

Why joint-venturing works

During and immediately after the 2008-2010 recession, we have seen a number of accountancy practices close down their in-house financial-services proposition, and regress to an old-fashioned referral model.

This does highlight the fact that, just because professional accountancy firms occupy the 'sweet spot' for delivering this kind of service, that does not automatically guarantee success. There may be significant structural issues which could certainly prevent profitable development in this area.

Over the last nine years, ValidPath have been called in on many occasions to help identify where the interface between accounting and IFA roles (within professional firms) is not working properly. It is rare these days that we encounter a 'new' reason for failure.

Notwithstanding, if a key strategic issue in the success of this kind of proposition is the interface between accounting and financial-planning professionals, it is far from probable that the end result will be *improved* by resorting to a referral model.

Indeed, if accountancy firms were clearly identifying that referral relationships with IFAs were inadequate and inappropriate a decade ago, one wonders what possible hope of improvement might exist given the radical changes to the profession which occurred in 2013.

Thankfully, there is another option. Because it is a hybrid, it combines both the weakness and strengths of the two extremes (in-house/DIY or external referral). We are referring here to the *joint-venture* (JV) which, from a

professional perspective has to be infinitely more preferable than the somewhat uncommitted referral model:

- A JV allows the accountancy practice to leverage the skills base and infrastructure of an established IFA *without* losing control of its own clients;
- A JV usefully allows the IFA to dilute their own fixed overheads by charging the costs of advice to the JV;
- A JV retains the trading style of the main accountancy practice, enabling a genuinely seamless delivery of service from one to the other;
- A JV builds value, rather than simply watching it walk down the street to an unconnected firm;
- A JV is not wholly dependent upon sharing initial commissions as the primary benchmark for success, as is ordinarily the case with the referral model;
- And a JV - *because it is a joint venture* - is the ideal model for engaging both parties to commit to the success of their venture.

At ValidPath, we like JVs, and for the last nine years have been supporting our IFA Members to build cooperative and profitable two-way professional relationships. This is a model which our network service is ideally placed to support.

If you want to find out more about a better way of working together, why not call us on **02920 494495** or visit our website?

Your best route to a thriving practice

Find out more at www.validpath-network.co.uk

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