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The Great Change of 2009

Soon we will have a set name for the market disaster that was 2008 & 2009. The problems started long before symptoms but as humans we like to categorise and after this is done it will be referred to as the Great Depression 2.0, the Great Recession, Econageddon or whatever name eventually sticks, but the one thing that many of us will take from this are the *Great Changes* we had to go through in order to keep our jobs & run a successful business. Obama said 'Change is gonna come' and that is not only true, but it is permeating into every corner of our lives, particularly in financial services, unfortunately for now the changes are not positive ones.

There is no need to rehash the facts of what has happened and is still happening, what I do plan to do (in 1,400 words or less!) is put forward some ideas for business models, sales approaches, and growth areas in 2009, I believe there are opportunities in this turmoil especially as competitors drop out of the market, the 19th Century theologian William Shedd said 'calm seas don't make skillful sailors' and this is still true over a century later.

Business models

I think that the winners of the market in 2009 will be firms with a flexible business model, it will be one which does not require leverage to exist, and that is able to keep costs to a minimum through structure, I.T., and specific financial planning. The element of leverage is particularly noticeable when you compare the health of insurance companies to (for instance) banks.

Regarding individual companies, the traditional 'employer/employee' route is being tested, this is evident in the dole queues. Ireland will have some painful adjustments to go through for this to rationalise, it will also take several years. Working by contracting – long the basis of the I.T. industry, may become prevalent in many areas it didn't exist in as companies try to obtain goods and services required but without the forward commitments found in traditional contracts of employment.

Firms working as groups of agents will also become more common. Consolidation across every sector will occur as it does after every fall out from the Railway Crash in the 1870's in the USA to the Dotcom Crash survivors. The current crisis does not discriminate and every industry will be tested accordingly, so ideas for saving

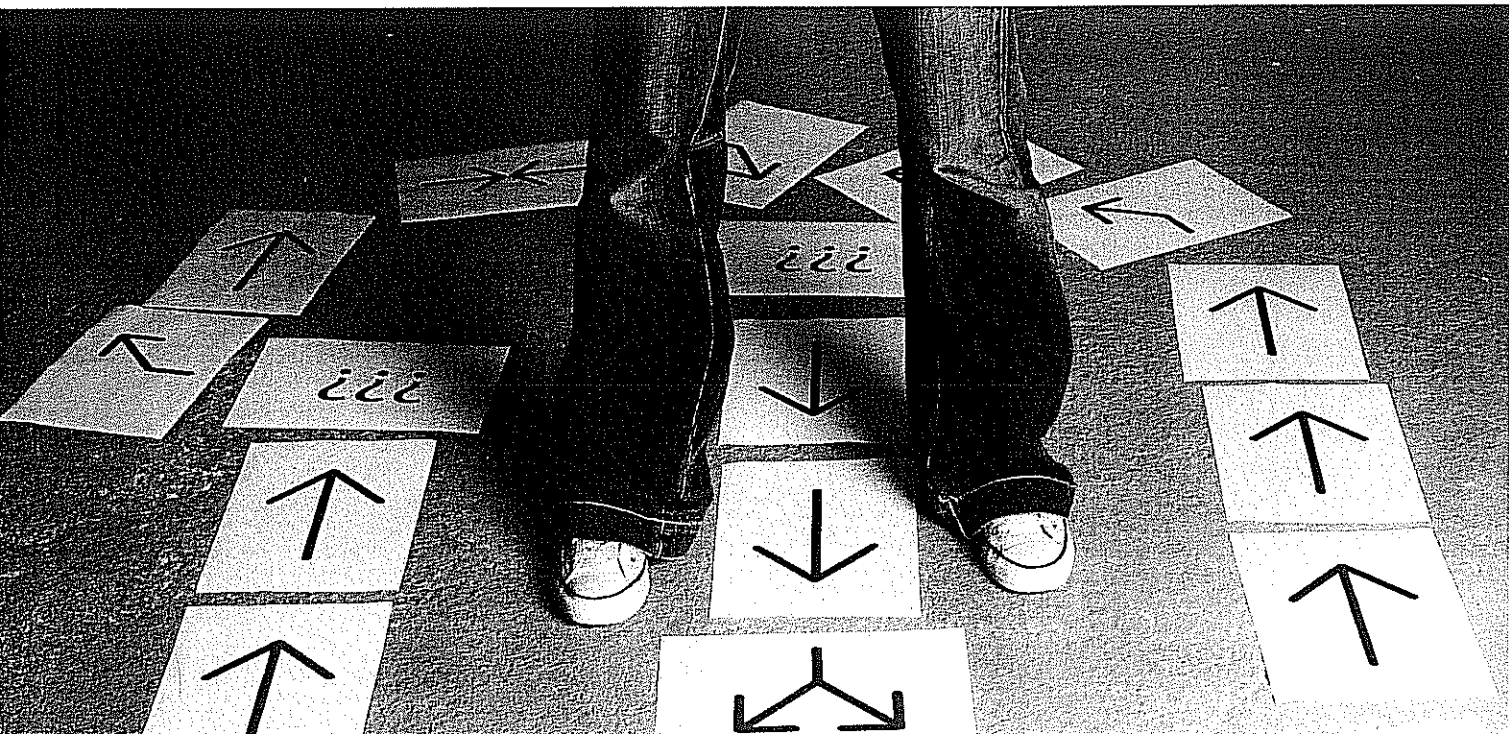
money are vital. Some efficiencies need to be paid for others are strictly about cost cutting.

Information technology is an area where savings can be made: Computers are getting cheaper (Moore's law) and platforms that allow for e-commuting are reducing and even removing the fixed price overhead of excess office space which is a huge bonus for any company [if you do still require space the prices of commercial lettings has halved in many instances]. Google can host email, the free imap option is good, the enterprise solution is even better, giving the power of Gmail but with your own company domain name and branding, free software such as OpenOffice or Thunderbird remove the need for expensive software add-ons such as MS Office/Outlook etc. The increased use of opensource and freeware software has cut overheads in our firm alone by several thousand a year.

Websites

It is strange to think that in 2009 there are still many financial services firms without a well run and functional website, using the power of personal selling with the affordability of digital distribution is profitable. Our firm uses a speaking avatar, other companies have training videos, interviews, or other digital media on their sites. Would it be realistic to have some general financial advice or ideas in an online video? I would say 'yes' and for the success of digital media you need look no further than the popularity of youtube.

If you have an opinion on something a small blog or public diary entry talking about it gives your site relevant content and helps people who look at it see that you stay current with



events, that your site itself is up to date and most importantly that you have an educated opinion on topics important to your end user. There is an outlay involved in creating an online presence but done correctly it outweighs the cost.

Sales Focus

Mortgage oriented readers will know that the markets are in a tough position at the moment, you don't have to take my word for this, read any daily paper. So what do you focus on? Prospecting can seem like trying to get blood from a stone!

I like the age old emotion of fear, everybody from our ancestors who lived in caves right up to people today are intimately familiar with this! Fear of the unknown is perhaps the driver behind *all* insurance, if we knew exactly how the future would play out we would only insure ourselves right before the event happened. The hallmark sentiment of the current market is perhaps best described as one of foreboding or fear. This means solutions such as redundancy cover, income protection and health insurance have a stronger place in the public mind.

Savings are back in focus, during the boom people stopped saving because they felt very secure about the future, asset prices were rising and to many this was 'doing the saving/retirement planning for them', everything was appreciating and it replaced the savings mechanism, remove this security and you instantly have a widespread opportunity to help people start saving while creating income at the same time, there are lots of win-win solutions no matter what the economy does.

There are some upsides to a downturn, the houses that won't sell today will eventually be marked down and sold giving young people access to cheaper housing, the infrastructure created during the boom throughout cities and towns in Ireland will not merely disappear, the city centre in Dublin (for instance) has been totally refurbished and these gains are here to stay, so post bubble there are residual benefits, equally, financial services post bubble has a role and many benefits to society.

The role of the financial planner will become central to more people, for the guts of the last decade money was plentiful even when you made the *wrong* decisions, in that scenario a good financial planner doesn't have a meaningful place in many peoples lives, indeed, I would argue that the worse the state of the economy the more important a financial planner becomes in the same way that a doctor is more important to a sick person than a healthy one. Using the same analogy, a healthy lifestyle (regular financial planning) is better than only getting your act together after you have a health scare (eg: going broke).

The number of people in the industry is contracting, and job losses are always horrible, yet

at the same time advisers are becoming a more valued service, and there is less competition in a growing market, growing because the number of people seriously focused on their personal finances is increasing, and also because the ratio of people to advisors is increasing as the number of advisers comes down (job losses). It is actually an ideal scenario for those who survive. The biggest issue will be finding more ways to get in front of the growing number of people who need financial advice particularly as many people try to personally deleverage in an environment of deflation.

Economically we are headed towards one of the hardest times in living memory, unemployment figures of '10% maximum' will be surpassed and taxation with spending cuts will have to make up more of a difference than previously thought, in this environment though, sound financial planning, in particular the use of legal tax minimisation and budgeting are at the centre of any individuals plans, and therefore the role of the financial planner is also at the centre of any individuals plans, so all you have to do is put yourself in front of the people who now more than ever need your expertise! Taking a holistic approach to every facet of personal finance, right down to gas and phone bills might be the answer to trading through the crisis more than further specialisation.

While the downside is clearly evident the fact is that the people and firms who do pull through this downturn will go into the next bull market with invaluable experience, a lean run business, a more loyal customer base, and in a market with decreased competition. So the earning potential in the next upswing (and it will come eventually) will be like nothing we have seen in our lives.

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