Elgin

the investor's choice

Embracing change as a Financial Advisor

Globalisation in financial services and the subsequently diminishing offshore world has resulted in a constantly evolving client-advisor environment.

The desire for change is human nature, most advisors we meet are entrepreneurial and ambitious people that are always looking to improve in one way or another.

Reasons for desiring change are many, but in the main are:

- Earnings — Via higher levels of commission, turnover, or preferably both
- Conditions — Better working environment, products and support
- Freedom — To start your own practice and chart your own destiny

For many advisors any transition process can be challenging. Whether moving from one firm to another, starting a practice, or adopting new methods, everyone can benefit from a helping hand and some guidance when it comes to navigating new waters.

Managing Transition

For most advisors the 'Instant-Information' age of the past decade has revolutionised financial services and the effect of this is an ever-increasing need to adapt.

A secondary effect of increasing the availability of information is accountability of advice. This has resulted in unprecedented scrutiny from investors, making a responsible advisor's role more complex than ever before.

The following pages highlight some of the hurdles facing advisors in our industry today and proffers solutions that will add value and sustainability for decades to come.

- Managing transition in Financial Services
- Learning new skills to better understand and meet clients' needs
- Compensation for resisting financial incentives in the interest of clients
- Addressing the imbalance in remuneration reflected by product fees
- Building your business and leaving a legacy

Today's challenges

Developments in technology are changing the nature of the financial system and challenging the dominance of traditional distribution channels.

Conscientious, experienced advisors realise they have a duty to their clients as well as focusing on running their practice and making a living.

So:

- If you are still offering the same products and services as your competitors, have you considered your options?
- Are your clients genuinely happy clients, happy enough to be giving you a healthy supply of referrals?
- Have you made contingencies if commissions paid by life companies reduce?
- Do some of the funds and products you provide for your clients concern you?
- Are you concerned about fees eating away at your clients' returns?
- Does potentially losing clients as a result of this bother you?

If any of these issues give you cause for concern then please read on and discover how the Elgin proposition can help.

Who can Elgin help?

Before being considered as a solution we should be clear on exactly what Elgin is, what we are capable of and whom we can help.

Elgin is a Swiss regulated Portfolio Manager, and is also registered in all 28 EU countries to provide investment advice and portfolio management. All clients are managed via discretionary or advisory mandate. A custodian, usually proposed by their advisor; be it a Private Bank, Life Insurance Company, or Trading Platform is always used.

With no funds of its own, true independence remains at the heart of the Elgin investment management process. The first priority is to the client and therefore the ‘best available' instrument will always be chosen for inclusion in a portfolio.

Common denominators of Elgin Associates:

- They have high ethical standards and genuinely care about their clients’ welfare
- They are experienced professionals with an existing client base
- They recognise that they need assistance if their business is going to grow

Not everyone is capable of working alone but ambitious people do enjoy having their own business which is why Elgin recognises ethical, conscientious IFA’s and provides them the framework to achieve their goals whilst retaining their independence.

Learning new skills to better understand and meet client needs

Education is a key part of any transition; a move to a new firm with different systems and policies has an impact on how you can interact with your clients. Setting up your own practice may require that you explore unfamiliar territory such as compliance and regulatory issues in addition to establishing terms-of-business with product providers.

Knowledge and relationships are our biggest assets. It is the linking together and communication of these that lead to bringing in new clients, keeping those clients by involving them in the overall process and encouraging them to introduce others.

The twin themes of knowledge sharing and relationships are deeply entwined and should be ultimately inseparable.

Becoming more effective at sharing genuine knowledge with clients leads to a more mutually profitable relationship; more importantly, it provides a significant competitive advantage in times that more often than not people are being misinformed (and they know it).

All new Associates work with a single point of contact at Elgin to help them through the transition period

Each has in excess of 10 years industry experience and will guide you through the procedures and help with how Elgin communicates its solutions to prospective clients.

Training will be offered in (at least) the following areas:

- Overview of our sales process
- Our portfolio management techniques
- Types of assets we commonly hold
- Due-diligence procedures
- Risk profiling and assessment
- Portfolio analysis service
- Zeus-on-line valuation system
- All general administration and regulatory procedures

In addition, the Elgin in-house research team is comprised of certified and experienced financial analysts. This expertise is not only used to find opportunities in the markets but also to better service clients and advisors with any possible financial questions they might have.

Compensation for resisting financial incentives in the interest of clients

The financial services industry was built on incentives given to advisors for promoting their products, funds or services so 'independence' has always been questionable at best to most industry insiders.

The RDR (Retail Distribution Review) came into force in the UK on 31st December 2012, key elements are:

- Independent advice is truly independent and reflects investors' needs.
- People can clearly identify and understand the service they are being offered.
- Commission-bias is removed from the system and recommendations made by advisors are not influenced by product providers.
- Investors know up-front how much advice is going to cost and how they will pay for it.
- All investment advisers will be qualified to a new, higher level, regarded as equivalent to the first year of a degree.

Being aware of regulations before they are enforced

We do feel it is just a matter of time before financial institutions cease to accept business from unlicensed intermediaries, which is going to leave a lot of IFA firms severely compromised.

Being licensed in the most respected jurisdictions in the world not only adds a huge amount of credibility to your presentation, it also puts clients at ease in the knowledge that official compliance is in place and ethical and professional rules are respected.

RDR has brought to light a significant opportunity to capitalise on the fact that fee-based services are becoming widespread, and will quite probably be the norm in the not-too-distant-future in both developed markets (due to regulation) and emerging markets (due to demand).

Whilst we are not being forced in to adopting these rules in all jurisdictions it is clear that investors are being made aware of them with the increasing presence of regulatory bodies around the world. Therefore we need to be in a position to remain competitive whilst protecting our earnings.

As a result, Elgin has introduced a menu of services and charging structures that comply with RDR guidelines that address client demands, yet still provide advisors a sensible income, in addition to an increased earnings opportunity via fee-based, transparent solutions.

Addressing the imbalance in remuneration reflected by product fees

Only a portion of product fees are handed out to advisors in the form of incentives; the remainder is kept by the institutions. Why allow that to continue when we can provide clients with excellent service by buying instruments that do not carry extra fees?

- Life company regular premium plans are very costly to run
- The majority of fund managers fail to beat the market
- Financially engineered and structured products can be risky
- We live in a near-zero interest rate environment
- Clients are better informed and more cost-conscious than ever before

Life Company Regular Premium Plans. It is widely believed their days are numbered and those that rely on them for income will struggle to find clients willing to invest in these plans.

The majority of Fund Managers fail to beat the market. It is a well known fact that fund managers fail to beat the stock market, according to an in-depth study by a respected academic body*.

Financially engineered products are risky. You only need to read the press over the last few years to see the trail of destruction in the wake of so many failed instruments.

Purchasing value-for-money securities addresses the imbalance and stops 'giving money away' to third parties that offer little or no contribution.

*The study, by the Pensions Institute at Cass Business School, part of City University London, found that actively managed funds returned an average of 1.4pc less than the market each year between 1998 and 2008 once fees were taken into consideration.

Source: Financial Times, 17th June 2014.