

04 News

IFAs warned to prepare businesses for a crunch

BUSINESS

by Maryrose Fison

IFAs must re-engineer their businesses to cope with the credit squeeze and an impending drop in new customers, according to an industry veteran.

David Cox, managing director of consultancy Suuqea, said that IFAs would face a struggle to find new business in the next year. "It is going to be tough. When the credit squeeze really starts to bite, consumers are going to dig in. Stock markets are falling and consumers are going to be a little unhappy. They are not going to have liquid funds to invest.

"IFAs are going to struggle on the new business side. They have got to start really looking at business and ask how to make business profitable," he said.

Mr Cox is among a growing number of industry figures warning about the threat from the credit squeeze.

IFAs are going to struggle on the new business side. They have got to start really looking at business and ask how to make business profitable

David Cox, managing director of Suuqea



A recent survey from PricewaterhouseCoopers and the CBI painted a gloomy picture for the financial services sector, with seven out of 10 respondents saying they expect the credit squeeze to last longer than six months.

Mr Cox said that IFAs would have to look very closely at all business systems and administration procedures.

"They need an overall view of business from a variety of perspectives and will need to re-

engineer their business to cope with the climate."

Quoting the statistic that 60 per cent of IFAs have no exit strategy, Mr Cox warned that many IFAs thought that "in five or 10 years they are going to sell their business and go off into the sunset".

He said that IFAs often did not have a handle on what their business is worth and could end up with a large gulf between their expectations and reality.

He said that a lot of IFAs were still working on a transactional

basis - "they take the money and run" - rather than concentrating on building a meaningful relationship with a client.

However, Colin Rothery, regional manager of West Yorkshire-based Throgmorton Financial Services, said it was not all doom and gloom. "What has happened with the credit crunch is now beginning to filter through to the market and therefore there is no question that is going to force people to go defensive, sit on their hands and invest in cash rather than equities. So that is likely to filter through but I am not sure I would be that downbeat about it," he said.

Mr Rothery added that subjectivity could be a challenge for some IFAs when valuing their business. He said: "There is no doubt that most IFAs think their business is worth more than it is worth. They have no real idea on what the market value might be."