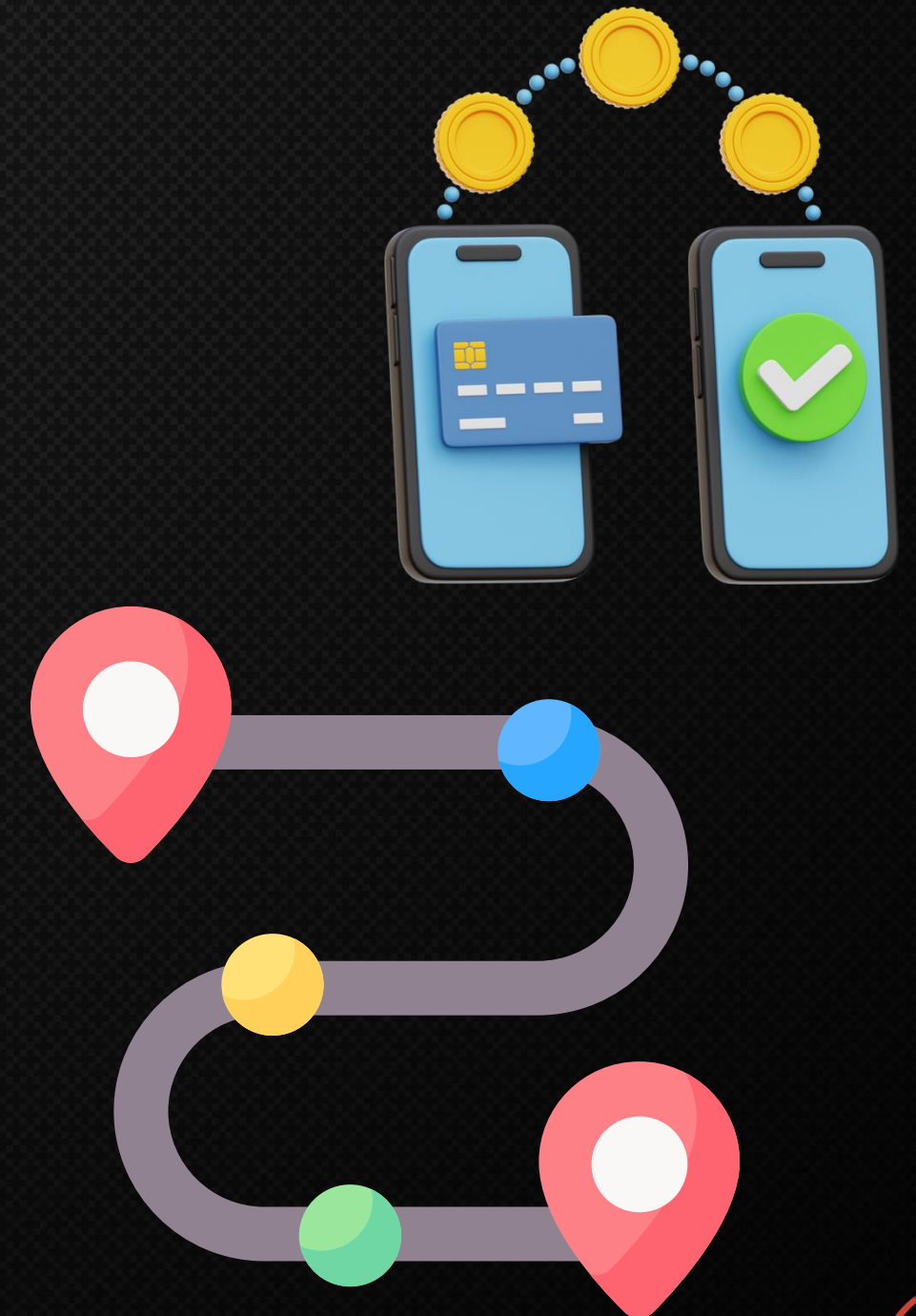
THE RIGHT RELATIONSHIPS

TRANSACTIONAL SALES

Single need selling means a transactional relationship
= a single sale

HOLISTIC PLANNING

Holistic planning means that you identify multiple needs
= long term relationship
= multiple sales



TYPES OF INCOME

Nature of income	Source of income	Does it create risk for you?	Does it build passive income?	Does it enhance your valuation?
Upfront Commission	Life Risk, Life Savings	High risk - can be clawed back	No	No
Upfront Advice or Service fees	Investments, Once-off fees	Low risk - cannot be clawed back		
Annualized Commission	Pension Funds	High risk - can be clawed back	Yes	Yes
As & When Commission	Short-term, Life Risk, Life Savings, Pension Funds	Low risk - cannot be clawed back		
Ongoing Advice or Service fees	Investments, Medical schemes, Non-life savings, Subscriptions			



BUILDING ONGOING REVENUE

Life Savings

- Move from upfront comm to A&W comm
- Move from upfront fees to ongoing advice fees

Pension Funds

- Move from annualized / upfront comm to monthly comm

Life Risk

- Move from upfront comm to A&W comm

Investments

- Move from upfront fees to ongoing / trail fees

Other fees

- Move from once-off fees to regular/ subscription fees

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TRANSITIONING TO ONGOING



**START
HERE**

Conventional wisdom

- Start with 1 in 3 policies on A&W / ongoing
- Switch to A&W / ongoing after hitting a monthly income target

For Life Risk

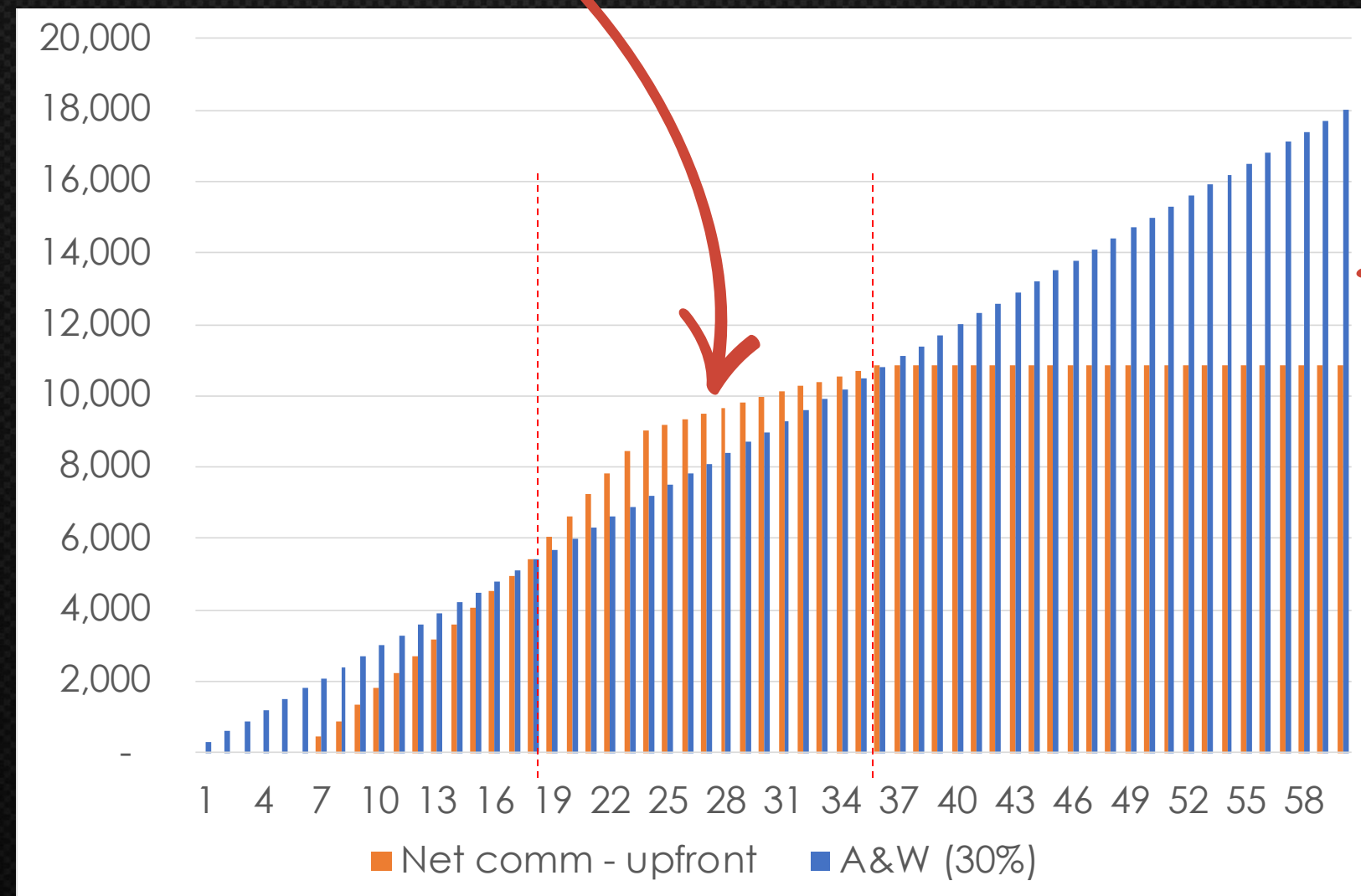
- You can be smarter by picking 50% A&W and 50% upfront on small policies and 100% A&W on large policies

TRANSITIONING TO ONGOING



The ONLY time that you make more money from upfront comm is on policies that lapse between 18 - 36 months

You can game the system by taking A&W on life risk policies that are either likely to lapse early or never



A&W pays **66% MORE COMMISSION** over 5 years!!

Assumes R1000pm premium, A&W at 30% for 5 years



TRANSITIONING TO ONGOING

What will you sacrifice to build meaningful passive income?

1. Use your savings / bond to buy a book
2. Earn less for a while
3. Work much harder for a while

! 1 & 2 are impractical for most advisors.

● However, if you derisk your business from clawbacks, then you will get the full benefit of working harder for a while.

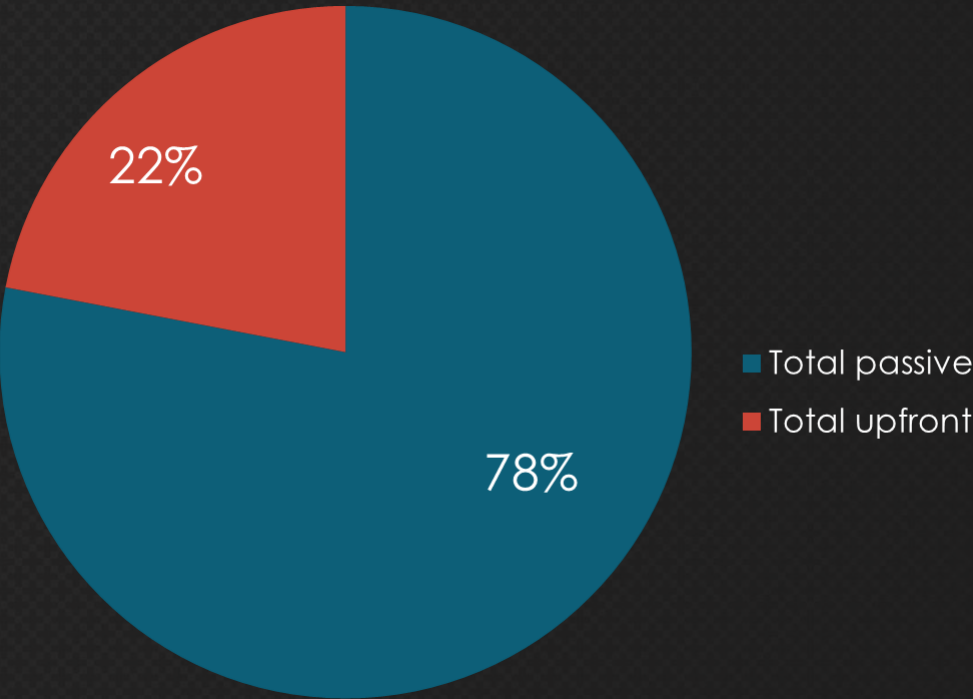


WRAP UP



Wealth creation is about small sacrifices now for big rewards later

Move from once-off revenue to ongoing revenue like Trillion \$ companies



Advisors who make the most money have a large proportion of ongoing revenue



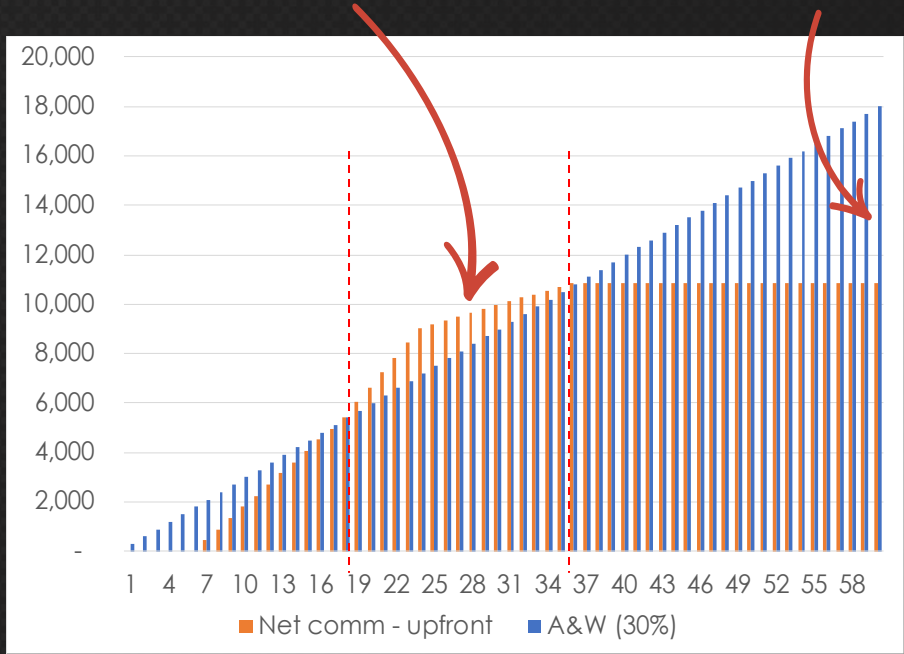
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Ongoing revenue derisks your practice and enhances the valuation

There are options to move to ongoing revenue on all lines of business

- Life Savings**
 - Move from upfront comm to A&W comm
 - Move from upfront fees to ongoing advice fees
- Life Risk**
 - Move from upfront comm to A&W comm
- Investments**
 - Move from upfront fees to ongoing / trail fees
- Pension Funds**
 - Move from annualized / upfront comm to monthly comm
- Other fees**
 - Move from once-off fees to regular / subscription fees



You can transition to ongoing revenue by gaming the system



WRAP UP

! If you derisk your business from clawbacks, then you will get the full benefit of working harder for a while.

! By moving from once-off revenue to ongoing revenue, you won't have to sacrifice your take home pay

<u>INCOME</u>	
Commission	XXX
Advice fees	XXX
Other services	XXX
<u>EXPENSES</u>	
Office costs	(XXX)
Staff	(XXX)
Marketing	(XXX)
IT	(XXX)
Your take-home pay	<u>(XXX)</u>
<u>PROFIT</u>	XXX



THANK YOU

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