



- News
- Features
- Opinion
- Blue Book
- Jobs
- 4minutes
- Search here
- Sign up | Login

News

**PRESSURE RISING ON PLANNING PRACTICE VALUES**

By [Milana Pokrajac](#) on 10 September 2010 [4 comments](#) 0 tweet

Structural reform taking place in the financial advice industry is putting downward pressure on financial planning practice sale values.

The head of acquisition and succession for AXA's financial advice network, Steve Davison, said financial planning practices were losing value in terms of recurring revenue multiples. Davison said AXA was already seeing multiples come down to around 2.7 times recurring revenue, down from 3 times recurring revenue 18 months ago.

He said the introduction of fee-for-service models would see a polarisation in the market where, on the one hand, clients would be willing to pay fees that reflect the true value of the advice provided.

"But at the other end of the spectrum, we'll see some clients happy to transact on a one-off basis when they have a need but are not willing to pay an ongoing fee each year," he said.

"And that's going to see some businesses' revenues come off, which will, in turn, play through to their business value," Davison said.

Business broking firm Kenyon Prendeville's latest figures show average prices achieved across Australia over the 2010 financial year amounted to a 3.3 recurring revenue multiple. But this is a fall compared to previous years, and Kenyon Prendeville's data over three years reflects a downward trend in sale prices for planning practices. In 2009, planning practices were attracting an average of 3.45 recurring revenue sales, compared to 3.55 in 2008.

Townsend Business and Corporate Lawyers principal Peter Townsend expressed concern over the buoyancy of the market once the ban on commission payments is introduced. He predicted a change in business models would drive prices down.

"If accountants get 0.9 [recurring annual revenue], why would a financial planning practice get much more than the accountancy practice?" he asked.

However, co-founder and director of Kenyon Prendeville, Alan Kenyon, argued reforms would not impact the valuation of financial planning practices, as demand for planning practices would remain strong. Kenyon said the supply/demand dynamic for planning practices still favoured vendors, although "there are more businesses coming to market for a whole bunch of reasons".

He added there were currently two types of buyers for financial planning practices.


"There will be those that will want to buy businesses that haven't made that transition [to a fee-for-service model], because they'll see the opportunity in transferring those businesses and getting an uplift. And there will be those who'll buy businesses that have already or are well underway with that transition," Kenyon said.

"So, as long as you have demand exceeding supply, prices are going to be strong," he added.

Davison agreed with Kenyon about strong demand for financial planners' client books, but questioned at what stage would the demand reduce and supply increase.

Add a comment

**We don't think in boxes, because the world doesn't work like that. Think wide - it can help you and your clients own tomorrow. Find out more >**



AMP Capital Investors Limited  
ABN 59 001 777 591, AFSL 232 497

More

**Posted in:**

- [Financial planning](#)
- [Funds Management](#)
- [Government and Regulation](#)
- [Legal](#)

**Tagged with:**

- [Alan Kenyon, AXA, commission payments, downward pressure, Financial planning, Keynon Prendeville, Peter Townsend, practice, recurring revenue, Reform, Steve Davison, Townsend Business and Corporate Lawyers, valuation](#)

to get Money Management delivered to your inbox


Submit your content to Money Management

**MASTER OF APPLIED PROJECT MANAGEMENT**

**FULLY ONLINE**

**DEVELOP THE SKILLS TO DRIVE RESULTS**




**START TODAY >**

Be guided by a local We know Asia



RECENT COMMENTS

Daniel Weeks said:  
You all make valid comments, however you cant paint all Financial Planners or all Accountants with the same brush. Im a Financial Planner...

Brett said:  
John, I am a financial planner, university qualified

If you enjoyed this article, why not [leave a comment](#), [send it to a friend](#) or [subscribe to our free newsletter](#) to have future articles delivered to your inbox.

COMMENTS

[ADD A COMMENT](#)

**Brian** - If you have already started losing clients in an 'Opt-Out' environment, how many clients will you lose with 'Opt-In'? I suggest you exit the business quick smart while it is still worth something! Most advisers have no idea how bad these new 'Opt-In' rules are. Clients are hopeless at returning paperwork at the best of times, so good luck getting the annual renewal notice signed off; and if you think you can complete it face-to-face - then imagine if you're away sick for 3 months ... 25% of your revenue will disappear automatically!

Ben | 13 September 2010 at 11:14

**Brian, Good to see you are still fighting the fight! Best of luck**

Ray Page | 10 September 2010 at 21:17

While I agree that the ongoing ASF model makes recurring revenue more vulnerable, our experience over the past four years is that only two clients have turned off their ongoing ASF. Both were fringe clients. When explaining our business fee model to 'discerning' clients, we tell them the logic behind the ongoing ASF and emphasise the fact that they can turn it off if "we fall out of love". In this context, I think advisers who have strong self belief in the value of their advice and service, have little to fear from ASF, or related potential to devalue business. That said, after 23 years on the job, I am now looking to exit the industry so am about to find out if my theory is correct?

Brian Handley | 10 September 2010 at 12:56

It seems to me that whenever we read about practice valuations the market as whole is treated as a homogenous market which is simply not correct. It's realistic to argue that previously "overpriced" practices were bought for distribution rationale at multiples that were wrong in the first place. Conversely, Good practices that have adapted to the changes taking place have actually increased revenue by reducing costs in platform and funds management and replacing them with increased fees for advice. We as in Paragem see this happening quite regularly and provide tools for practices to achieve this. The outcome is that good practices can actually be valued at a lower multiple but still have higher capital value because the revenue is higher .....not one report on this in the industry as yet despite all the practice management consultants helping to convert to fees for service. The message is good practices are like good houses in the property market, they always retain long term value. Just a thought.

Ian Knox | 10 September 2010 at 11:50

with a post grad (none via correspondence) and a qualified accountant. I've also been a...

Andrew said:

John, I couldn't agree more in regards to your comment on setting up a SMSF and not providing product advice, and I am a Planner! However,...

Graham said:

"Partial Licences" for Accountants, Intra Fund advice, so why is a Financial Planner still has to offer full advice to every client?

Jason said:

John, totally agree. I go one step further. Financial planners shouldnt even give investment advice. What do they know about...

John said:

For some reason, the penny hasn't yet dropped. SUPERANNUATION IS NOT AN INVESTMENT ITS A TAX (TRUST) STRUCTURE Accountants give advice on...

\*a43 said:

The "reforms" during the 2000's saw a large increase in non-productive and remunerated bureaucracy. The compliance burden has made life for...

Noah said:

Angry and Jason, you must each have a crystal ball, thats pretty much spot on how all of this will probably play out.

LATEST FROM TWITTER

ETFs: Keeping it simple <http://dlvr.it/72cvP>

Planners must maintain the peace <http://dlvr.it/72bww>

SMSFs can't avoid limelight <http://dlvr.it/72bwJ>

Australian unlisted property fund shows signs of moderating <http://dlvr.it/72S8y>

Submissions open for Islamic finance tax paper <http://dlvr.it/72S8x>

Follow @moneymanage on Twitter

Name \* :

Required

Email address \* :

Required, but never displayed.

Website :

Optional, and linked if provided.

Comment \* :

Required

Security code \* :

2ffc71

Required

Check this box to receive the latest updates in our email newsletter.

submit

[Categories](#)

[Browse topics](#)

[About](#)

Accountancy	<a href="#">A</a>	<a href="#">B</a>	<a href="#">C</a>	<a href="#">D</a>	<a href="#">E</a>	<a href="#">F</a>	<a href="#">G</a>	<a href="#">H</a>	<a href="#">I</a>
Actuarial	<a href="#">J</a>	<a href="#">K</a>	<a href="#">L</a>	<a href="#">M</a>	<a href="#">N</a>	<a href="#">O</a>	<a href="#">P</a>	<a href="#">Q</a>	<a href="#">R</a>
Asset Consultants									
Consulting	<a href="#">S</a>	<a href="#">T</a>	<a href="#">U</a>	<a href="#">V</a>	<a href="#">W</a>	<a href="#">X</a>	<a href="#">Y</a>	<a href="#">Z</a>	<a href="#">#</a>
Custodian and Trustee Services	<b>Recently added topics</b>								
Editorial									
Education and Training	<a href="#">Infocus</a>	<a href="#">Dr Ron Bewley</a>	<a href="#">Benjamin Levy</a>						
Financial planning	<a href="#">JP Morgan Chase</a>	<a href="#">bank stocks</a>	<a href="#">Sotiris Boutsis</a>						
Funds Management	<a href="#">PPFI</a>								
Government and Regulation	<a href="#">MercerIPD Australian Pooled Property Fund Index</a>								
Industry Associations	<a href="#">Rick Steele</a>								
Legal	<a href="#">Australian unlisted wholesale core property funds</a>								
Marketing and Public Relations									
Media and Information Services									
Mortgage Broking									
Recruitment									
Regulation									
Research and Ratings									
Risk/insurance									
Software and IT									
Stockbroking									
Superannuation									
Taxation									

The Money Management website is an essential online source of financial services information and a community resource where finance professionals interact.

- [Contact Us](#)
- [Advertise with us](#)
- [Subscribe](#)
- [Media kit](#)
- [Terms of Use](#)
- [Privacy Policy](#)

**Related sites**

- [Financial Planning](#)
- [HotFrog](#)
- [Super Review](#)
- [View all our sites](#)