

The client conversation

Making sense of Managed Accounts



Centrepont Alliance
Virtual presentation
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Colonial
First State

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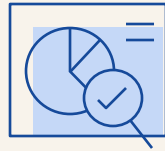
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Today's focus



Managed Accounts –
market insights



What is your CVP,
have you nailed it?



Future-proofing
your business



Talking to your clients
about Managed Accounts

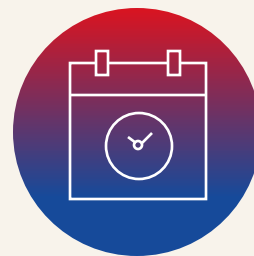
Managed Accounts market insights



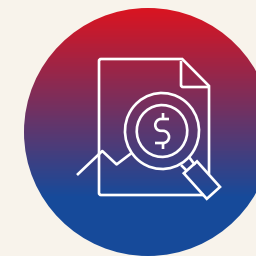
Managed Accounts continue to grow in popularity



53%
of advisers use
managed accounts¹



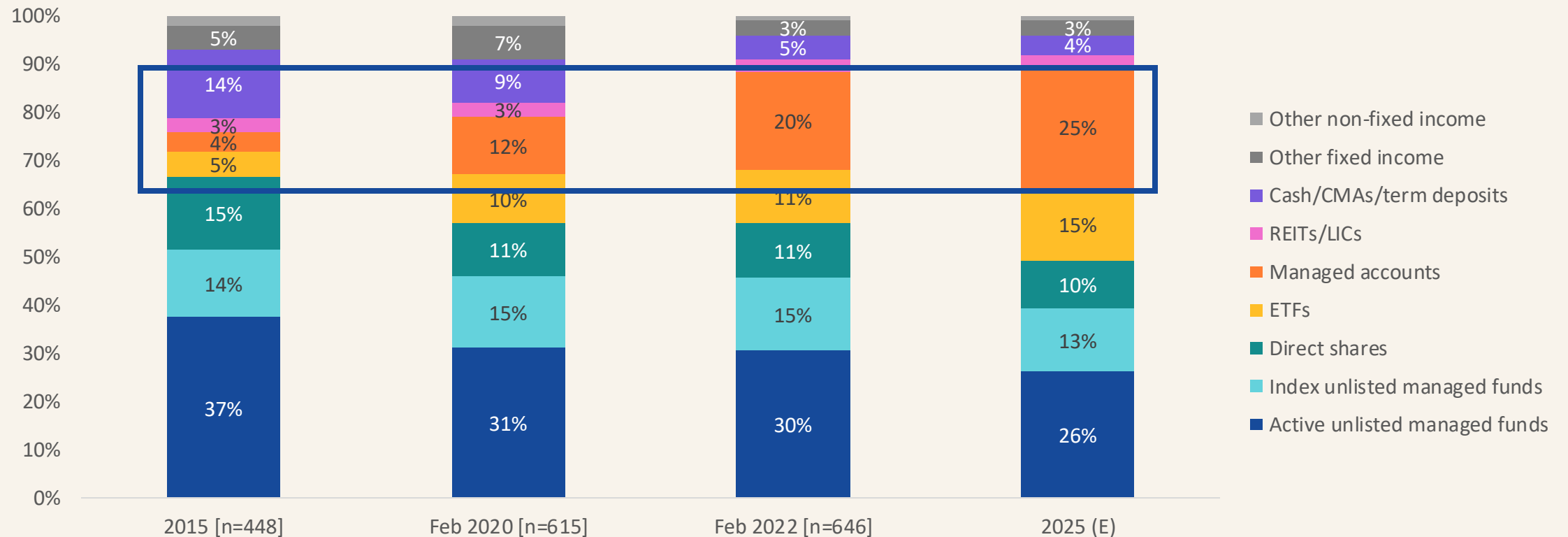
15.7 hours
per week
100 days a year¹



\$135.8 billion
Growth of 22%²

Source: 1. <https://www.professionalplanner.com.au/2022/03/most-advisers-now-using-managed-accounts-research/>
2. <https://www.professionalplanner.com.au/2022/09/managed-accounts-grow-another-22-during-fy22/>

The growth of Managed Accounts



Source: Investment Trends 2022 Managed Accounts Report (E) = Advisers' estimates for three years' time

Question

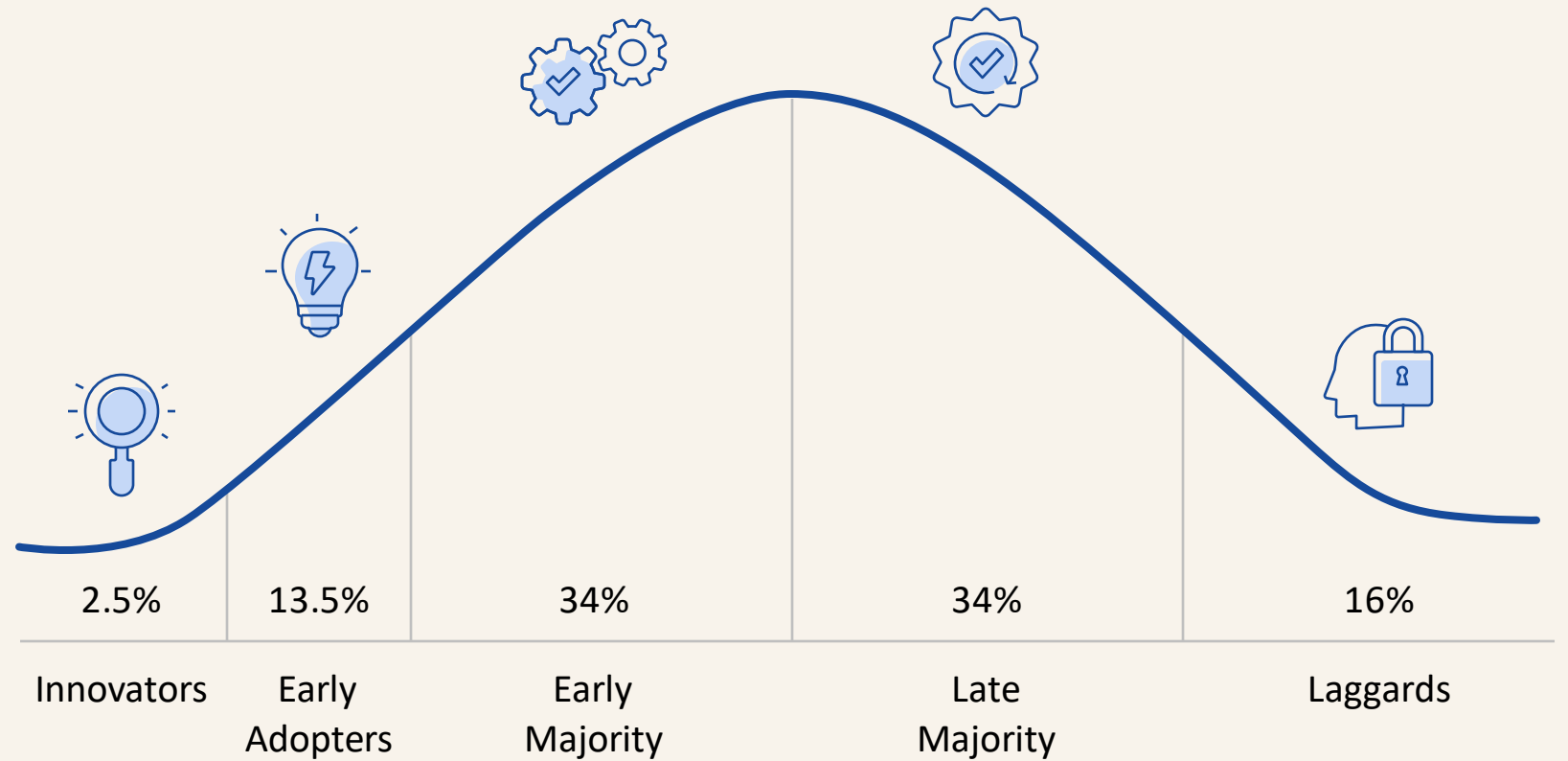
Investment trends research surveyed advisers to ask what proportion of clients portfolios they expect to place in managed accounts by 2025. What % was it:

- a) 15%
- b) 20%
- c) 25%
- d) 34%
- e) 45%

Future-proofing your business

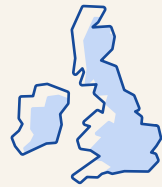
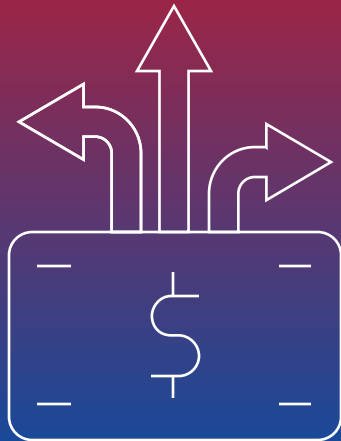


Managed Accounts are mirroring the 'typical' new product cycle



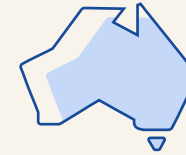
Source: Rogers E. 2003 Diffusion of Innovations, 5th Edition

Diversify your income



The UK

- 12 client meetings per week
- Avg 157 clients per adviser
(About \$1.25m revenue per adviser)
- Managed Account businesses maturing



Australia

- 8 client meetings per week
- Avg 102 clients per adviser
(About \$800,000 revenue per adviser)
- Managed Account business building

Source: Core Data, October 2022

Managing risk

AFCA Determinations 743645 & 772480 (the same complaint, across multiple licensees) covered many issues, specially the review process.



The service agreement stated that the review process should address

- Changing needs and objectives
- The economic environment
- Investment sector performance
- Taxation position
- Social security issues



- Investments available
- Taxation position of investments
- Fund manager and investment performance



Outcome



The adviser had left funds in cash after a term deposit had expired, rather than investing them



Had failed to provide ongoing advisory services between 2010 and 2018



The determination was in favour of the complainant

What is your client value proposition? WIIFT

What is your client value proposition? WIIFT



Better decision-making

Help with complex financial situations

Expert knowledge & experience

More efficient from a time and cost perspective



Grow and manage wealth/financial value

Wealth creation

Wealth protection

Budgeting

Debt reduction



Help with goals

Setting goals

Accountability (tracking) and (inspiring) discipline around implementation of financial strategies to achieve goals



Investment expertise

Asset allocation appropriate for a client's risk profile

Tax-effective investing

Selection of appropriate investment structures

Legacy/Bequest /Estate planning

Income management

Income streams



Better retirement outcomes

Increased retirement income leading to higher standards of living in retirement

Maximising government benefits and age care assistance

Intergenerational transfer of wealth



Financial Wellness

Increase your financial knowledge and confidence (education)

Decrease your financial stress, which can improve your quality of life

Know if there is someone available to help you if something unexpected happens, or you run into financial difficulties

Help understand and manage financial biases

Behavioural coaching

What is your client value proposition?






Source: https://www.lonsec.com.au/wp-content/uploads/2021/09/CFS_Managed-Accounts-End-Investor.2021_reduced-file-size.pdf

Question

A great value proposition involves 5 simple steps, that should be conducted as part of a discovery and conversation with your client. What is step 1?

- a) Provide the key benefits of what you do
- b) Explain why what you do is valuable for the client
- c) Differentiate your services to others in the market
- d) Identify the key problems and concerns of your client
- e) Provide your credentials

Communicate your value – the evidence is clear

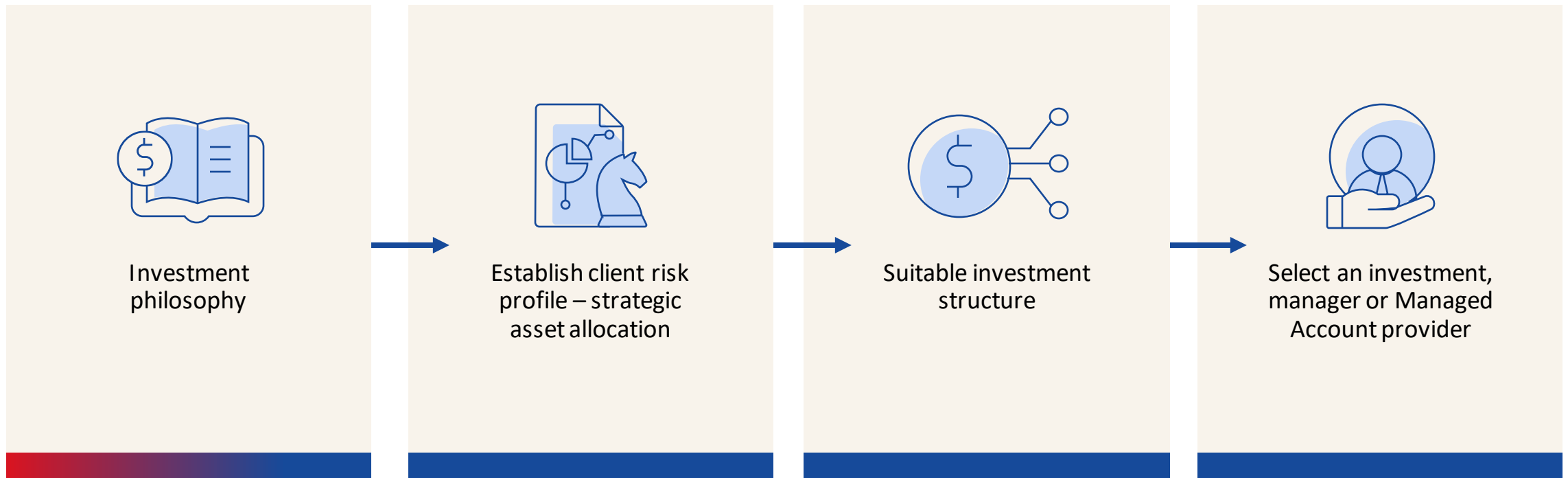
	 Retirees	 Pre-retirees	 All clients	
	Do you have a comfortable/ lavish lifestyle in retirement?	Will you have enough money for retirement?	Do you feel financially secure?	Better family life and improved mental health
Advised clients	2/3	50%	62-85%	40%
Non-advised clients	1/3	25%	18-35%	N/A

Source: <https://www.professionalplanner.com.au/2022/10/lavish-retirements-and-the-value-of-advice/>

Talking to clients about Managed Accounts



Communicate your investment approach



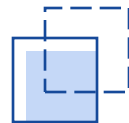
Explain the benefits, risks and costs of Managed Accounts



Aligned to their needs



Managed by an experienced team



Transparent



Responsive to changes



Cost efficient



Efficient and simple

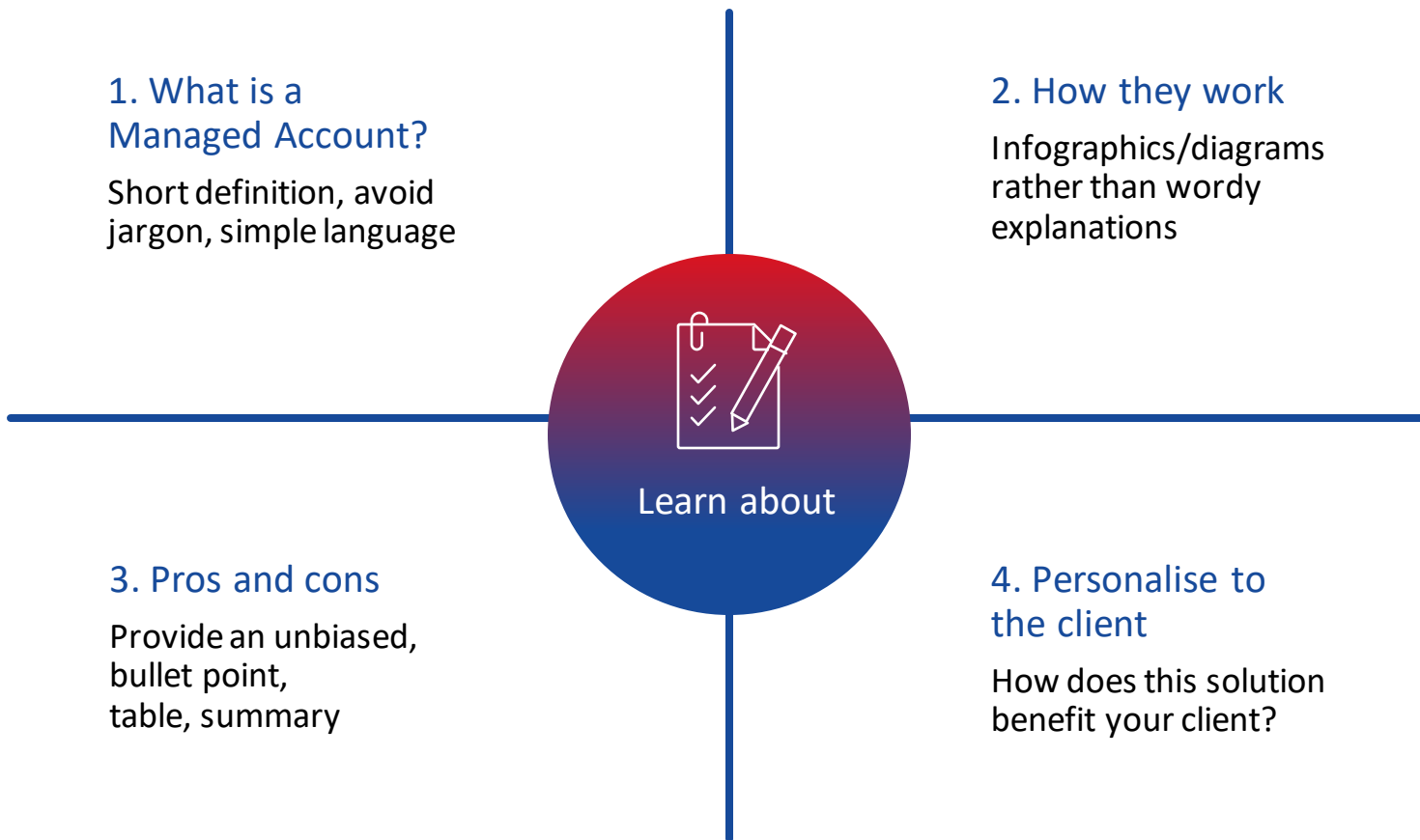
Source: https://www.lonsec.com.au/wp-content/uploads/2021/09/CFS_Managed-Accounts-Brochure-Advisers.2021.pdf

Question

Managed accounts provide a range of benefits to clients, one of these is timely and compliant portfolio changes that can enhance portfolios outcomes and manage downside risk. If timely changes are NOT made, clients risk loosing what % of the benefit, if changes are not implemented within 12 weeks:

- a) Cost of delay after 12 weeks is up to 30%
- b) Cost of delay after 12 weeks is up to 40%
- c) Cost of delay after 12 weeks is up to 60%
- d) Cost of delay after 12 weeks is up to 80%
- e) Cost of delay after 12 weeks is up to 100%

Educating your clients about Managed Accounts



Consider:

- Client's existing level of knowledge
- Client preference for learning
- Accessibility issues
- Language

Responding to client questions about Managed Accounts



Responding to client questions



I already pay you for investment advice, why should I pay for this service as well?



I will still be managing your money for you, I will be making sure that the funds are appropriately invested to your risk profile and that there is enough cash to pay for Insurance – pensions etc...

However what I do strive to do as your adviser is to get you the best possible outcome in your investments, I feel partnering with an experienced investment manager will do just this, this structure will also allow for the fund manager to be able to place trades instantaneously on your behalf meaning we don't miss out on opportunities or expose your portfolio to risk for too long because I was unable to get hold of you or I was away for example.

These structures help remove some of the key person risk I and you expose the portfolio to and allows me to work more seamlessly with you and on your behalf whilst having the administration of your portfolio handled by someone else.



Access to institutional pricing



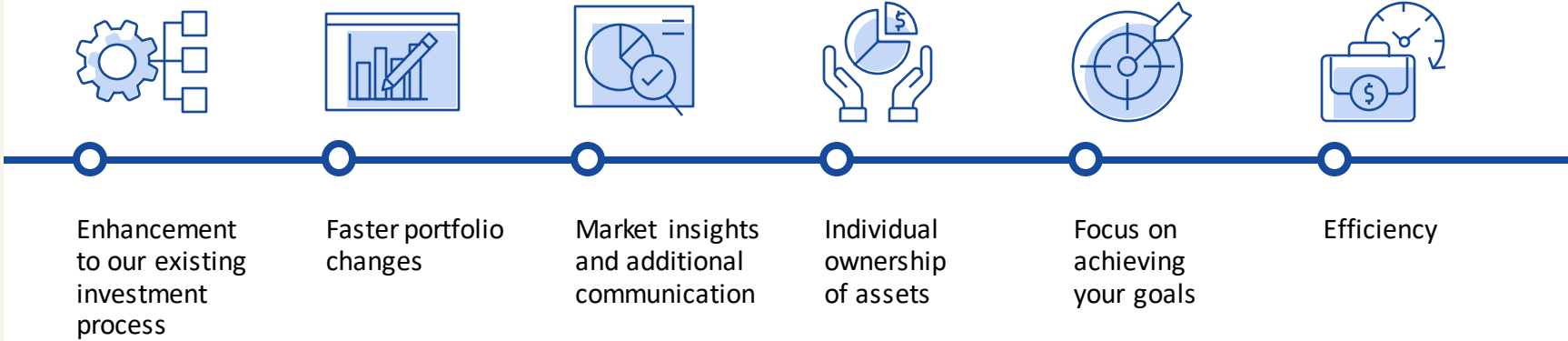
Access to discounted fee arrangements



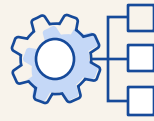
Responding to client questions



I am very happy with your service, why change now?



Key takeaways



- Managed Accounts can help to create efficiency in your business



- Future-proof your business



- Check in: How do you communicate your investment approach?

Questions?

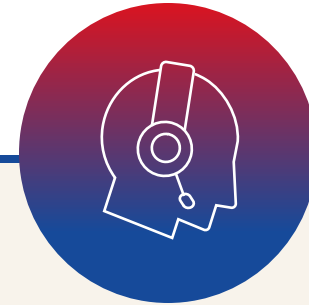
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development manager



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