

EFFORTS OF FAST FOOD NATION



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I seldom have time for TV programmes, let alone watch a movie. But when I read the reviews on the documentary movie "Food, Inc.", I felt that I had to take some time off to watch the documentary since it promised that "you will never see food the same way again".

True to its word, Director Robert Kenner lifts the veil on the food industry, exposing often shocking truths about what we eat, how it is produced and what the cost to our health is. In the bid to produce food faster and at a higher profit margin for a world that is growing to be a fast food nation, chickens are grown in small coops with little light and no space for movements. They grow faster and fatter, but with bad organs and body that is too weak to even walk. Cows are fed corn instead of grass, and because they were not created to eat corn, they develop harmful the bacteria E. Coli that we subsequently eat in beef. The documentary brought home the point that when you seek fast growth it is often at the expense of quality. Something has to give, and in this case, health.

I left the show becoming more conscious of the food that I ate. But more than that, I saw the likeness between the financial planning and wealth management sector and the food industry. You see, true and good quality financial planning entails a long and tedious process of understanding client's need for certain investment returns, his ability to bear the risk because of the returns he needs and finally how willing he is to bear the risks. This

must be done before any recommendations are given. To understand clients' need for returns and therefore risks, we will require hours of understanding his current asset, liabilities situation and his financial objectives.

To understand his ability, we will need to spend hours knowing his insurance portfolio, his health, his family commitments and many more factors. It is a process that we take at least 20-30 hours of work and various meetings to complete. The current industry minimum requirement is a simple risk profile questionnaire which only measures the third part of the process - a person's willingness to bear risks; which is insufficient for good advice. The recent Minibonds case is a classic example. As a medium to high risk product, it will not be suitable for investors who only have conservative needs and can only be conservative. Even if he is willing to take medium to high risk, he really should not be advised to buy the product. I have no doubt that there are relationship managers who genuinely want to do a good job, but sadly, it will be tough for them to do so on most financial institution's platform. The real reason stems from the fact that most financial institutions are not made for financial planning, just like cows are not made to eat corn. Customers very seldom walk into financial institutions with the intention to stay for hours for financial advice. They are there just to do a transaction. It is nearly impossible for relationship managers to spend hours finding out from customers their most private information without customers bringing their financial documents and especially if they are

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meeting the customers for the first time. But with the fear of losing the sales opportunity once the customers leave the bank, relationship managers have to sell the product *fast*, by simply doing the minimum requirement - the risk profile questionnaire. It meets regulatory requirement but fails in achieving advisory quality standards.

Besides process, the quality of advisers is paramount to competent advice. To give reasonably sound financial advice, it is in my opinion that one should have at least a tertiary education, a professional certification like a Certified Financial Planner and minimum 2-3 years of experience. I mean, if we expect our doctors, lawyers and accountants to be so, why should we expect something lower from someone who will be managing our life savings and hard earned income?

Over the past 5 years, in its pursuit for fast revenue growth, financial institutions and many financial advisory companies have been recruiting relationship managers and advisers en masse. Some financial advisory companies have grown their advisers from 300 to 500 in just a few years! I know for a fact that many of these advisers are fresh out of school and have been attracted by the lucrative compensation of this industry. I have written many years ago in *The Business Times* that the only way you can recruit at that rate is when you are growing a sales organization and not a professional advisory organization. I mean, how can you be attracting experienced, good quality Certified Financial Planners at that rate?

I am of course not despising the youth but maybe we should put fresh graduates on pupillage for a year at least before allowing them to handle people's financial affairs - something that may be as serious as health? We do the same for lawyers and doctors too, don't we?

There is really something wrong with this industry. We measure success of advisers and

relationship managers by their sales and whether they achieve MDRT, which has nothing to do with the quality of advice. Just like food corporations that seek fast growth, we end up having processes and people in our wealth management industry that will ultimately cause the E.Coli. that affects our wealth, and sometimes financial death. This same mindset has also other side effects that I have talked about in *Business Times Weekend* on 29th August 2009.

And just like Food, Inc. ended with advice on how consumers should fight against these unethical food companies. I urge you to do the same towards financial institutions. You have the power to improve the quality of advice that you rightfully deserve.

Food, Inc, encouraged people to have their own small farm. I encourage you to educate and plan on your own, if you can. Nobody cares about your wealth more than yourself. Don't do wealth management at the big financial institutions, at least not now. The platform is not for advice but transaction. Insist on a process that allows you plenty of time to discuss with your adviser and to make decisions. Insist on a qualified and experienced adviser. Big firms with fast growth should raise a red flag.

Christopher Tan is CEO of Provident, Singapore's sole fee-only independent private wealth management firm.