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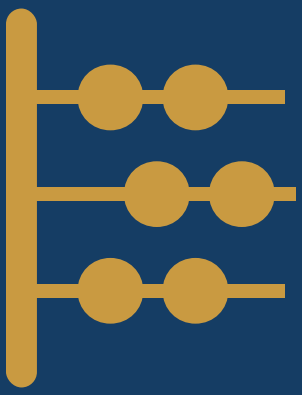
MICRO WHITE PAPER · PRACTICE FINANCIAL MANAGEMENT

The Advice Practice Financial Tune-Up

Turning practice finances from a year-end accounting task into a monthly discipline that keeps an Australian advice practice solvent, licensed and ready for costs it does not control.

The Evidence in Numbers · Australian Law · Core Measures · A 90-Day Plan

Solvency | Cash flow | Levies | Payday Super | Core measures | Capital allocation



IN THIS PAPER

Australian advice practices face rising levies, an unpredictable Compensation Scheme of Last Resort and new payroll rules, while the law expects owners to know their financial position at all times. This paper sets out what Australian law requires, the three statements every practice should see each month and the core measures for a one-page dashboard. It draws on regulator guidance and industry data, informed by international evidence. It closes with warning signs and a 90-day plan.

Johann Maree, Director · October 2026

IN BRIEF

Why practice finances need a tune-up

Many advice practices still see their accountant once a year. That rhythm is now too slow. Costs move fast. The law expects owners to know where they stand at all times (1)(2).

Regulatory costs have risen sharply. The Australian Securities and Investments Commission charges a levy to licensees that give personal advice to retail clients. For 2024-25 it was $1,500 plus $2,398 per adviser (3). The 2025-26 estimate is $1,500 plus $3,037 per adviser. That is a rise of about 27 per cent (4). The Financial Advice Association Australia called it **a crippling cost** for a sector of small businesses. It warned that government levies could pass $5,000 per adviser once the Compensation Scheme of Last Resort is added (5).

That scheme is now the biggest unknown. In 2025-26 the advice share of its costs was about $67 million. The legal cap for each sector is $20 million, so a special levy of $47.3 million was imposed (6) (7). Advisers were asked to pay 22 per cent of it, about $10.4 million (6). The revised estimate for 2026-27 puts $190.3 million on financial advice (7). Revenue has grown as well. The median ongoing fee reached $4,668 in 2025. Some 83 per cent of practices lifted revenue. Yet 19 per cent of single-adviser practices made no profit (8). Growth alone does not protect a practice.

Metric	Finding	Source
Personal advice levy per adviser, 2025-26 estimate	$3,037 plus $1,500	Australian Securities and Investments Commission, 2026 (4)
Compensation scheme special levy, 2025-26	$47.3 million	Ford, 2025 (6)
Compensation scheme estimate for advice, 2026-27	$190.3 million	Dastoor, 2026 (7)
Practices with profit margins of 20 per cent or more	51 per cent	Adviser Ratings, 2025 (8)
Single-adviser practices reporting no profit	19 per cent	Adviser Ratings, 2025 (8)

Table 1: The evidence in numbers (Australian sources, as at October 2026).

Regulatory note: solvency is a standing duty

Section 912A(1)(d) of the *Corporations Act 2001* requires a licensee to have adequate financial resources for the services it provides (9). Regulatory Guide 166 sets the base level. The licensee must be solvent at all times. Its assets must exceed its liabilities. It must have enough cash to meet expected costs, with planning that covers at least the next three months. An auditor reports on these duties each year (1). Directors of any practice company must also prevent it from trading while insolvent under section 588G (2). That applies to licensees and authorised representatives alike.

THE AUSTRALIAN CONTEXT

What the law and the levies now expect

Others now set part of a practice's costs. The industry funding levy is charged per adviser. It is based on the advisers on the Financial Advisers Register and the days they were authorised (4). The Compensation Scheme of Last Resort has its own levy. The 2025-26 special levy alone added about $700 per adviser (10). The Financial Advice Association Australia put the scheme's total cost at more than $2,000 per adviser that year (10). Much of the 2026-27 pressure comes from the Shield and First Guardian collapses. The scheme estimated these could add about $125 million (11). The Government has said the 2025-26 special levy was not a precedent. It is consulting on changes, so the 2026-27 bill was still uncertain as at October 2026 (7).

Law or rule	Key requirement	What it means for your finances
Section 912A(1)(d), Regulatory Guide 166	Adequate resources; solvent; cash needs met	Monthly balance sheet; three-month cash plan
Section 912B, Regulatory Guide 126	Professional indemnity cover that suits the business	Review cover against revenue at renewal
Sections 588G and 588GA, Regulatory Guide 217	Prevent insolvent trading; pay tax and super	Check liquidity, tax and super monthly
Part 7.7A ongoing fee arrangements	Yearly renewal and written consent	Revenue stops when consent lapses
Payday Super, from 1 July 2026	Super reaches the fund within seven business days	Match payroll cash to each pay cycle

Table 2: Australian legislation mapped to practice financial management (9)(1)(12)(2)(13)(14).

Adviser numbers matter too. The register held 15,459 advisers in late 2025. A net loss of 1,100 to 1,500 was expected after the qualifications deadline of 1 January 2026 (15). Levies charged per adviser are now shared by fewer people. Other costs are easier to plan. Licensees must hold professional indemnity insurance that suits the business. If retail revenue is $2 million or less, the limit must be at least $2 million. Above that, cover should roughly equal revenue, up to $20 million (12). The Australian Financial Complaints Authority charges a yearly registration fee. After the first five complaints closed each year, each complaint carries a fee (16).

Payroll has changed as well. Payday Super began on 1 July 2026. Employers must pay superannuation at the same time as wages. The money must reach the fund within seven business days (14). The Small Business Superannuation Clearing House closed on the same day (17). The guarantee rate is 12 per cent (18). Late payment attracts the superannuation guarantee charge. Interest and a penalty loading still apply, even when the employer catches up (19). A practice with GST turnover of $75,000 or more must register for GST and lodge business activity statements (20).

THE MONTHLY DASHBOARD

Three statements, every month

Every practice should see three statements each month. The balance sheet shows whether assets exceed liabilities. That is the base test in Regulatory Guide 166 (1). The profit and loss statement shows whether revenue covers costs. It counts income when it is earned. So a good month can still leave the bank account short. The cash flow statement answers the question the law cares about most. Can the practice pay its debts when they fall due (2)? The regulator treats a failure to produce accurate and timely financial information as a sign of possible insolvency (2).

Revenue quality matters as much as revenue size. Six large institutions paid or offered $4.7 billion for fees for no service and non-compliant advice, as at 31 December 2022 (21). Ongoing fees now rest on yearly renewal and written consent. The arrangement ends if the client has not given new consent within 150 days after the anniversary. After that, the practice must not keep charging. Consent records must be kept for at least five years (13). In the United Kingdom, ongoing advice rose from 60 to 70 per cent of firm revenue between 2016 and 2019 (22). A fee without valid consent and a delivered service is not secure revenue. It is a refund waiting to happen.

> **Practice tip: the ten-day close**
>
> Produce all three statements within ten working days of month end. Review them with the principal or board. Flag any line more than ten per cent off budget and write down why. In the same sitting, check ongoing fees charged against current consents. After a year you have a record that shows you knew your position at all times (1)(13).

THE MEASUREMENT ENGINE

Six measures that tell the story

Reichheld and Sasser observed that quality does not improve unless you measure it (23). The same is true of a practice's finances. Six measures are enough to run the business. Revenue per client sets a ceiling on income, because each adviser can serve only so many people well. Australian advisers serve 101 clients a year on average. About 77 per cent of clients move into ongoing advice (8). Size matters as well. Solo practices average $607,000 in revenue. Practices with five or more advisers average $5.1 million (8). Planning pays too. Business Health found that practices with a fully documented 12-month plan earned $449,361 profit per principal. Those with no plan earned $165,092 (24).

Measure	How to calculate	Why it matters
1 **Revenue per client**	Revenue over active clients	Median ongoing fee $4,668 (8)
2 **Staff cost ratio**	Salaries and on-costs over revenue	Super now 12 per cent (18)

Measure	How to calculate	Why it matters
3 **Regulatory cost**	Levies, fees and insurance per adviser	Costs set by others (4)
4 **Operating margin**	Profit after owners' market pay	Half reach 20 per cent or more (8)
5 **Liquidity ratio**	Current assets over current liabilities	Below 1 is a warning (2)
6 **Cash reserve**	Cash over monthly expenses, in months	Buffer for special levies

Table 3: Six core measures for a one-page monthly dashboard.

Larger firms show where the money goes. Macquarie's 2026 study looked at larger accounting and advice firms. Staff pay made up 65 per cent of total costs and 49 per cent of revenue. Some 41 per cent of firms earned normalised profit margins of 30 to 39 per cent in the 2025 financial year (25). Australian practices are trimming staff costs. Administrative support fell 8 per cent and paraplanning 9 per cent in 2025 (8). Put the six measures on one page with targets and twelve months of history. Review it at every principals' meeting.

CASH, CONTROLS AND CAPITAL

Cash flow, controls and capital allocation

Cash is where pressure shows first. Under Payday Super, superannuation now leaves the account with each pay run (14). Set aside GST on fees until each business activity statement is lodged (20). The scheme expects to collect the 2026-27 amount above the cap in June 2027 or later (7). Notices for the 2025-26 industry funding levy are expected in early 2027 (5). Regulatory Guide 166 asks for planning that covers at least three months (1). A rolling twelve-month forecast, updated each quarter, gives owners time to act.

Controls protect the numbers in the forecast. No single person should start, approve and reconcile the same payment. Few small practices can fully split these tasks. So use other checks. The principal reviews every bank reconciliation. A second person approves payments above a set limit. The external accountant reviews the year. The stakes are personal. Regulatory Guide 217 lists unpaid tax withholding, GST or superannuation guarantee as signs of insolvency. A director generally cannot use the safe harbour unless staff entitlements are paid and tax lodgements are up to date (2).

Capital allocation is the last discipline. Fund priorities in this order: leadership and governance, people and skills, quality of advice, systems and cyber security, then risk and compliance. Under-funding any of these tends to show up later. It appears as staff turnover, file review findings or complaints. Beyond five complaints closed a year, each one also costs a fee (16). Record each major spending decision and the client outcome it supports. Review the plan every quarter.

Practice tip: open a regulatory cost account

Each month, move a fixed amount per adviser into a separate account. Use it for levies, complaint fees and the insurance renewal. Base it on the latest estimates. The industry funding levy is $3,037 per adviser plus a $1,500 minimum (4). Add an allowance for scheme levies. The Financial Advice Association Australia warned these could push government levies past $5,000 per adviser (5). When the notice arrives, the money is already there.

WARNING SIGNS AND THE PLAN

Warning signs and a 90-day tune-up

The regulator lists signs of insolvency that fit a small practice. They include ongoing trading losses and a liquidity ratio below 1. Overdue tax or superannuation is another. So are defaults with lenders and a failure to produce accurate and timely financial information (2). Directors should stay informed and look into concerns quickly. They should get qualified advice and act on it in time (2). The traffic light model below turns these signs into a monthly test.

Indicator	Green	Amber	Red
Liquidity ratio	Above 1.5	1.0 to 1.5	Below 1.0
Months of cash reserve	Three or more	One to three	Under one
Super and GST paid on time	Always	One late in 12 months	Any overdue now
Operating profit margin	Above 20 per cent	10 to 20 per cent	Below 10 per cent
Ongoing fees with valid consent	All	Minor record gaps	Fee after consent lapsed

Table 4: Practice financial health traffic light model. Thresholds are illustrative and should be set by each practice.

Timeline	Action	Legal link
Day 1 to 14	Set the ten-day monthly close; produce all three statements for last month	Section 912A(1)(d), Regulatory Guide 166
Day 15 to 30	Build the one-page dashboard with twelve months of history	Directors stay informed, Regulatory Guide 217
Day 31 to 45	Build a rolling twelve-month cash forecast with pay, GST and levy dates	Cash needs requirement; Payday Super

Timeline	Action	Legal link
Day 46 to 60	Open a regulatory cost account; check insurance cover against revenue	Section 912B, Regulatory Guide 126
Day 61 to 75	Document payment controls; reconcile ongoing fees to current consents	Part 7.7A ongoing fee arrangements
Day 76 to 90	Present a quarterly financial pack; agree capital priorities for the year	Section 588G director duties

Table 5: 90-day financial management tune-up action plan (9)(1)(12).

The bottom line

Good financial management is a monthly habit, not a yearly document. It keeps an Australian advice practice solvent, licensed and ready for the costs it does not control.

IMPORTANT INFORMATION

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