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# Working to a game plan

A full strength team is one of **Alistair Creevy's** next aims in preparing Independent Advisers (Scotland) for the RDR and reaching his ambitious recurring income target

**TIM COOPER**

Self-employed financial advisers will be 'history' after the retail distribution review (RDR) is implemented in January 2013, according to Alistair Creevy, managing director of Independent Advisers (Scotland). It is a critical issue for IAS as the Glasgow-based firm is split between three employed and three self-employed advisers, and two appointed representative firms.

'I was [self-employed] myself and have good friends who still are. But there is no way a good business can have self-employed advisers [after the

RDR],' says Creevy. 'They are not part of the company structure or the ethos. They are a compliance risk.'

'Also, if I want to go in a certain direction, I can consult my staff about that. Self-employed advisers are not interested in the company; they are interested in themselves. In the future, it won't wash.'

**The future for self-employed advisers**

This problem is demonstrated perfectly in IAS's current advice proposition. According to its website, the firm offers three levels of service: personal wealth

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management, financial advice and transactional. But the three employed advisers do not offer financial advice or transactional work, only wealth management. However, Creevy cannot say the firm does not do transactional business because the self-employed advisers 'have free choice to do that'.

Creevy has already discussed the issue with his self-employed advisers, who are based in Glasgow, Inverness and Thurso. One has pledged to obtain the necessary qualifications and become employed. The other two, who are in their 50s, plan to let their authorisation lapse.

'They will do nothing or come to some agreement with me,' says Creevy. 'That leads to the next big question: how will introducers play a part in a regulated business?'

'A lot of self-employed advisers will become introducers and it's going to be a nightmare for the Financial Services Authority (FSA) to audit. If you have an adviser who has been qualified for 20 years, but is no longer licensed, how is his conversation with the client going to be different from the way it was before?'

'Publicly, firms might say the introducers are not allowed to meet the clients [without an adviser present] and they have to buddy up with a regulated adviser. But privately...' Creevy tails off.

'It is an interesting story that will grow and grow. The FSA has opened up a can of worms and it could be a mess,' he says.

Creevy would like his two retiring self-employed advisers to become introducers for the firm but is waiting to see how larger IFAs and networks deal with the issue first. 'Why give up the relationship because the FSA has gone in one direction?' he asks. '[The self-employed advisers] have helped build up the business. We don't want to let them go. There has to be some sort of compromise.'

#### Opting for independence

Creevy is an open and approachable character. As well as his stated hobbies of 'golf and drink', he spends many of his weekends going to concerts, both small and mega, featuring the likes of Supertramp, Rush and Paul McCartney. His love of music is apparent at the IAS offices, in a listed Victorian building in Glasgow city centre: the walls are lined with replica platinum discs.

Creevy spent 22 years working for life companies before becoming an IFA. 'I started off knocking on people's doors in not the best places in Glasgow, where there is usually an Alsatian dog to greet you,' he laughs.

After moving up the ranks at Clerical Medical, Standard Life and Pearl, he took the chance of going independent in 2000 when he was recruited as practice director of the Glasgow branch of Inter-Alliance. That role included managing several advisers and advising his own clients.

Inter-Alliance ran into difficulties four years later, and when Millfield took it over Creevy 'saw the writing on the wall'. He persuaded the firm to let him take over the lease of the Glasgow office in 2004 and he launched Independent Advisers (Scotland). 'I'd been self-employed for four years and I thought "now is the opportunity to own my own business".'

Initially some of the other Inter-Alliance advisers joined him but they later left. 'The first two or three years were just survival,' says Creevy. 'It only came into its own in 2007, after we lost a few advisers who weren't right for the business.'

#### Critical of Standard Life decision

Creevy says the recent decision by his former employer, Standard Life, to scrap face-to-face advice from its private client management service and move to a telephone-based service is a 'scandal'. The move will lead to between 30 and 36 jobs being cut including, Creevy understands, some of the arm's 47 advisers across the UK.

'These are clients with £500,000 who have been told they will be looked after by telesales,' says Creevy. 'Who does [Standard Life] think it is dealing with? The private client arm was built on face-to-face meetings. Clients don't want telesales.'

'I believe Standard Life had some market research saying "your clients appreciate the brand name and will appreciate a telesales service". So it made advisers redundant. It's absolutely crazy.'

Creevy says he understands Standard Life is giving clients a 0.3% discount on the original 0.9% ongoing charge to move to the telephone-based service. '0.6% is still more than many advisers charge for a comprehensive, face-to-face service,' he says.

'Bear in mind Standard Life is only recommending its own funds; there is no external manager involved. At that charge, I don't think it is treating customers fairly.'

A Standard Life spokesperson said that under the telephone-based service no customer will be paying more than 0.6% for their advice, and pointed out that the replaced face-to-face service also offered only Standard Life products.

#### Employed advisers bring benefits

Creevy first started to appreciate the difficulties of using self-employed advisers in 2008. 'I had been in business for 10 years, but was moving up, and had no-one to hand over clients to. I didn't want to give the business to my self-employed advisers. Everyone was dealing with their own clients and there was no continuity and cross fertilisation.'

Instead, he took on Paul McFadyen as the firm's first employed adviser. 'That's been a fantastic success,' says Creevy. 'Paul has developed a lot of my clients and also brought his own enthusiasm.'

#### FIVE TOP TIPS

- If you are serious about transforming your business, check out Brett Davidson at FP Advance
- Focus on profit not turnover
- Delegate, make sure you use paraplanners
- Have an up-to-date business plan and know where you are going
- Create a work/life balance and have fun



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Verus Chartered Financial Planners in Dundee

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#### New model charging structure

Creevy says the biggest obstacle to the adoption of adviser charging and recurring fees was his own scepticism. 'Paul and Nadeen only know this way of doing business, so didn't have the fears that I had about charges,' he says.

IAS now charges a fee of up to £800 for an initial report, implementation of up to 3% and 0.85% ongoing. For that, clients get '24-hour' access to the advisers and unlimited meetings. 'They are happy to pay because they realise you are looking after them. You are accountable and that is worth its weight in gold. The rest is peripheral.'

IAS has also transformed its investment proposition (see box).

#### My Will

Last year IAS set up My Will (Scotland), a separate company run by Watson and McFadyen, who are both qualified will writers.

'Clients think it's too expensive to contact their solicitor

**'In 2009 things took off. We'd built up recurring income. We had survived the crash. We had good relationships'**



**MEET THE TEAM:** (left to right) Chris Gibson, paraplanner; Paul McFadyen, IFA; David Randall, mortgage adviser; Norman Lilley, IFA; Alistair Creevy, director; Nadeen Watson, IFA; Pauline Creevy, administrator; Malcolm Hughes, paraplanner

#### Investment proposition

The IAS investment proposition is a lot more structured than it was three years ago.

'We were all over the place with a bit of this and a bit of that,' says Creevy. 'Especially after the market correction when, for example, we found we were in property and couldn't get out, we realised it was not right. We are not investment specialists, we are financial planners.'

'Now we leave it to the multi-managers. They monitor allocations daily, that's their job. Ours is to monitor the client's risk profile.'

Now IAS tends to use multi-manager funds from SEI (if the client favours a more active approach) and 7IM (for the more passive) as core holdings, then add extra funds if needed. For example, it might allocate an extra 10% or 20% to M&G Optimal Income if it considers a client needs more fixed income; or M&G Global Basics if they need more global equities.

IAS has an investment committee, comprising all the employed advisers and paraplanners, which meets every six weeks to make sure portfolios and managers are on track. It uses Quilters discretionary fund managers for funds above £250,000.

'We use Quilters because it is based nearby, and has very competitive costs,' says Creevy.

IAS mostly uses the Standard Life wrap and Cofunds. For monies on the wrap, IAS client portfolio total expense ratios average 1.95%, including the 0.4% wrap charge and 0.85% adviser charge.

In addition to the core funds, Creevy recommends structured products for relevant clients, although he stresses that these are only a small proportion of the client base, and structured products never occupy more than 20% of the portfolio.

He dislikes the commission structure of most structured products however, because it does not fit the recurring income model. 'We try to take recurring income, but a lot offer 3% and that's it. Investec will now give us 1.25% initial plus 0.5% annual over the term, so we try to go for that.'

'The structured product providers need to sort that out because we are servicing the client; it's not a case of setting it up and leaving it for five years.'

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about a will, though that's changing now,' says Creevy. 'We charge £75. It's a loss leader but it cements the relationship with clients and adds professionalism to the financial planning. You find out more about the clients' family, things you didn't realise; and you see the children, who might be clients one day.'

My Will has had an impact on IAS already. 'We just picked up a client with £250,000 of inherited money,' says Creevy. 'He phoned up for a will, so it's definitely working!'

### Ratcheting up business

Creevy says it took a while to get to grips with the recurring income model and admits that, at 40%, the level is not what he wants it to be yet.

'FP Advance helped us to work out exactly how much recurring income we were getting,' he says. 'We came back and thought, "wow, that's why we're doing so well". So now we know what we're doing and can work on improving it.'

IAS still has around £10 million of legacy assets that it is in the process of transferring to the wrap. It plans to have this completed by 2013.

The firm recently completed an earn-out deal to take over the clients of a retiring adviser, which should add £5 million to the firm's assets under management, says Creevy. He aims to have £50 million of funds under advice by the start of 2013, with a minimum of £40 million on the wrap.

To help manage the anticipated growth in funds, the firm needs another paraplanner, says Creevy. He is hoping his other daughter, Sarah, will join the firm when she leaves university. 'If she doesn't, we will be looking for another paraplanner,' he says.

The two current paraplanners are Malcolm Hughes and Chris Gibson. Gibson is keen to take his exams and become an adviser by 2014.

'The industry as a whole will need fewer paraplanners in future due to the growing sophistication of technology,' says Creevy. He believes many paraplanners will be called trainee advisers.

Creevy is in acquisition talks with a number of other companies and individuals, and is excited about one or two potentially lucrative deals. 'It might all happen even quicker than we think,' he says.

### Sights set on Spain

Creevy and his wife Pauline, who works as an administrator at IAS, own a duplex on the Costa del Sol, where they spend a week or two every six weeks. He wants to spend more time in Spain, ideally half the year by the time he reaches 55 (he will be 51 later this year).

He does not intend to sell IAS but would like to boost the business to make his plans possible. 'If we had £40 million on the wrap, it would ensure sufficient recurring income that I could retire or go to Spain and start an advisory arm there,' he says.

'My idea is to service expatriates. Areas such as qualifying registered overseas pension schemes are becoming very popular. Banks have a big say in Spain and there are very few advisers, so there is potential. I talk to people out there that I play golf with and they need [advice services]; they're all getting bad advice,' he says.

If Creevy can pull off all the deals he is hoping to with a fully employed adviser force, he could be spending a lot less time golfing at Bearsden (where he is pictured) and a lot more on the courses of the Costa del Sol.

## BUSINESS FIGURES: INDEPENDENT ADVISERS (SCOTLAND)

	2006	2007	2008	2009	2010*
Total number of employees	5 + 3*	5 + 4*	5 + 4*	6 + 4*	6 + 4*
Total number of clients	1,200	1,200	900	750	750
Total number of active clients	900	725	725	690	625
Total income	£420,000	£470,000	£460,000	£500,000	£550,000
Total costs (ex. dividends/drawings)	£290,000	£325,000	£335,000	£360,000	£390,000
Funds under management	n/a	£8m	£10m	£15m	£22m
Funds under influence	n/a	£7m	£10m	£13m	£14m
Recurring income	12%	12%	20%	30%	40%

\* self employed



## ALISTAIR J CREEVY CV

### CAREER

1978-1991 Clerical Medical, consultant to local manager  
 1991-1996 Standard Life, sales manager  
 1996-2000 Pearl, branch manager  
 2000-2004 Inter-Alliance IFA Glasgow, practice director  
 2004-present Independent Advisers (Scotland), managing director

### PROFESSIONAL MEMBERSHIPS/ QUALIFICATIONS

AFPC 1993  
 Certified Financial Planner 2005  
 Chairman LIA West of Scotland 2003