

# THE PARAPLANNERS

The last 15 years has seen a remarkable evolution in the way Financial Planning is done. One of the biggest influences in this evolution has been the introduction of Paraplanners to many businesses.

The origins of Paraplanning are largely unknown, although it has been an established profession in both America and Australia for at least two decades. It was around the mid 1990's that we started to see the first use of the term 'Paraplanner' in the UK financial services market, and this coincided with the time that Financial Planning, in itself, was undergoing a huge shift from being product-driven, to being *goals*-based – i.e. we began to adopt *holistic Financial Planning* and *lifetime cashflow modelling* within the mainstream of our industry. The additional time, resources and expertise that was required to deliver this 'new model' of financial planning was the real catalyst for adopting the Paraplanner role from our overseas counterparts.

Paraplanners have come a long way since those early days. Having started out in many cases as Administrators that were able to undertake an element of product research and report-writing, we are now – for the most part – highly qualified and experienced financial planners.

## The Spectrum of Paraplanners

Within the Paraplanning community, there is a wide variety of skills, experience and expertise. Whilst we are all technically known as 'Paraplanners', there is sometimes a considerable difference in the work that is undertaken and the technical abilities of the individuals. For example, the spectrum of paraplanners includes:

- **Report Writers** – i.e. those that are relatively new to the industry, are not yet level 4 qualified, are highly reliant on the Adviser, and whom do not yet possess technical knowledge in all of the main financial planning areas.
- **Level 4/Diploma Paraplanners** – i.e. those that have typically been Paraplanning for 3-5 years, have a very good understanding of our industry and Financial Planning matters, are typically around Level 4 qualified, and can work independently of Advisers
- **Career Paraplanners** – i.e. those who are typically around Level 6 qualified, are technical specialists, and who will almost certainly have made the decision by this stage that they do not want to be Advisers (or in some cases, have already worked as Advisers and decided that they prefer Paraplanning).

## Demographics

Here are a few facts and figures for you.

The majority of the current Paraplanning demographic (around 62%) is comprised of Level 4/Diploma qualified individuals. Even more encouragingly, around one fifth of the IFP's Paraplanning community are qualified as CERTIFIED FINANCIAL PLANNER<sup>CM</sup> professionals. This shows very clearly the desire for Paraplanners to learn and develop, and the importance they place on being able to work *as a partnership* with their Advisers.

We don't know for sure how many Paraplanners there are in the UK. The PFS estimates that it has 2300 Paraplanner members. The IFP has around 100 who have classified their role as Paraplanner, although this excludes all the Paraplanners who may be CFP professionals so the total number is likely to be much higher. Of those figures, approximately 13% work in the outsourced paraplanning market, while the remainder are in-house.

Even more interestingly, 21% of Paraplanners are Registered Individuals with FCA and are actively providing advice. This is a significant jump on previous years and shows an increasing trend for firms to enable their Paraplanners to advise clients directly.

In terms of company size, 38% of paraplanners work in very small firms of 1-5 people. This is of no surprise, and reflects how important it is for smaller companies to employ multi-skilled people.

We're also younger than most Advisers. 80% of us are between 25-44 years old. Two thirds of us are female. Advisers, generally speaking, tend to be 45 plus and male. It is clear therefore, that Paraplanning very much comprises the 'next generation' for our industry, and is rapidly replacing the traditional 'Trainee Adviser' route for those of us who decide to side-step into Advising at some point in their careers.

Having said this, one of the most interesting statistics is that 62% of Paraplanners want to *remain* as career paraplanners. This is strong evidence to suggest that Paraplanning is no longer being viewed as a 'stepping-stone' to becoming an Adviser, but rather an outright career choice. Whilst this is no doubt a good thing for the Paraplanning community, it highlights the rather uncomfortable question as to where all the new Advisers are going to come from.

### **Working together**

When I think of Advisers and Paraplanners working together, I consider it a job-share of the role of a Financial Planner. On one side we have the Paraplanner, concentrating on the report writing, due diligence and research; then on the other side we have the Adviser, concentrating on concepts and strategies, managing the client relationship, and dealing with their regulatory obligations. There is, however, a huge middle-ground where we're both working on the same things at the same time – i.e. designing the financial plan, attending client meetings, and pursuing CPD and monitoring compliance. It is this middle ground that we're all working in together, that makes each Paraplanner bespoke to the company they work with, as they are often involved in these things to a greater or lesser extent from one company to the next.

### **In-house and/or Outsourced?**

The main difference between in-house and outsourced Paraplanners is in their employment status.

In-house Paraplanners are employees of a Financial Planning firm, meaning that you have greater control over their time, what they do, how they do it, what tools they use and how involved (or not) they get with your clients.

Outsourced Paraplanners are either self-employed, or employees of a Paraplanning company. This means that you have less control over all the above things, but the benefit is that they often supply their own tools, they pay for their own training, and you only pay for what you need. For a small company with a variable income, this can be a huge benefit.

In terms of which type of Paraplanner you may want to work with, this will depend on you and your business. For example, if you are someone who needs a great deal of control over systems, processes and timings, you're probably better off working with an in-house Paraplanner. If you're happy to delegate these things, and would prefer to only tap into an ad-hoc service when you need it, then outsourcing may be the right solution for you.

### **Things to bear in mind**

If you've never worked with a Paraplanner before, here are some important points that will help you to integrate them effectively into your business:

- Remember that the report content belongs to *you*. You bear the regulatory responsibility for it, so make sure you are completely happy with the report and the information contained within it before you send it to the client. You can delegate the *task*, but not the *responsibility*.
- Paraplanners only have access to the information you supply to them. They are not psychic, and they have to assume that you've given them all the facts and told them the whole story.
- They are there to help you – not to second guess your advice or criticise your work. Paraplanners are your sounding board to share and generate ideas, check each other's understanding, and help you to reduce risks within your company by introducing a second pair of eyes to work alongside your own.
- Don't underestimate how long it takes to write a report. Typically, it can be anywhere from 2 hours to 25 hours (and sometimes more). Please check with your Paraplanners on their estimated turnaround times before quoting dates and times to a client – it can create a lot of unnecessary stress and may ultimately lead to your company under-delivering on its promises.

### **Where Next?**

Paraplanning continues to develop, evolve and take shape. The IFP introduced a Paraplanner Working Group earlier this year to work alongside the IFP and help it tailor its support and training to the needs and requirements of its Paraplanner members. The progress so far has been excellent, and it's looking good for the future.

We can't do all of these things without the help and support of the Adviser community. We've had some fantastic feedback and ideas from Advisers to date, and we're keen to work ever closer with them in order to show how working with Paraplanners may well be one of the best business decisions you ever make.

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<http://theparaplanners.com/>