

MAKING IT STICK



Roger Kennedy is assisting young clients at **Aiken Kennedy Financial Planning** in making better plays with their money to achieve their life goals

The dream client for many advice firms is a middle-aged, affluent business owner preparing for retirement with a decent-sized pot of assets to invest. For Northern Irish life planning firm AKFP Group, this is indeed its primary client type.

But co-founder and director Roger Kennedy says the future generation is equally worthy of his firm's attention. Not only does this next generation of clients stand to inherit family wealth, but will also generate its own.

To serve both demographics, AKFP is in the process of creating a dual proposition with a two-tier pricing structure (see fees box on page 26).

Kennedy, also a chartered financial planner, says: 'Part of our business strategy is to look at the next generation. It is not so much about how much wealth they have, because at that stage they have different needs. Next gen clients are saving and acquiring assets. They want to buy a house and start creating cash pots. They don't have much surplus income, but want to use it in an efficient manner with long-term goals in mind.'

'The next generation is a marketplace and, with technology and a flat fee, we can deliver in that marketplace.'

Regardless of how they pay, all clients go through AKFP's financial planning process, YourPlan. It has three stages: design, build, and maintain.

These are fleshed out in three meetings with the client to determine their life goals and timescales. A personalised cashflow model is then created and reviewed regularly.

ADJUSTING TO GROWTH

Kennedy set up AKFP, located just outside Belfast, in 1995 as an offshoot of an accountancy practice. Today, the business boasts Standards International certification BS 8577, awarded to financial planning firms that can prove a top standard in their business processes.

With £85 million of funds under advice in 2018, projected to reach £95 million this year, Kennedy aims to continue growing the business slowly and sustainably, with a modest target of just 12 new clients a year. 'We take our time. We are not trying to be a massive entity, we just want to do a good job,' he says.

Growth comes from informal referrals from solicitors and accountants, personal recommendations from existing clients, and



ROGER KENNEDY

CURRICULUM VITAE

1995–PRESENT	AKFP Group, financial planner and director
1994–1995	S Rankin & Co, adviser
1992–1994	Scottish Equitable, broker consultant
1988–1992	Halifax Building Society, investment and mortgage adviser

PROFESSIONAL MEMBERSHIPS/QUALIFICATIONS

- CISI Level 4 Investment Advice Diploma
- CII Financial Planning Diploma
- CII Certificate in Discretionary Investment Management
- CII Advanced Diploma in Financial Planning
- CII Financial Planning Certificate

marketing campaigns that have raised AKFP's profile. Client numbers have been rising steadily – with 165 expected to be on the books by the end of this year – with the exception of 2016, when 10 exited the firm. This was because, after years as AKFP's sole adviser, Kennedy realised key-man risk was too high.

He brought in new advisers to help generate income, but found they 'weren't the right fit'. When they were shown the door, they took the clients they had brought into the business.

Having the right people is key for any business, and Kennedy's plans for the near future include bringing on the next generation of staff as well as clients. His first move was to appoint a young, nearly-chartered financial planner within the firm, James Gordon, to

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spearhead its next gen client offering. Incidentally, AKFP's support for the next generation and future entrepreneurs goes even further. Kennedy is a business adviser to leading enterprise education charity Young Enterprise Northern Ireland. The firm also sponsors financial services networking group Young Leaders NI.

AKFP's strategy of attracting younger clients has helped shape both its investment offering and its fee structure. It uses discretionary fund manager (DFM) FE Invest Hybrid, which offers risk-graded portfolios for clients wanting a mix of active and passive investments. But, for clients who want socially responsible investments, a common demand of millennial investors, there is the option to choose FE's Responsibly Managed Portfolios (see box on page 27).

Since 2005, it has also outsourced its compliance function using Threesixty. AKFP got its fingers burnt in 2014 and 2015, when ▶

Trust is crucial. We don't micromanage people, because we have the right people in the business

the Financial Ombudsman Service (FOS) upheld two complaints against the firm for unsuitable pension transfer advice. The original transfer values in both cases were £100,000 and £114,000. The adjudicator ruled some of the investments transferred into should not have been recommended to those clients based on their risk profile and level of sophistication.

Kennedy says the business learnt from this experience and now does not do defined benefit (DB) transfers or give piecemeal advice. 'The complaints were for advice given in 2001 and 2004. We certainly learned lessons from them. We don't take on transactional business, those cases were pension cases and that's all we did for them. Now we only take on clients who want proper cashflow financial planning and life planning,' Kennedy explains. 'Having been in business since 1995, we've dealt with 3,500 people.'

UNDER PRESSURE

AKFP's professional indemnity (PI) insurance excess covered the claims made five years ago, but now the cost of PI premiums are soaring for advice firms, in part because the regulator has raised the FOS award limit from £150,000 to £350,000. Kennedy says the increase is unfair, and will put some advice firms out of business. 'I think it's a crazy figure – where did it come from? The pressure it is putting on PI is ridiculous.'

Kennedy says his own premiums will not rise, partly because AKFP does not do DB transfers anymore and has varied its permissions to exclude pension transfers and opt-outs. 'We are lucky, we have a very good relationship with our PI insurer. But there are other people I'm aware of with exclusions and massively increased

excesses, if they can get cover at all.

'It seems a real disconnect with the Financial Conduct Authority wanting financial advice to be provided to the next generation and to everybody. This isn't helping. There are firms that will close, and firms that will have to pass on the costs to consumers, making them less competitive so they have to close anyway. I don't agree with it. I think it's wrong.'

FAMILY FIRST

While the focus of AKFP's business is squarely on the client, it also has a progressive company culture that prioritises its workforce's family life. The head of client services, Rachel Chowdhury, is a single mother, and several of the back-office staff have young families. Kennedy asked his team what would make the firm a great place to work for them, and their feedback that they wanted quality time with their kids in the evening led him to bring in working hours of 8am to 4pm (3pm on a Friday), with every team member equipped to work remotely. The office also closes for two weeks each July.

'We just plan our workload around 11 months of the year, and our clients are supportive,' says Kennedy. 'Trust is crucial. We don't micromanage people, because we have the right people in the business.'

A forward-looking culture is a really good way to future-proof a business, but there are other headwinds on the horizon for small and medium-sized businesses that are out of their control. Not the least of these is the endless Brexit horse-trading.

How does Kennedy feel as a small business owner in Northern Ireland at a time when there

FEES

AKFP usually takes on clients with investable wealth of at least £250,000. It has a three-stage financial planning process: design, build and maintain. The design stage is charged at a flat fee of £2,500, and 1% of funds invested for any product-based work for the build stage. Maintain has a flat fee of £2,500, plus 0.25% of funds under advice if AKFP manages the investments.

However, the firm is working on a next generation option for younger, less wealthy clients, potentially focusing more on their income than their current assets. It is considering a lower flat fee of £1,800 for design, 1% of funds invested for build, and a £1,200 fee for maintain, plus 0.25% of funds under advice for investment management.

'If you have all your money on a funds under advice basis and a client with an inheritance tax problem, for example, and the advice is "give money away", there's a conflict there,' says Kennedy. 'A fee basis puts you and the client on the same page.'

is still no clarity over whether Brexit will mean a hard border between Northern Ireland and the Republic of Ireland? 'It's very difficult. You need good business planning, whether that plan comes into effect or not,' says Kennedy. 'You have to look at your supply chain, overheads and currency transactions. In

TECHNOLOGY TOOLS

Back office	Curo (from Time4Advice)
Fact-find	Curo and Precise FP
Cashflow analysis	Voyant and Timeline
Attitude to risk	FE Investment Planner
Fund analysis	FE Analytics
Fund platforms	Standard Life, Novia and AJ Bell
Client portal	Your Plan HQ (from Money Info)
Other significant technology	Repstor, Zoom and DocuSign

Northern Ireland there is massive movement between the North and South.

The South is our biggest European trading partner and more and more firms are dealing over the border.'

IN THE BLOOD

Outside of the challenges of running a Northern Irish small business while Brexit rumbles

on, Kennedy also has his hands full with other projects. He comes from a hockey family: he is chairman of a youth hockey club, his father and grandfather were hockey players, his three daughters play the sport and both he and his wife are involved in coaching.

A sports enthusiast, he has taken part in triathlon, cycling and lately the more

sedate pursuit of golf while he awaits a hip replacement. Is he tempted to swap his laptop for a nine iron on a more permanent basis?

While he hopes to have a succession plan in place by the end of 2020 (saying an internal handover would be more likely than an external acquisition),

Kennedy enjoys his client-facing role and has no plans to retire yet.

'I'm turning 50 this year and I've no intention of going anywhere. I love getting up in the morning and doing what I'm doing. But I won't be the person who's carried out in a box with younger people saying: "I wish he'd gone 20 years ago".' ■ HANNAH SMITH



AKFP OFFERS CLIENTS CHOICE OF PASSIVE ONLY AND ACTIVE HYBRID, OR DIY ROUTE

Around 20% of AKFP Group's assets under advice are outsourced. The firm uses DFM proposition FE Invest Hybrid and Responsibly Managed Portfolios for an active and passive fund mix: 'The most you would pay for an FE Hybrid portfolio is 0.75%, which we think is still competitive for a risk-rated, very well-managed DFM proposition,' says Kennedy.

For passive-only investors (selected in-house and used for about 80% of its assets under advice), AKFP uses Vanguard's LifeStrategy range of index tracker portfolios. Kennedy says they are 'easy to understand and super low cost, at around 0.22% – we can save money and pass that on to clients'.

Clients can choose their own funds, in which case they do not pay the 0.25% build charge. 'We don't shoehorn people in, but we think we

ACTIVE FUNDS
20%

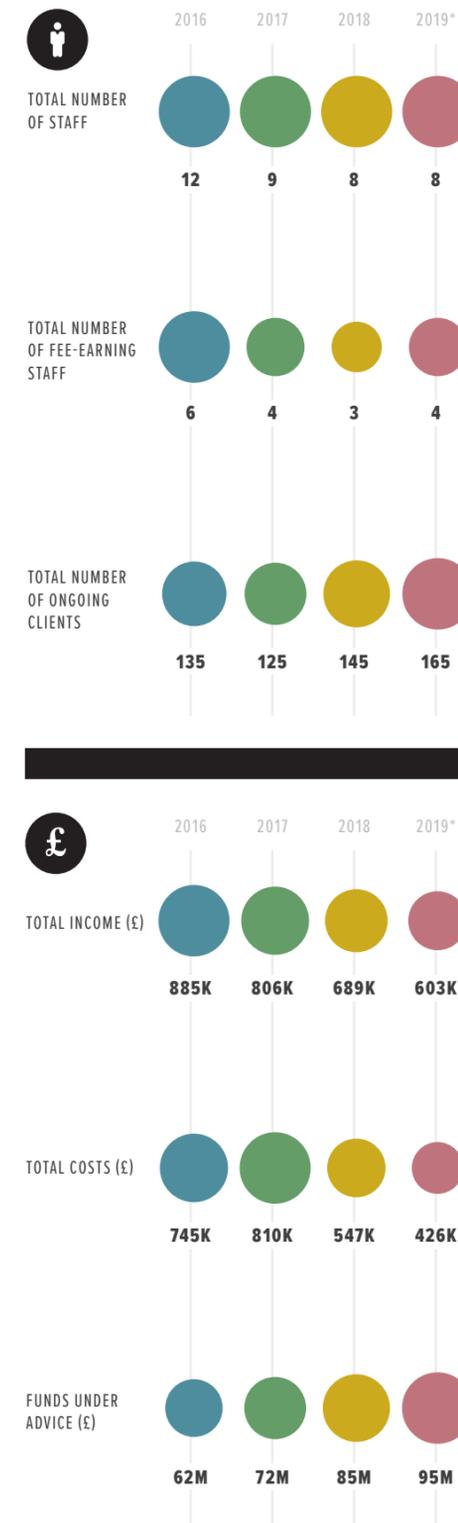
PASSIVE FUNDS
80%

have two very good mainstream options that give clients consistent performance inside a risk band for a low cost, with good reporting.'

Asset allocation is done strategically rather than tactically, focusing foremost on the outcome of a client's life objectives. AKFP's investment committee meets quarterly to review market conditions and investment performance.

The firm favours three platforms: Standard Life, for what he describes as a straightforward charging structure, Novia, good for clients who want multiple investment accounts, and AJ Bell, which is useful for Sipp, low cost and with a flat fee.

AKFP GROUP



*projected figures