



Business Health – what determines profitability in an advice practice?

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MANAGED ACCOUNT SOLUTIONS

IMAP ADVISER ROADSHOW 2018

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INVESTMENT
BENEFITS



STRONGER
CLIENT
RELATIONSHIPS



REDUCED
RISK

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MANAGED ACCOUNT SOLUTIONS

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ACCOUNTS ON
FIRSTWRAP

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ACCOUNTS ON
FIRSTCHOICE

TAILORED
SOLUTIONS ON
FIRSTWRAP



More efficient,
transparent
portfolio solutions



More efficient
implementation of
licensee model portfolios



Customised solutions
for licensee driven
business models



What drives profitability in an advice practice?

TERRY BELL
PARTNER, BUSINESS HEALTH
MARCH 2018

About Business Health



Unless stated to the contrary, all statistics/profit drivers referred to in this presentation have been derived from the latest analysis of the Business Health data warehouse.

About the HealthCheck



- Web-based
- Private, confidential
- Diagnoses the business
- Rates against peers / benchmarks
- Commentary

Today...

- The marketplace
- The data
- Key takeouts (the insights)
- The opportunity

The marketplace



Trends driving the marketplace

- Lots of stuff

Disruption through technology, clients, competitors, providers

Growth is coming more from existing clients than new ones

The baby boomers are closing in on retirement (as are their advisers)

Unrelenting regulatory change, education

Shortage of good people

Unloved media profile

Continuing industry rationalisation

Evolving business models



Increasing costs = margin compression = profitability focus

An optimistic outlook

Principals looking to:

- Increase their practice revenue **94%**
- Increase the revenue generated by fees **89%**
- Increase the number of clients they service **80%**
- Build on the number of third party referral partners **61%**
- Recruit more income producers to their business **42%**
- Appoint more support staff **46%**

An effective business plan is **the** major driver of profit

- 'effective'
 - Clearly documented
 - Comprehensive
 - What, who, when, how
 - Quarterly 'progress to plan' monitoring
- 1:4 practices have documented strategic and operational plans

PROFIT DRVIER		% OF PRACTICES	PROFIT IMPACT
Business Plan	No	24%	-
	Yes, effective	5%	+209%

Enter Managed Accounts

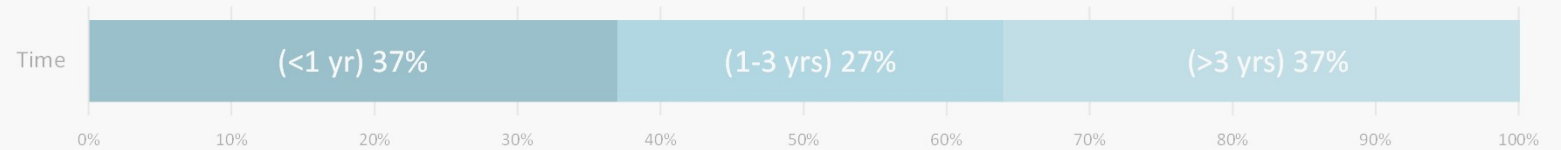


The data ...so far

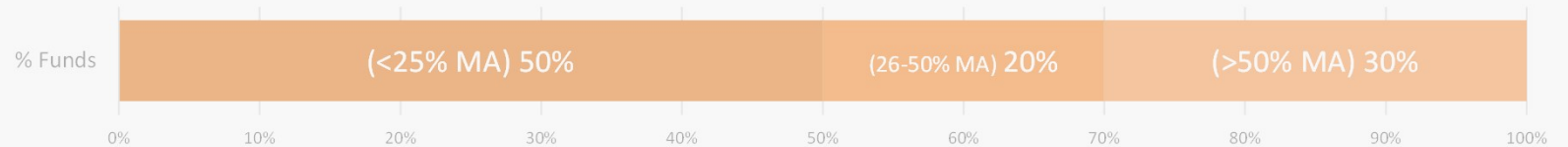
- 93 practices registered for a HealthCheck February - March 2018
- Compared to our current industry database (300+)
- Opportunity still there for you to complete the HC (no cost) - open to 13 April
- White paper will be produced thereafter

Respondents

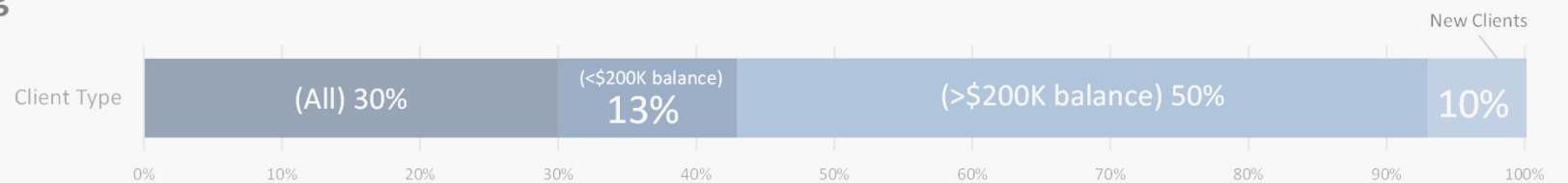
Time Using Managed Accounts



% Clients Invested in Managed Accounts



Clients being offered Managed Accounts



Benefits of using Managed Accounts



Reduction in admin



More time spent with clients (f2f meetings)



Improved client engagement



Improved risk control



Improved client investment outcomes

'Average' practice dimensions

Dimension	All practices	Managed Accounts
Gross practice revenue	\$1.16m	\$1.53m
# client appointments per adviser/per week	6	7.4
Number of individual clients	715	614
Funds under management/advice	\$137m	\$165m
Clients per adviser	285	336
Number of FTE	5.6	6.1
Notional profitability	27%	34%

Key takeouts



1. Benefits accelerate as solutions embed...

Dimension		% Practices	Profit uplift
Length of time offering	<3 years	63%	-
	>3 years	37%	+116%
% of clients invested in Managed Accts	<50%	70%	-
	>50%	30%	+118%

2. Higher profitability

Dimension	All practices	Managed Accounts
Annual revenue	\$1.16m	\$1.53m
FUM	\$137m	\$165m
Profit/principal	\$266,998	\$380,998

3. Communication is key to any relationship...



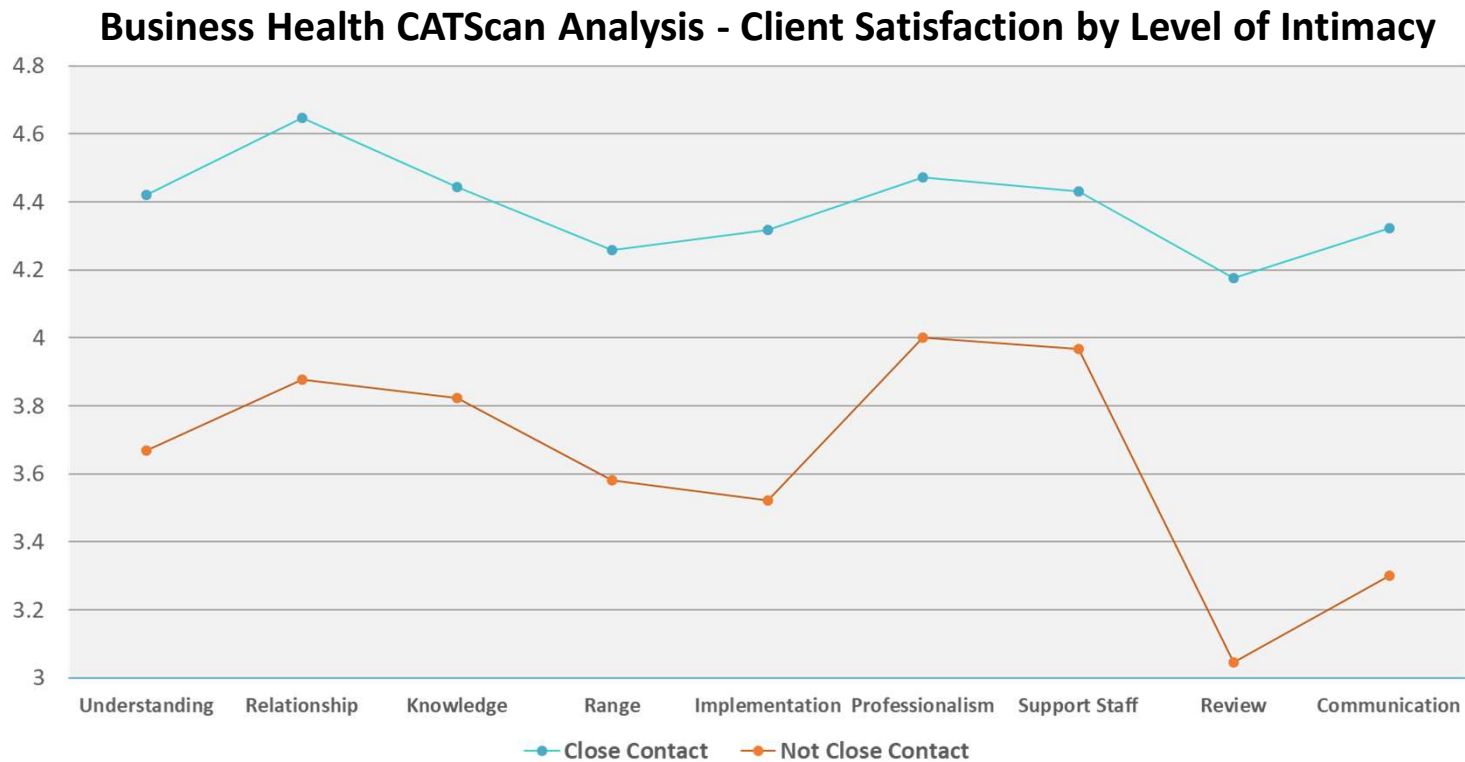
31%

Dimension	All practices	Managed Accounts
10+ "A" client contacts per year	39%	47%
Quarterly+ "A" client reviews	28%	37%
Appointments per week	6	7.4
97%+ "A" client retention	44%	59%

Close business contact



It's all about developing and keeping close business contact



4. Higher profitability for those who segment...



107%

Dimension	All practices	Managed Accounts
Number of clients	715	614
Segment	77%	90%

5. An even more valued service...

Dimension	All practices	Managed Accounts
Charging for SOA	87%	97%
Charging for implementation	79%	83%
Service level agreements with “A” clients	60%	63%
20+ new clients in past 12 months	48%	60%

Why are these Managed Account practices more profitable?



More business efficiency

- With experience comes confidence
- Reduction in administration time/costs
- Improved risk control
- Managed Accounts are integral to these businesses



More confidence

- Fees
- Improved investment outcomes
- Existing clientele
- Range of services



More time for clients

- Face to face
- Contacts
- Reviews
- Segmentation



Why not take advantage...

- IMAP/CFS HealthCheck
- Available to April 13
- Results are confidential
- White paper



For your consideration

“It is not the strongest of the species who will survive, nor the most intelligent, but the one most responsive to change.”

- Charles Darwin



Disclaimer

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Managed Accounts on FirstWrap offer a series of professionally managed portfolios designed to deliver transparent, engaging advice solutions.

If you're looking to invest with leading portfolio managers to deliver efficient advice solutions, or looking to reduce direct share administration requirements, Managed Accounts on FirstWrap may be the answer.

Traders within the portfolios are free from any brokerage fees, and the non-unitised structure allows your clients to maintain beneficial ownership, transparency and individual tax outcomes. You can also set client preferences at account level to reflect your client's ethical, social or tax preferences.

What does this mean for you? More time spent seeing clients, growing your business and developing strategies and less time on paperwork and routine administration.

COLONIAL FIRST STATE MANAGED ACCOUNTS ON FIRSTCHOICE

COMING SOON

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Benchmark your Advice Practice - Fully funded by IMAP and Colonial First State

What are the most effective strategies for improving the profitability of your advice business? Increasingly many profitable practices are using managed accounts as a key driver but which type of managed account? And if you are already using managed accounts, how do you compare to the advice profession's most profitable and efficient practices?

Working with Business Health and Colonial First State, IMAP has developed an online questionnaire which will help you gain an accurate and objective baseline assessment of your practice, including its use of managed accounts.

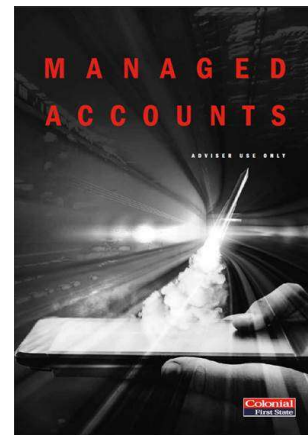
Using your own, actual data, **Business Health** - one of Australia's leading practice management groups - will evaluate your performance in comparison with your industry peers.

Click here to
HealthCheck your
practice at no cost
to you - normally
\$825

The HealthCheck normally costs \$750+GST, however, if you register by 26 January you'll receive your personalised report completely free

About the Business HealthCheck:

The **Business HealthCheck** covers every aspect of your business in an easy 'point and click' style. You will be able to complete the online survey in no more than 30 minutes. Results will be kept strictly confidential between you and Business Health.



BENEFITS OF MANAGED ACCOUNTS

BENEFITS OF MANAGED ACCOUNTS

Used well, managed accounts offer significant potential benefits for clients, advisers and investors.

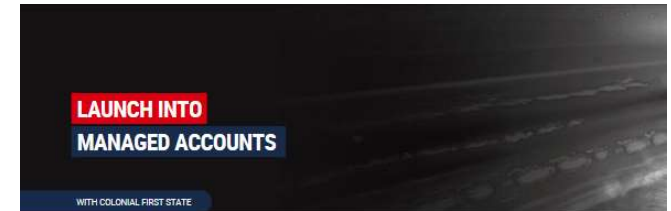
BENEFITS FOR YOUR CLIENTS

CONFIDENCE
By recommending managed accounts to clients, you can gain from the confidence of knowing they have invested in a leading professional portfolio of managed assets. Backed by the expertise of a leading professional manager and robust and consistent underpinning by you.

SIMPLICITY
With comprehensive, consolidated reporting, your practice decisions to make or receive, and the expertise to invest, managed accounts are generally easy for clients to get and administer - or they can focus on legal strategic questions, when their existing financial and regulatory advice solutions.

TRANSPARENCY
You get your clients to see the underlying investments in their portfolio of assets. They benefit from an active portfolio with relevant reporting capabilities.

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LAUNCH INTO MANAGED ACCOUNTS

WITH COLONIAL FIRST STATE

Increasingly popular with both advisers and clients, managed accounts combine the simplicity and scalability of a managed fund with a level of control and flexibility usually only available from a direct investment.

OUR MANAGED ACCOUNT SOLUTIONS

<p>MANAGED ACCOUNTS ON FIRSTCHOICE</p> <p>LEARN MORE</p>	<p>MANAGED ACCOUNTS ON FIRSTWRAP</p> <p>LEARN MORE</p>	<p>TAILORED MANAGED ACCOUNT SOLUTIONS ON FIRSTWRAP</p> <p>LEARN MORE</p>
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A GUIDE TO MANAGED ACCOUNTS

<p>Why managed accounts can work for you</p> <p>Managed accounts combine the simplicity and scalability of a managed fund with a level of control and flexibility usually only available from a direct investment.</p>	<p>Choosing the right managed account</p> <p>Managed accounts can have a variety of structures, offering different levels of simplicity, customisation and control.</p>	<p>Reaping the rewards of managed accounts</p> <p>Used well, managed accounts offer significant potential benefits for clients, advisers and investors.</p>	<p>Transform your business with managed accounts</p> <p>Managed accounts have the potential to transform your business model, helping you take the next step in your business evolution.</p>
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