



**miPlan** >> An opportunity for Mortgage Brokers  
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**“ WE ARE CONTINUALLY FACED BY GREAT OPPORTUNITIES BRILLIANTLY DISGUISED AS INSOLUBLE PROBLEMS. ”**  
– Anonymous

# TOUGH TIMES FOR THE MORTGAGE INDUSTRY

Anyone who's paying attention would be hard pressed not to agree that the mortgage industry is facing many challenges, including:

## SOFTENING IN THE REAL ESTATE MARKET

In August, 2011 the website [www.theadviser.com.au](http://www.theadviser.com.au) reported:

- ✓ Auction clearance rates have fallen from 80 per cent this time last year to just 50 per cent today.
- ✓ RP Data shows property values across the combined capitals fell 2.1 per cent over the March 2011 quarter, while sales volumes in February 2011 were 13 per cent lower than February 2010.
- ✓ The latest Westpac Bank Melbourne Institute Consumer Sentiment Index, confidence has slipped 17.9 per cent in the last 12 months.
- ✓ A new survey by Loan Market Group found 76 per cent of Australian borrowers want to increase their level of savings in 2011

## REDUCED COMPETITION AMONG LENDERS

The mortgage broking industry relies on a competitive lending market. Unfortunately in recent years, competition has greatly reduced.

Mortgage lending figures for May 2011, compiled by the Australian Bureau of Statistics, show that Australian banks accounted for 92.5 per cent of housing finance, the highest market share figures ever recorded.

## REDUCTION IN TRADITIONAL REVENUE

Less competition among lenders reduces the need for the big banks to compete for distribution through mortgage broker channels.

Since the GFC, most banks have significantly cut both upfront and ongoing commissions. At the same time, clawback periods have also been increased, which increases the likelihood of negative revenue, especially during periods of high refinancing activity.

## INCREASED COMPETITION FROM FINANCIAL PLANNERS

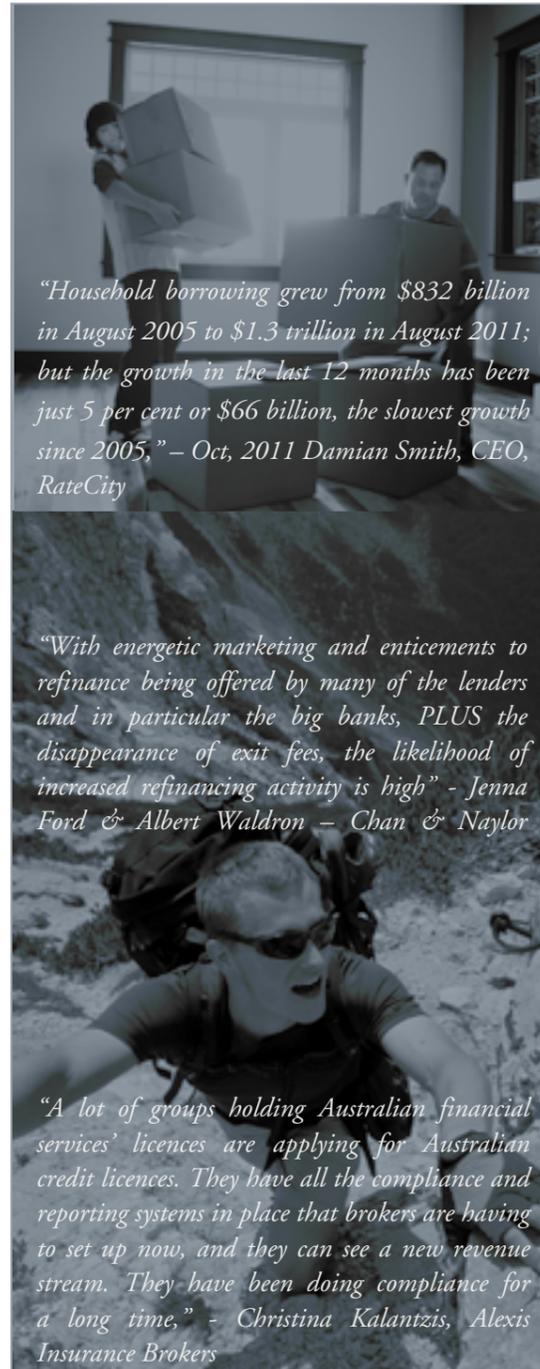
Like mortgage brokers, Financial Planners are also facing challenging times. Over the past few years, the volatile markets have wreaked havoc on planners' revenue. Likewise, the upcoming regulatory (FoFA) changes threaten to make it even more difficult and costly to run a financial planning business.

To help mitigate these threats, many planners are turning to the mortgage industry as a way to diversify their revenue.

# AN OPPORTUNITY AMONG THE THREATS

Despite the challenges, an opportunity exists for every broker to:

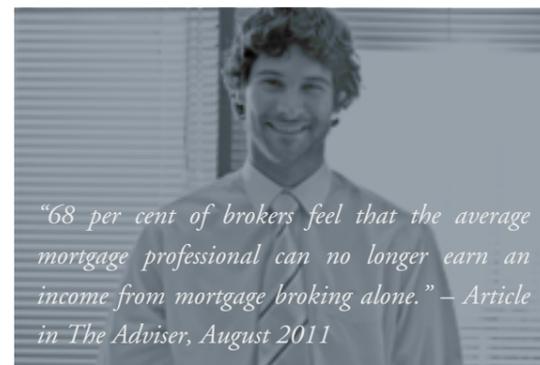
- ✓ Diversify their service offering
- ✓ Tap into a new pool of clients
- ✓ Increase business revenue



*"Household borrowing grew from \$832 billion in August 2005 to \$1.3 trillion in August 2011; but the growth in the last 12 months has been just 5 per cent or \$66 billion, the slowest growth since 2005," – Oct, 2011 Damian Smith, CEO, RateCity*

*"With energetic marketing and enticements to refinance being offered by many of the lenders and in particular the big banks, PLUS the disappearance of exit fees, the likelihood of increased refinancing activity is high" – Jenna Ford & Albert Waldron – Chan & Naylor*

*"A lot of groups holding Australian financial services' licences are applying for Australian credit licences. They have all the compliance and reporting systems in place that brokers are having to set up now, and they can see a new revenue stream. They have been doing compliance for a long time," – Christina Kalantzis, Alexis Insurance Brokers*



*"68 per cent of brokers feel that the average mortgage professional can no longer earn an income from mortgage broking alone." – Article in The Adviser, August 2011*

## COMPLEMENTARY DIVERSIFICATION

It doesn't take an advanced degree in business management to understand the value of diversifying your sources of income.

However, diversification without proper planning and forethought can lead to disaster, because it distracts from your core business. For this reason, it's important that any diversification strategy:

- ✓ Does not negatively impact the quality of your existing services
- ✓ Does not require significant new training or expertise
- ✓ Can easily integrate with your existing business systems and processes

Thankfully, such a diversification opportunity exists for mortgage brokers.

## A CONVERSATION YOU'RE ALREADY HAVING

When helping a client secure a home loan, mortgage brokers have a responsibility to raise the topic of personal protection, ensuring clients have at least thought about the impact unexpected death or disability would have on their ability to service debt. And by virtue of the fact that the clients are focused on their increased debt levels, they are more open to considering insurance than probably any other time. **I.e. Personal insurance is extremely complementary to a mortgage broker's existing business model.**

## THESE CLIENTS NEED A HOME

As previously mentioned, the Financial Planning industry has seen its own share of challenges over the past few years. Consider the following statistics:

1. A study conducted by Dealer Group Advisers in 2009, found "the average full financial plan costs advisers \$3,750 to produce, present and implement"
2. A poll taken in September 2011 by Wealth Insights showed 35% of planners feel that times are Bad or Very Bad right now. Only 21% of Planners feel that times are Good.
3. The average age of Financial Planners is 55 – IBISWorld, Age Report, June 2011
4. Actuaries at Rice Warner expect the number of full-service advisers to almost halve by 2024
5. A study conducted in 2008 found 80 per cent of clients surveyed said they were prepared to pay \$200 or less while only 16 per cent of clients were willing to pay \$3,500 for more complex planning

Based on the above, it is almost a certainty that:

- ✓ There will be less Financial Planners in the future
- ✓ Most Financial Planners who remain will focus on higher end clients who are prepared to pay the fees required to sustain a profitable business
- ✓ **There will be a significant increase in consumers who need someone to help them meet their basic financial needs**

# MIPLAN CHANGES THE GAME

Due to the additional training, expertise and compliance systems required to advise on personal insurance, most brokers have historically referred clients to a financial adviser.

miPlan ([www.miplan.com.au](http://www.miplan.com.au)) is a personal insurance platform that has been specifically designed to help mortgage brokers. In **less than 10 minutes per client**, mortgage brokers can help their clients protect themselves against unexpected death and disability.

By providing additional benefit and service to their clients, mortgage brokers can diversify and **increase their revenue by an estimated 15% per client.**

miPlan can be incorporated into a brokers existing business model **instantly without any cost, training or licensing.** And the only investment required, is a desire to provide your clients with a more complete service offering.

*"On the back of research indicating one in four broking businesses failed to sell a single mortgage in the March quarter, Bouris has told Australian BrokerNews brokers must expand their view and product offering in order to survive. – Australian BrokerNews, July 2011*

*Diversification will be key to surviving in a tighter mortgage market, Bouris indicated. He said brokers should, at minimum, specialise in risk management products along with mortgages.*

*"It doesn't make sense for the client to trot off and see an insurance broker the next day. They'd rather stay in one shop. Then the relationship becomes about managing debt and managing risk as opposed to selling a mortgage," he commented. – July, 2011 Broker News*

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If you'd like to learn more about the benefit miPlan can provide to your clients and your business, contact us and we'll set up a dedicated miPlan portal for your business and provide an in-person demonstration.