



FFS Software

Around the world, legislation is pushing advisors in the direction of fee-based services. In Australia, over the last two years, FFS has been one of the dominant themes in the financial advice industry. Adopting Fee for Service (FFS) is a given with 1st July 2013 the start date for new legislative requirements.

CVM System's Fee for Service software allows for the creation, costing and pricing of service offerings for advisory practices.

Two of Australia's big four banks have implemented CVM's FFS software. Internal practices and aligned independent advisory practices are now using the software.

Overview

A common method used to price a professional service, i.e. take an hourly rate and double it, is primitive. There is an element of "*I hope there is enough margin*" in it. This unique software allows for a detailed and accurate costing (and therefore) pricing of professional service offerings. The FFS software:

1. *Accurately costs and prices service offerings (including taxes and group margins).*
2. *Maps staff time allocated to revenue generating activities.*
3. *Is simple to use and easy to update as practice variables change.*
4. *Produces forward looking P&L statement*
5. *Creates separate ongoing and new business budgets (including costing of prospecting activities).*
6. *Is written using quality web based software (ASP.net with SQL database).*

Cost and Pricing

Each service is made up of service components e.g. "*Email review to customer*". Time required by each staff category plus direct costs are recorded.

Family	Freq	Adviser (Min)	Manager (Min)	Intern (Min)	Marketing Assistant (Min)	Labour Cost \$	Direct Cost \$	Total Cost \$
Core Component								
Email review to customer	1.00	0	0	0	5	2.08	0.00	2.08
Phone call to check change in circumstances	1.00	0	0	0	10	4.17	0.50	4.67
Phone call to discuss review	1.00	45	0	0	0	39.00	0.50	39.50

Once the services are “built”, mark-ups can be applied. Additional costs such as tax and dealer / group splits can be added. The result is an accurately priced service.

Calculated Service Pricing											
#	Service	Direct Costs	Oncosts	Client Headcount	Total Service cost	Earnings Ratio	Pricing				
							Incl. Markup	Dealer/Group Split 8.0%	GST 10.0%	Fee for Service	
1	Family	97	37	145	279	30% ==> 30 %	399	35	43	477	
2	Baby Boomers	311	119	145	575	40% ==> 40 %	959	83	104	1,146	
3	Private Wealth Management	955	364	145	1,464	50% ==> 50 %	2,928	255	318	3,501	
4	Retiree	224	86	145	455	30% ==> 30 %	650	57	71	777	

[Update Service Pricing](#)

Staff Effectiveness

“Efficiency is doing things right; effectiveness is doing the right things.”

Peter Drucker

Providing value to customers is doing the “right thing”. Each service offering is made up of value generating actions. An example could be a quarterly phone call to check in with the client.

To gauge “effectiveness”, the software adds the time necessary to complete all of the service actions (e.g. the quarterly phone call). This in turn measures how much staff time is being spent on doing the right thing. For professional practices, staff costs are usually by far the largest expense. Having a tool that can gauge how effective staff is being utilized in a FFS environment is valuable.

Staff

Staff Impact Summary				OnGoing		New Business		Total
Staff Role/Type	# of Staff	Hours per Staff	Hours Available	Hours Required	%	Hours Required	%	%
Adviser (Other)	2	1,920	3,840	1,005	26.17%	1,791	46.65%	72.83%
Intern (Other)	1	1,920	1,920	518	27.00%	744	38.75%	65.75%
Manager	1	1,920	1,920	80	4.17%	59	3.07%	7.24%
Marketing Assistant (Other)	1	1,920	1,920	631	32.86%	812	42.30%	75.16%
TOTALS	5		9,600	2,234	23.27%	3,407	35.49%	58.76%

[Add New Role](#)

The ongoing time summary indicates how much time is to be spent servicing the existing client base. This provides a good indication of how much staff capacity is available for New Business Activities. It is possible to increase the new business budget (i.e. new business cases) to ensure staff time at required productivity levels (e.g. 65% to 75% of available time).

P&L

The FFS software also produces a forward-looking P&L statement. Provision is made for both new business and ongoing servicing budgets. This P&L statement provides a financial roadmap for the practice to follow.

Revenue		768,009	100%
New Business	450,710	58.69%	
Estate and Wealth Planning Exercise	134,587	17.52%	
Holistic Financial Plan	292,754	38.12%	
Life Insurance Needs Analysis	23,369	3.04%	
Ongoing	317,299	41.31%	
Family	1,996	0.26%	
Baby Boomers	191,712	24.96%	
Private Wealth Management	58,566	7.63%	
Retiree	65,025	8.47%	
Expenses		471,000	61.33%
General	46,400	9.85%	
Interest	36,000	7.64%	
IT	9,600	2.04%	
Staff	379,000	80.47%	
Earnings before Tax		297,009	38.67%
Less Notional Tax		89,103	
Net earnings after tax		207,907	27.07%
E.B.I.T		333,009	43.36%

The FFS software tool is easy to use and not overly complex. See screenshot below of the various tabs.



Ongoing Business Services (100 Clients)

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