
Managed accounts: insights from financial advice principals

A discussion paper for financial advisers



A real world view on managed accounts

Managed accounts are growing in popularity among Australian financial advisers thanks to their potential to improve outcomes for financial advice clients and secure better business outcomes overall. We asked a panel of practice principals to share their experience with the MA model and discuss the benefits for their clients, team and business.



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Client focus: the catalyst for a managed accounts model



Business benefits of the MA model



Creating scalable growth



A premium service worth paying for



Why your team might be ready for change



Securing foundations for future growth



Starting the journey to managed accounts



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The cost and compliance challenge

With compliance responsibilities becoming ever more complex and involved, the cost of delivering financial advice is rising fast. According to research from KPMG, the average cost of providing comprehensive financial planning advice is \$5,335. This is far higher than the average charge to consumers of \$3,660¹.

This pressure on business profitability and sustainability has created an efficiency drive for financial advice practices, with advisers looking for smarter, streamlined ways to deliver superior client service with fewer demands on their resources.

In demand for three key reasons

Managed accounts in Australia are growing fast – and for good reason. Outsourcing investment management can drive many benefits for financial advisers, including greater efficiency, flexibility and, importantly, better outcomes for clients. This is a trend that has been seen in the US. The managed account market in the US is projected to grow to more than US\$10 trillion by 2026². By contrast, the market is worth around AUD\$161.7 billion in Australia³.

1. Financial Services Council, Media Release, FSC Launches White Paper on Financial Advice, 12 October 2021.
2. Managed accounts projected to top \$10 trillion by 2026, Broadridge, 2021.
3. IMAP Census of Managed Account FUM as at 30 June 2023.



Managed accounts saved financial advisers on average **17.1 hours a week** in back-office tasks, **= 100 days each year.**

SPDR ETFs / Investment Trends 2023 Managed Accounts Report, March 2023.

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A common theme emerging across both countries is advice practices choosing to tackle digital transformation together with a move to a managed account model. This gives principals access to more data on what's happening in their business as well as freeing up their time from day-to-day investment management tasks. Having a birds-eye view and more time to consider their options can provide advisers with more capacity for strategic planning that could deliver benefits to their practice in the years to come.

Insights from financial advice professionals

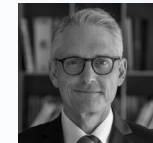
Financial advisers are likely to be aware of these benefits but may be unsure whether this approach to investing is the right fit for their business and clients. In this paper, we draw on real-world insights from a panel of financial advisers who have successfully implemented a MA model into their practice. Their robust discussion allows us to delve into the impact to their business, their financials, client engagement and staff, as well as how managed accounts are impacting their future strategy.

Thank you

We would like to thank the financial advice professionals who contributed their experience and insights to this discussion paper:



Brendan Murray
Managing Director
Halcyon Private Wealth



Brett Sanders
Chief Executive
Philo Capital Advisers



Mark Rowell
Private Wealth Manager
Annex Wealth



Tom Schubert
Managing Partner
Drummond Capital Partners

Client focus: the catalyst for a managed accounts model

Improving the quality of client experience and investment outcomes is the key driver for managed accounts adoption.

According to our adviser panel, there are two key drivers behind their transition to managed accounts. Firstly, they may not have the time or resources to manage their clients' investments. And secondly, many advisers are confident that leaning on specialists for this part of the advice process will create a better experience and outcomes for clients.

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Client focus: the catalyst for a managed accounts model

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Safeguarding portfolio returns in a challenging environment

For **Brendan Murray, Managing Director of Halcyon Private Wealth**, his trigger for change came a couple of years ago when faced with an investment environment of low interest rates and equities at all-time highs. Securing returns for his clients seemed harder than ever before and he believed his business and his clients would benefit from expert support in this area.

Bringing in an outsourced investment team, **Drummond Capital Partners**, provided specialist investing knowledge, delivering clear benefits to his clients.

A responsive solution for better client service

Another factor that had been concerning Brendan was that markets were moving faster than ever. Waiting for a client's review and approval was resulting in a suboptimal service. This experience was shared by **Mark Rowell, Private Wealth Manager at Annex Wealth**, who believes an advice business that outsources investment management and brings in other strategic partners rather than doing everything internally, ultimately provides better outcomes for clients. This approach allows advisers to focus on where their strength lies, and service a greater number of clients.

While improving efficiencies, managed accounts have also provided a solution to a common pain point for advisers – providing clients with a consistent, equitable service. By outsourcing where it makes sense and increasing the uptake of digital,

“Conversations have gone back to where they should be... **asset allocation, alignment with the client’s goals and objectives, and focusing back on the long-term.** It really improves outcomes and conversations.”

Tom Schubert, Drummond Capital Partners

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advisers can provide a more consistent and improved experience for all clients across their practice.

Having confidence to make a change

So why haven't more advice firms taken this route? Brendan believes the major roadblock for many is not believing in their business and the strength of the relationship they have with their clients. By having conversations about what clients truly value, he thinks most advisers would find that their ability to understand clients' goals and develop advice strategies sits at the heart of their value proposition, with their investment expertise playing a supporting role in the advice process.

Improved experience

for all clients.

Business benefits of the MA model

For advisers taking the step to incorporate managed accounts into their business, they've enjoyed efficiency gains plus a clearer value proposition for clients.



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Business benefits of the MA model

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For advisers taking the step to incorporate managed accounts into their business, they've enjoyed efficiency gains plus a clearer value proposition for clients.

After implementing this new strategy, what has been the impact on advice practices? Advisers on this journey reported two major benefits for their business from the MA model:

- Reduced administrative burden – including fewer ad-hoc client calls and less paperwork
- A clear separation between advice and investments when communicating their offer to clients.

With fewer hours taken up with administration, advisers have time to dedicate to being proactive in their engagement with clients and take a more strategic approach to making a positive impact on their clients' goals. Communication to clients is also streamlined which has never been more important. With increasing volumes of email traffic and social media posts taking up clients' time and attention, advisers need to be swift, responsive and concise in their updates.

“As an adviser, you’re still providing them with investment advice, you’re still matching their goals and objectives. It’s just the day-to-day portfolio management that is being outsourced.”

Tom Schubert, Drummond Capital Partners

Business benefits of the MA model

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The best of both worlds for clients

As an outsourced solution for client investments, managed accounts can relieve advisers of much of the day-to-day work involved in portfolio management, while they remain in control of their clients' key investment decisions. The greater transparency and communication from investment managers can provide opportunities for advisers to better engage with their clients regarding their investments making it easier to communicate the value of the advice journey while also providing a professional investment service.

As **Tom Schubert of Drummond Capital Partners** puts it, separation in the investment offering from the sales process allows the business to focus on where they can add value while still maintaining control of their clients' investments.

This is something Brendan agrees with, noting that making key decisions such as which investment manager or asset manager to bring on board is still an active choice of the adviser. It also means that when clients do want to put their investment portfolio under the microscope, the adviser is better equipped to have this conversation with the materials provided by the dedicated resource of a professional investment manager.

Separation

in the investment offering allows the business to focus.

Creating scalable growth

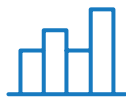
While enhancing outcomes for advice clients is certainly a worthwhile goal, the MA model can also contribute to a sustainable growth strategy.



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Creating scalable growth

Financial benefits to their business haven't been the main motivating factor for advisers taking up managed accounts. But the potential for greater profitability and scale are certainly additional benefits that support the further adoption of managed accounts. Advisers are reportedly seeing these benefits come from:



**Increased referrals,
both in quantity
and quality**



**More time
to spend on
strategic planning**



**Potential for an
increased valuation
of the business**

More referrals from clients and professional partners

With the potential to dedicate more time to clients to better align their goals with investment outcomes, greater client engagement and an improved client experience is a natural outcome from the adoption of managed accounts. As client satisfaction rises, this results in more client referrals as clients and referrers share their positive experience with peers.

“Think about what you want your **business to look like in the future**, not what it's been in the past.

It's not about doing what you do better, or adding a new product, it's an opportunity to reset your business. Be clear about your alignment and be brave. **Think bigger, don't think incrementally.**”

Brett Sanders, Chief Executive, Philo Capital Advisers

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According to our adviser panel, the biggest impact on their pipeline of new business has come from referrals from other professional services firms, such as accountancy firms. Previously, these relationships may have been at a more personal level, with a particular accountant happy to refer to a particular adviser.

After seeing more consistency in the investment outcomes and service delivery across referred clients within the practice, the adviser reported that their relationships have moved to a higher, enterprise level where there is alignment between two firms, resulting in accountants being more likely to recommend the advice practice and not just the individual adviser.

Time to plan for growth

Having access to support from dedicated investment managers can free up more time in the business to dedicate to strategic planning, creating more opportunities to consider the best options for growth for a financial advice businesses. For Mark, having the time and space to step back and think strategically has led to significant impact on the 3 and 5-year business plans for Annex Wealth.

25-30%

business growth from increased professional referrals

Brendan Murray, Halcyon Private Wealth

A premium service worth paying for

With client satisfaction as the driving force behind the uptake of managed accounts, just what are the tangible benefits advice clients can expect?



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We have spoken throughout about the client-centric approach advisers are taking when deciding how to structure their business. To be confident in choosing the MA model to support their strategy, advisers need to be clear on the benefits so they can communicate to clients why making a change is in their interests.

In exploring the advantages of the MA model for clients, it's important to note that feedback from our panel has focused on value for money rather than cost. While an outsourced investment manager might come with a higher fee, the services and outcomes an adviser is able to offer as a result are seen as a value-add by clients:



Improved portfolio performance

Selecting best-in-class investment manager doesn't guarantee better performance. By taking a thorough approach to selection, advisers and clients can both feel more confident in their choice of provider and expected investment outcomes.



More streamlined and timely communications

Supported by regular content provided by a dedicated investment manager, the MA model makes it easier for advisers to help clients understand their investment strategy and provide transparency and clarity on their portfolios at all times.

“The client experience used to depend on the work and ability of an individual adviser. Now, thanks to the structures and processes in place, the ability of the adviser or their capacity at a given point, has less effect on the overall client experience.”

Mark Rowell, Annex Private Wealth

A premium service worth paying for

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Enhanced education for clients

More time to communicate with clients allows advisers to go beyond keeping them informed. It creates the opportunity for improving their understanding of their financial affairs, including the theory and practice of investing to grow their wealth. This is something clients have come to value in the advice relationship. It can be particularly important in cases where wealth is being passed from one generation to the next. Some clients value the opportunity to pass on knowledge and a sense of responsibility to their children so they can be confident that they'll make the most of their financial situation.



Practice-wide consistency in the client experience

As Mark points out, outsourcing to an investment management partner can help to ensure all clients enjoy a more consistent experience with regard to communication and execution of their agreed investment strategy.



More frequent interaction and better engagement between client and adviser

via phone/email/face-to-face.

Consider the value for each client

While there are many benefits in a managed accounts model, it isn't a perfect solution and it's not going to be suitable for everyone. "There needs to be an acceptance that managed accounts are not for everyone," says Brendan. Mark agrees, recommending that advisers, "overlay the process with each client and ask will it work for them? Will it benefit them?"

Why your team might be ready for change

When it comes to getting team members on board with the MA model it helps to be clear about the reasons for the change and results employees can expect.

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Bringing employees along on a new journey can sometimes be a challenge when they're used to the same processes and routines. On the other hand, many are eager to see things change. Under the traditional advice model, staff can be bogged down with administrative tasks and become concerned that they aren't providing a consistent service to every client.

Our panel share their views on how to prepare your advice team for transitioning to an MA model:

A journey to greater efficiency

A successful managed accounts implementation takes time. But as more people in the business see improvements in efficiency, this results in a tipping point where the practice starts to experience efficiency gains. "After implementing managed accounts in my practice, the office environment has become much more relaxed, with less concern about ability to meet deadlines," says Brendan. "Tasks to be completed at year-end reduced by 30%, meaning staff avoided the usual rush to get things completed before the Christmas break."



↓ 30%

Reduction in year-end tasks

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Partnership, not product

It's important that both team and clients know this isn't just another product, but a collaborative process that requires buy-in from all. As **Tom Schubert, Drummond Capital Partners** highlights, a tailored MDA approach such as the Philo Capital MDA creates a journey of discovery to get to a solution that works best when adviser and client believes in, and buys into, it.

Expert and independent support

As well as freeing up advisers' time to focus on clients and business planning, having access to investment experts can also provide in-house teams with some key benefits:

- Leaving investment choices to the experts can take the pressure off internal teams. As Mark points out, “the new model removes the stress of differing investment views across the business, allowing you to focus on client’s goals and objectives.”
- A trusted partner to call on for investment expertise can deliver value in all sorts of situations. With the growing popularity of ESG options, for example, advisers using the MA model can turn to an investment manager who has the scale to dedicate resources to supporting their practice to provide this type of service to clients.

Allows focus

on client's goals and objectives.

Mark Rowell, Annex Private Wealth

Securing foundations for future growth

As adviser numbers continue to decline, businesses with the capacity to deliver a quality service to more clients can position for a prosperous future.

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With fewer advisers competing for a growing pool of wealth, there is an abundant opportunity for advice practices to build scale into their business and prepare for growth. It's no wonder our panel of advisers are excited about the future.

The practice principals we spoke to believe that going down **the managed accounts path has resulted in the foundations of their business being built in the right way**. This provides them with confidence that they are developing the efficiency it takes to manage a growing client base without compromising on quality of service or outcomes for their clients.

A competitive edge

When it comes to winning business, Brendan Murray believes Halcyon can offer a superior model to competitors, which is attractive to both clients and other businesses. He has observed that advisers nearing the end of their career are most concerned about legacy and leaving their clients in safe hands.

Brendan has found that implementing new structures and processes has provided comfort to other businesses and senior advisers looking for an acquisition, merger or a buyer for their own advice practices. It has been his experience that other practice principals often prefer to sell, buy or merge their business with one that has embraced a new way of working, rather than going through the transition themselves.

Confidence

to manage a growing client base.

Starting the journey to managed accounts

Knowing what to expect at the start of your journey to an MA model can help to make it a successful transition.

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While it has been a positive experience for the advisers we spoke to, moving to an MA model and digitising your business more generally, is not something that is easily achieved.

Invest time now to reap the benefits later

Advisers ‘on the other side’ of this process are reaping the benefits after dedicating 12-18 months to the extra client advice and meetings that come with the transition. As a result, all our panellists highlighted **the importance of being truly motivated to do this and communicating to get team members and clients onboard with you.**

Support is available

While taking on the MA model is a big change, you are not on your own. As **Brett Sanders, Chief Executive, Philo Capital Advisers** points out, there are plenty of peers out there willing to help who have been through the process and can give advisers the benefit of their experience. There are also a growing number of professional services and providers you can speak to before taking this path, including outsourced investment managers, MDA service providers and platforms such as BT Panorama.

Big change

you are not on your own.

Find out more about what's involved in implementing managed accounts into your practice

1300 784 207

bt.com.au/managed-accounts



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