

How low can you go?

Tony Vidler | Strictly Business | 01 November 2012

A question that continually arises is: How long should a Statement of Advice (SOA) be?

My answer is "how low can you go?"

The ideal length for a Statement of Advice would be a single page – that's aspirational, of course! However, four pages should be sufficient for most advice, to most consumers, most of the time.

Getting your SOA down to four pages (or less!) will take considerable work. It is much more difficult to communicate complex ideas with brevity and clarity than it is to fill a document with all manner of superfluous information. Or, as Mark Twain so famously put it: "I didn't have time to write a short letter, so I wrote a long one instead." He appreciated better than most how difficult a task it is.

In Australia, in their far more prescriptive environment, it is apparently fairly typical for SOAs to get towards 70 to 90 pages long. I recently heard of an Australian adviser who had presented a 140-page Statement of Advice.

In NZ, it seems that many advisers are already producing and delivering 20- to 40-page SOAs for their clients. Unbelievable! The pertinent regulation for NZ advisers demands that we must "communicate clearly, concisely, and effectively" with an over-riding objective of ensuring that a client understands our communication. How does 20-plus pages equate to concise? I'd wager that it usually isn't effective either.

Here's a template for a four-page SOA which will be compliant, if done correctly:

- Summary of key facts (client position & requirements)
- My Advice to you is... (recommendations)
- Why is my advice appropriate for you? (rationale)
- What else should you be aware of? (risks; conflicts; remuneration; disadvantages of the advice provided)

Much of the guff that lands within SOAs should be relegated to the Appendices – if, in fact, it is required at all. Strip the supplementary information out of SOAs and keep them focused on the four key points that actually matter to the clients. And to the regulator.

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