

# Managed Accounts



---

An Adviser Guide

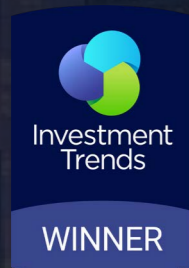


Welcome to the **upgrade**

## Enabling advisers to deliver great outcomes

Our goal is simple - provide the best technology and product solutions that enable advisers to deliver great outcomes for their clients. You want to help your clients achieve their financial goals and have an exceptional wealth management experience. We want that too. So we focus on making your job easier and more efficient and give you the tools to enhance the client experience.

For more information, visit [praemium.com](https://www.praemium.com)



2022 Platform Competitive Analysis and Benchmarking Report

Best in Decision Support Tools

Praemium



2022 Platform Competitive Analysis and Benchmarking Report

Best in Security, Data & Intergration

Praemium

THIS DOCUMENT IS INTENDED FOR FINANCIAL ADVISERS ONLY AND IS NOT DIRECTED AT PRIVATE INDIVIDUALS.

# The growth story continues

Managed account usage continues to boom with flows into managed accounts increasing almost 40% over the last year. This growth rate has been a consistent trend as increasingly business owners identify valuable business efficiencies and more advisers continue to see the engagement value of offering managed accounts to their clients. The appeal of managed accounts to a broader range of investors is also increasing. Once a solution primarily targeted at affluent clients, advisers are now using managed accounts for clients at all levels of wealth.



**\$135.8**

billion funds under management in managed accounts<sup>1</sup>



**53%**

of advisers are now using managed accounts for their clients<sup>2</sup>



**200%**

growth in managed accounts FUM in last 5 years<sup>1</sup>



**20%**

of a client funds now invested in managed accounts<sup>2</sup>

In this guide we'll look at how managed accounts can transform your business, enhance your value proposition and the service you offer your clients as well as meet the changing needs of investors.

## Contents

» The growth story continues	Pg 3
» Managed accounts vs Managed Funds	Pg 4
» Demonstrating value with managed accounts	Pg 6
» Business efficiency benefits of managed accounts	Pg 8
» Prioritising the client experience	Pg 10
» Working on your business not in it	Pg 12
» Meeting evolving investor needs	Pg13
» Choosing a managed account partner	Pg 18
» Overcoming the hurdles	Pg 19
» Praemium Managed Accounts	Pg 20

<sup>1</sup> IMAP Milliman Managed Account Census 30 September 2022  
<sup>2</sup> Investment Trends Portfolio Management Survey 2022.

# Managed accounts v Managed funds

Many investors will be familiar with a managed fund, where your money is pooled into a professionally managed portfolio. When you invest, you own a portion of the portfolio in the form of units of managed funds.

They are easily accessible, generally with a low minimum investment, but there is no ability to customise your portfolio or transparently see a full portfolio breakdown, and you inherit the CGT position of the fund.

A managed account offers the benefits of beneficial ownership, portfolio transparency and varying levels of customisation but there are a number of other differences as the table below outlines.

Investing in a managed account means outsourcing portfolio construction, stock analysis and ongoing portfolio management to a professional investment manager. Professional managers benefit from a wealth of resources, access to company management and are solely focused on managing the portfolio.

Most importantly it allows you to really focus on your clients; their goals; how their portfolio is delivering; tax planning; and analysis of the market to ensure their financial plan is on track.

“

The diversification and convenience of a managed fund with the transparency and cost-effectiveness of a direct investment.”

	SMA	Managed Fund
Professional investment management	✓	✓
Tailored portfolio through exclusion/ addition of securities	✓	-
Investor retains beneficial ownership	✓	-
Ability to view underlying securities	✓	-
Access via a Product Disclosure Statement	✓	✓
Low minimum investment	✓	✓
End of year tax reporting	✓	-
Fee transparency	✓	✓
In-specie transfers of underlying investments	✓	-
Avoid embedded capital gains tax	✓	-
Netting of transactions	✓	-
Exclude stocks from portfolio	✓	-
Tax efficiencies	✓	-

## Getting the most from your portfolio

There are many managed account options available to investors and choosing the one most suitable for you will depend on your personal circumstances and financial goals. Managed accounts have the potential to offer a number of benefits for investors.



### Cost effective

SMA's typically offer lower overall portfolio management fees due to inherently lower trade execution and custody costs within the portfolio structure.



### Transparent

In an SMA you have complete insight into your portfolio's individual holdings and pricing information. You can track the performance of these holdings and feel in control of your investments.



### Beneficial ownership

As the beneficial owner of your investments within your SMA, your tax position is individual to you. This differs from a managed fund where you hold units with other investors and the tax position is more related to the activities of the fund. You also receive any dividends and franking credits from each underlying investment, which can create a regular income stream for you.



### Customisable

Whilst an SMA model portfolio is typically a defined investment portfolio, it can also provide you with the ability to tailor your portfolio to your own requirements. You can invest in multiple SMA model portfolios or blend SMA model portfolios with selected individual investment assets to create an Individually Managed Account (IMA) experience. You can also replace holdings to include investments from outside the SMA or remove holdings altogether for ethical, social responsibility or other considerations.



### Tax efficient

SMA's optimise your tax outcomes by minimising your CGT and allowing you to select share parcels or lock a stock that might have negative tax implications if sold. Come tax time there is also significantly reduced tax administration, as much of this is automated through the SMA.



### Dynamic

With auto-rebalancing and complex corporate actions management, your portfolios are always in line with the strategy set by the Investment Manager and your financial adviser.

# Demonstrating value with managed accounts

FSR and the GFC have had a significant impact on the regulatory and financial landscape and placed substantial administration and time burdens on advisers. If your time allocation isn't what it could be, managed accounts are an immediate solution.

Managed accounts are more than a replacement for managed funds, it's the technology that provides the ability to transform your business model from within and make you more attractive to potential clients.

> Technology improves business efficiencies, streamlines administration and compliance processes

> Reporting and portfolio management are outsourced, automated, transparent and accurate (with your branding)

> No need to consult with the client when models change

> No need to rebalance portfolios to keep them in line with their risk profiles

> Customised investment model menus allow tailored client investments

> Advanced rebalancing and corporate actions technology means portfolios are always accurate

## Bridging the gap

Managed accounts offer investors an investment plan tailored to their risk profile and goals, managed by professional model managers. **The administration burden on advisers is significantly reduced** and frees up the adviser's time to focus on more strategic value-add services that enhance the client relationship. The advice discussion moves from portfolio construction, which clients do not generally value, to setting goals and making plans to meet them. This helps clients feel more engaged in their wealth management. **Managed accounts technology now automates so many of the normal day-to-day processes** that there need be no barrier to entry for younger clients or clients with fewer service needs.

## How managed accounts help

### What clients value

#### ✓ Personalised experience

Identification of goals and needs

Plans to achieve their goals

#### ✓ SOA presentation

✓ Transparency of information

✓ Regular reviews of their progress to plan

✓ Ongoing access to information

✓ Relationship management

### Adviser tasks that clients do not see or value

Strategy research and review

SOA preparation

✓ Placing investments

✓ Monitoring investments

✓ Report preparation

✓ Tax statement preparation

✓ Practice management

✓ Portfolio rebalancing

✓ Administration

✓ Portfolio management

✓ ROAs for portfolio changes

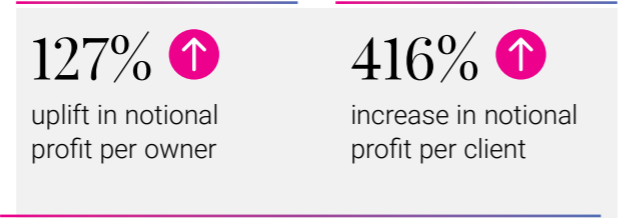
# Business efficiency benefits of managed accounts

The benefits of managed accounts have long been espoused. We undertook research with leading advisory consulting practice Business Health to ascertain the true impact of using managed accounts on business efficiency and client engagement.

We looked at advice practices across Australia who were using managed accounts and compared them to firms who were yet to introduce managed accounts into their practices. When it came to increased efficiency, 86% of managed account firms reported a reduction in administration time. Importantly these efficiencies were translating into improved performance metrics for these practices. While there are a host of key performance indicators an advisory firm can use to measure success—practice revenue, client satisfaction, referral advocacy, free cash flow, capital value, to name just a few—all businesses are ultimately judged on their level of profit.

As the following table clearly shows, those practices that have continued to embed managed accounts into their business model have significantly outperformed their marketplace peers in all the core profitability ratios, including notional profit per owner and profit per client.

“The profit figures paint a clear picture of how truly transformational embracing managed accounts for most of their clients can be for advice practices.”



**86%**  
reported a reduction in administration time or effort

**64%**  
achieved improved risk control of client portfolios

Key business driver	Firms not using managed accounts	Firms using managed accounts for 3+ years (Uplift)	Firms with 75%+ of clients invested in managed accounts (Uplift)
Notional practice profitability*	25.4%	36.2% (+43%)	35.1% (+38%)
Notional profit* per owner	\$268,253	\$481,169 (+79%)	\$609,736 (+127%)
Notional profit* per client	\$903	\$2,425 (+169%)	\$4,662 (+416%)

\* All the profit calculations contained in this paper assume a \$100,000 notional salary package for each working owner.

Our recent 'Practice Management by the Numbers' research with Business Health indicated that the average profitability for a practice was around 28%. While each business owner will determine what is an acceptable return for their practice and will employ varying strategies and actions to achieve their goals, it is clear that their efforts have been rewarded through their extensive use of managed accounts.

Changes to the Australian marketplace over the last couple of years have seen a change in the business model required to not only survive, but thrive into the future. The costs of operating an advice practice have now reached a point where businesses need an order of scale to achieve the outcomes they want for their clients and staff, while at the same time delivering an acceptable return for the owners.

By way of reinforcement, managed account users are more likely to have a business with scale as represented by the average revenue per practice. Importantly, the data also demonstrates a significantly higher revenue per client figure and a reduced number of salaries as a percentage of revenue, perhaps indicating staff resources can be allocated more effectively.

Key business driver	Firms not using managed accounts	Firms using managed accounts for 3+ years (Uplift)	Firms with 75%+ of clients invested in managed accounts (Uplift)
Practice revenue	\$1.2m	\$2.1m (+75%)	\$2.2m (+84%)
Revenue per client	\$3,224	\$5,321 (+65%)	\$9,685 (+200%)
Notional salaries as a percentage of revenue	47.3%	39.7% (-16%)	39.7% (-16%)
FUM growth of 20%+	12%	27% (+125%)	33% (+175%)

While more is definitely not the answer to all of the business issues facing Australia's financial advisers, continued and expanded use of managed account solutions has been proven to deliver scale benefits to many of the advisory firms implementing a growth strategy.

# Prioritising the client experience

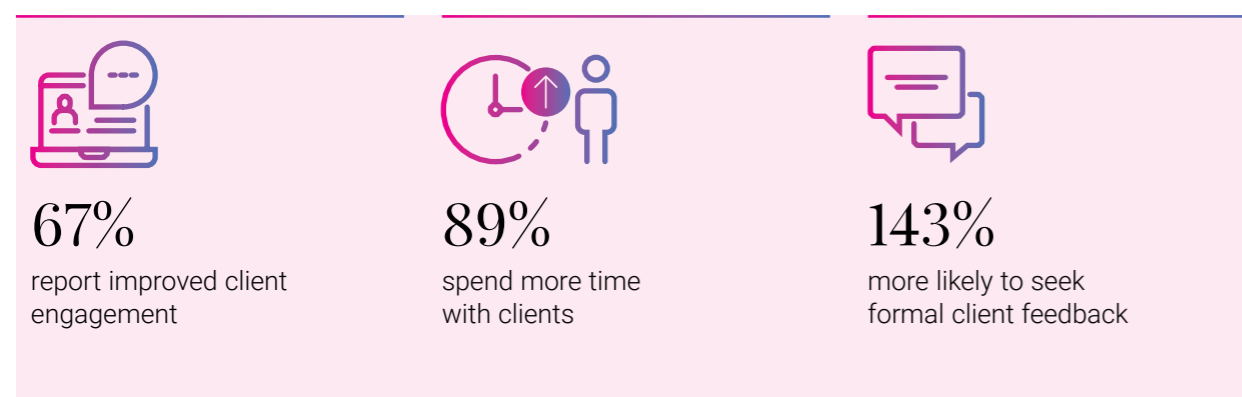
In the research, we considered “time spent with clients” as a key measure of client engagement and found that advisers that use managed accounts were spending more time with their clients. More time was spent in the client review, and the breadth of items covered in the review was more substantial. In short, reviews are more comprehensive, which indicates client engagement for managed account users is at a heightened level and ensures the adviser is more able to clearly articulate value for their fees.



Advisers using managed accounts, and particularly those who have more than 75% of clients invested in the solution, are significantly more likely to ask their clients for feedback as to their level of satisfaction.

Client feedback has not only been a key profit driver for advice practices in Australia, but it is also an important tool in understanding what is required to improve. Improvement leads directly to increased client retention and can provide a compelling case to help with new client acquisition.

Data also tells us that effective communication is a key driver for client satisfaction. Managed account users are more likely to contact their best clients more than 10 times per year. The frequency and depth of client engagement resulted in more satisfied clients who are more likely to stay with their adviser and refer them to family and friends.



\* For firms using managed accounts for more than 75% of their clients

Key business driver	Firms not using managed accounts	Firms using managed accounts for 3+ years (Uplift)	Firms with 75%+ of clients invested in managed accounts (Uplift)
Improved client engagement	—	59%	67%
More time spent with clients	—	45%	89%
Client reviews lasting 60+ minutes	77%	91% (+19%)	89% (+16%)
20+ items covered in the client review	14%	23% (+64%)	22% (+57%)
Formally seeking client feedback	23%	36% (+57%)	56% (+143%)
10+ “A” client touch points per year	29%	45% (+73%)	44% (+69%)

Liberated from the burden of many back-office activities, managed account advisers have been able to redirect more time into client-facing engagements, which results in stronger and deeper client relationships. This also means managed account users have more time to see more clients per week. This time is spent on more detailed, longer discussions coupled with above average new client acquisitions, both of which are clear indications of superior client engagement.

Key business driver	Firms not using managed accounts	Firms using managed accounts for 3+ years (Uplift)	Firms with 75%+ of clients invested in managed accounts (Uplift)
Clients per adviser	262	239 (-9%)	214 (-18%)
Client meetings per adviser per week	5.9	7.8 (+32%)	7.8 (+32%)
Firms adding 20+ new clients in past 12 months	44%	77% (+75%)	78% (+77%)

A key part of the transition to managed accounts is the provision of more and better technology which drives efficiencies and allows advisers more time for focussing on clients. The technology can also enhance the experience for investors, who are increasingly demanding a more comprehensive digital service experience. Research shows that 42% of investors cite technology offering as the number one reason for selecting an adviser.<sup>3</sup>

# Working on your business, not just in it

Despite the sensationalist headlines that occasionally appear in the populist media, there is no doubt that there are many talented professionals advising investors. They care deeply for their clients and work extremely hard to deliver the best possible outcomes. However, to ensure sustained success in a rapidly changing marketplace, this alone may not be enough. Practices need to continue to evolve their thinking and their perspective from talented financial adviser to that of a successful business owner.

In the financial services world of tomorrow, successful business owners will have developed a very clear picture of what longer term success looks like for them and put the necessary business plans in place to enable them to succeed.

And as the world in which they operate evolves, they will actively seek the opinions and thoughts of others from outside of their firm. They will meet regularly with people they trust and respect to help drive their business forward and they will always be open to a diversity of views and ideas.

Key business driver	Firms not using managed accounts	Firms using managed accounts for 3+ years (Uplift)	Firms with 75%+ of clients invested in managed accounts (Uplift)
Documented 3–5-year strategic business plan	22%	36% (+64%)	44% (+100%)
Regularly seeking external business advice	39%	45% (+15%)	56% (+44%)
Documented client value proposition (CVP)	41%	64% (+56%)	89% (+117%)

While there may be debate around cause versus effect, we do know that as the use of managed accounts increases, so does the adoption of these best practice business behaviours. The difference in the “mindset” of managed account users is plain to see, as other key profit drivers such as strategic planning, asking for advice and having a documented client value proposition, are all much more prevalent than for non-managed account users.

# Meeting evolving investors needs

The expectation consumers have for everyday services is translating into the expectation they have for financial services and financial advice providers. Delivering a service that aligns with investor expectations is becoming ever more important for attracting and retaining clients and building long-lasting relationships. As advisers evolve their thinking toward being a business owner, they also need to consider building a client value proposition that considers the future needs of their client base.

“

While the business benefits of managed accounts are clear, managed accounts also help to meet the evolving needs of your clients.

As an investment solution, managed accounts offer investors many unique benefits; professional portfolio management, transparency across portfolio holdings and pricing information, the ability to customise portfolios, while retaining individual tax positions and beneficial ownership.

These benefits are an important contributor to helping investors achieve their financial goals, however, it is the flexibility to tailor a solution and a service to a client’s unique needs that really elevates the benefits of this solution for investors.

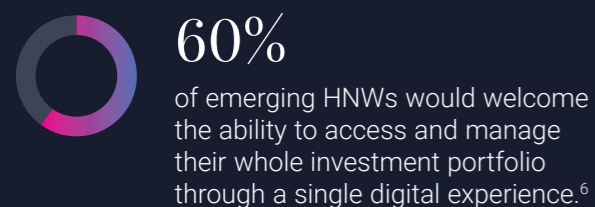
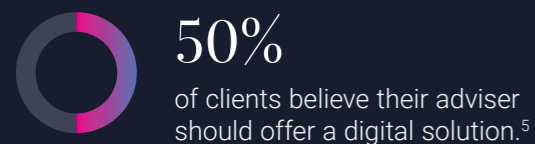
Consider some of the key themes driving investor behaviour and how managed accounts can help.

# Meeting evolving investor needs (continued)



## Digital service expectation

Smart technology has been one of the biggest drivers of changing consumer behaviour over the last decade. Clients have access to more information than any previous generation in history, they engage with brands over social media, expecting immediate responses and prompt resolution of problems.



The millennial generation form the largest segment of the global workforce and are approaching their peak period of wealth accumulation. This generation have grown up with technology, they are comfortable using it and are used to having information at their fingertips 24/7. To attract and retain this growing group of clients, an engaging interactive digital solution is imperative.

Managed accounts are underpinned by innovative platform technology and with the right platform partner you can offer your clients access to an innovative digital portal that allows them 24/7 access to their portfolio on any smart device.

Personalised communications can then be delivered directly to their digital portal, accounts can be opened and portfolio changes approved all online, helping your clients to feel more informed and in control of their wealth management.

This allows advice businesses to offer a compelling digital solution in a cost-effective way, which will service the needs of their current client base and appeal to a new investor base.



What is becoming apparent is that a digital service is no longer perceived as a bonus service, it's an expectation. It is also crucial to attracting the next generation of clients.



## Access to new investment opportunities

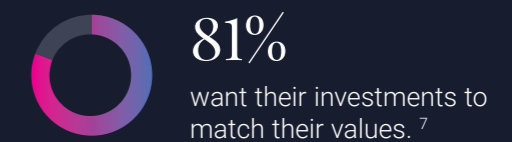
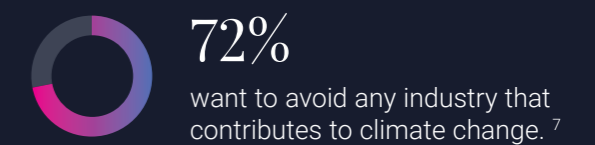
With widespread media coverage on cryptocurrency, NFTs and other new investment opportunities, investors are increasingly looking for access to investment options that may have historically been the domain of the ultra-high net worth investor.

Managed accounts offer access to a wide range of investment options, including ETFs, Managed Funds and model portfolios, diversified by manager, asset class and investment type. All options can be customised to individual needs.



## Increasing prioritisation of ESG

On a global scale, Australian investors are already amongst the world's most active supporters of responsible investing. And while millennials may have led the charge, the number of investors prioritising ethical considerations in their investment portfolios is increasing across all demographic groups.



With demand for ethical and socially responsible investment options growing, more and more investment houses are creating ESG portfolios and there is an increasing breadth of choice for ESG options in ETFs, Managed Funds and model portfolios.

Praemium's own platform technology now allows you to screen a managed account portfolio quickly and efficiently against nine ESG criteria, so you can create a unique solution based on your client's beliefs and values.

<sup>4</sup> Source: Aspect  
<sup>5</sup> Source: Accenture Wealth Management Consumer Report  
<sup>6</sup> Investment Trends High Net Worth Report 2021

<sup>7</sup> Source: Natixis Investment Managers 2020 Global Survey of Financial Professionals and 2019 Global Survey of Individual Investors

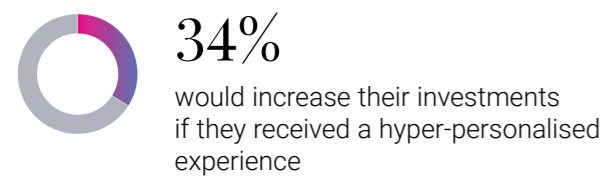
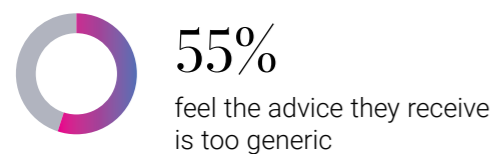


# Meeting evolving investor needs (continued)



## Personalised holistic service

With the digital evolution, consumer services are becoming increasingly personalized which is shaping the demands and expectations investors have from their advice service. Integral to a long-term relationship with an adviser is trust, which is built on an adviser's in-depth knowledge of their clients' needs. Trust is not limited to investment selection, but the method, frequency and delivery of communication tailored to the investor's preferences.



Managed accounts come into their own by allowing advice businesses to offer personalisation in a scalable way.

Whether it is the ability to customise the investment experience through substitutions and locks or an ESG screening filter, or by delivering a customised digital portal with detailed reporting tailored to the information needs of your client, managed accounts and the technology that drives them allow advisers to provide their clients with a personalised touch.

Platform technology advances in machine learning are also providing advisers with valuable insights to help personalise client engagement.



## Intergenerational wealth and the emerging HNW investor

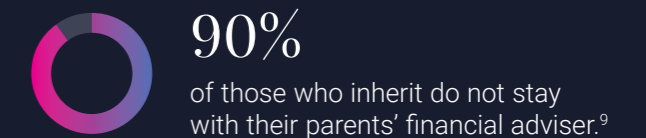
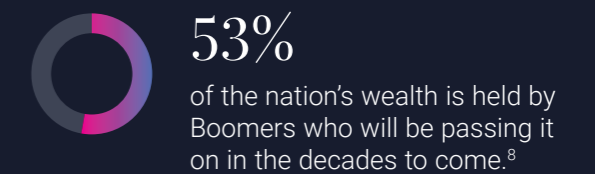
During 2021, 124,000 Australians became newly minted millionaires. This equates to a 50% increase in the last year, and with an average level of \$1.6m in investable assets, this investor segment is becoming an increasingly important one for the Australian advice industry.

Much of this group's wealth can be attributed to an inheritance, with 46% having received one and 17% expecting to receive one.

The *Emerging High Net Worth Investor* research paper we recently published identified that the needs and attitudes of this emerging segment differ slightly to the traditional HNW market and they are less likely to seek the services of the private wealth advisers and stockbrokers traditionally associated their wealthier counterparts.

With the largest wealth transfer in history already underway, \$3 trillion in wealth will be transferring from one generation to the next in Australia over the next decade.<sup>1</sup>

This continues to present an unprecedented opportunity for advisers to capture the next generation of clients who will likely be needing advice specific to their demographic and financial requirements.



<sup>8</sup> Source: McCrindle

<sup>9</sup> Source: The Emerging HNW Investor - an advice opportunity. Investment Trends HNW Research Report 2021



# Choosing a managed accounts platform partner

---

The next generation of platform technology includes simple and consolidated reporting of all investment assets, including custody and non-custody; broad investment choice with ease and flexibility to make changes; tailored solutions for every kind of investor; administrative accuracy and efficiency; and the benefit of platform scale in the form of competitive fees at all levels.

Understanding the differences between platforms and how they can assist in increasing profits, driving client engagement and minimising risk is imperative for planning practices. Platform selection shouldn't just be a financial transaction, but rather a strategic decision to find the right technology partner to support your business, potentially for the next decade and beyond.

There are several key factors to consider when choosing a platform to ensure it is right for your business. It's important to have a clear idea of what you want to achieve now and in the future, to have a defined value proposition and know how you want to engage with your clients. Knowing the service you want to offer informs your decision when selecting a platform to help you achieve these things.

**1. Strategic alignment.** Firstly, is the platform strategically aligned to how you want to run your business? For example, if the practice strategy is to increase the provision of managed accounts as an investment option, increase its share of high-net-worth investors or include non-custodial assets as part of its digital technology offering, then it makes sense to partner with a platform with this strategic capability.

**2. Scale.** Does the technology platform provider offer the scale you need for your business now and in the future? Is it innovative and will it continue to add new functionality that will allow you to improve your service to your clients?

**3. Clients.** Will the platform enable you to meet the needs of all or at least most of your clients? Will it provide you and your clients with a holistic view of their total wealth? Does it offer competitive product features and a wide investment choice. And importantly, does it allow your business to offer an innovative and professional looking digital service that will enhance your client engagement.

**4. Best interest.** In today's environment you want to ensure that the platform you are choosing for your clients meets your best interest duty. Price is important and the platform should be competitively priced, but it shouldn't be the only consideration. You want to ensure the platform can help you deliver what your clients are looking for.

**5. Growth.** You don't want your business to be limited by your platform's functionality, so ask questions. Does it offer a good breadth of functionality that allows you to deliver for your clients as your business grows and how scalable is it across your client base? Can the platform support a range of advice models, retention strategies and service agreements?

**6. Professional Support.** Finally, you want to ensure you have the right support to get the most out of the platform. What is the onboarding programme, account management and what ongoing training and documentation is offered?

# Overcoming the hurdles

---

Whilst advice firms are increasingly making the transition to managed accounts, there are still many who have yet to do so. The clear quantifiable benefits make adopting the solution seem an obvious choice, so how can you overcome the perceived hurdles?

Industry feedback suggests the number one challenge to adopting managed accounts is justifying the adviser's value-add for the fees charged. Other reasons included demonstrating client best interest duty has been met and the expectation of clients to be involved in investment selection.

A key part of making this transition is revisiting your advice model and having a clearly documented value proposition that you can articulate to your clients.

Consider all stakeholders involved, your employees and particularly your clients. Involve them from the start and keep them engaged and informed through the entire journey, considering their needs along the way.

Take the time to really understand your clients and what they value. In our experience, investors greatly value the time their adviser spends with them, discussing strategies for them to meet their wealth goals. They place much less value on the time advisers spend researching and analysing investments and writing ROAs. Creating a value proposition that is focused on client needs and how to solve them will allow you to easily articulate the value your advice service delivers for the fees charged.

Change can be daunting but having a robust plan in place with clear goals and milestones can facilitate a smoother transition.

The benefits to your business and your clients in making the transition can, however, be truly transformational. With increased business efficiency and more time to spend with clients and on your business, practices can benefit from enhanced levels of client satisfaction, improved retention and increased profitability that can drive success long into the future.

Praemium offers a wealth of webinars, podcasts and articles on how to manage the transition to managed accounts, making the process that much easier for you.

# Why Praemium for managed accounts

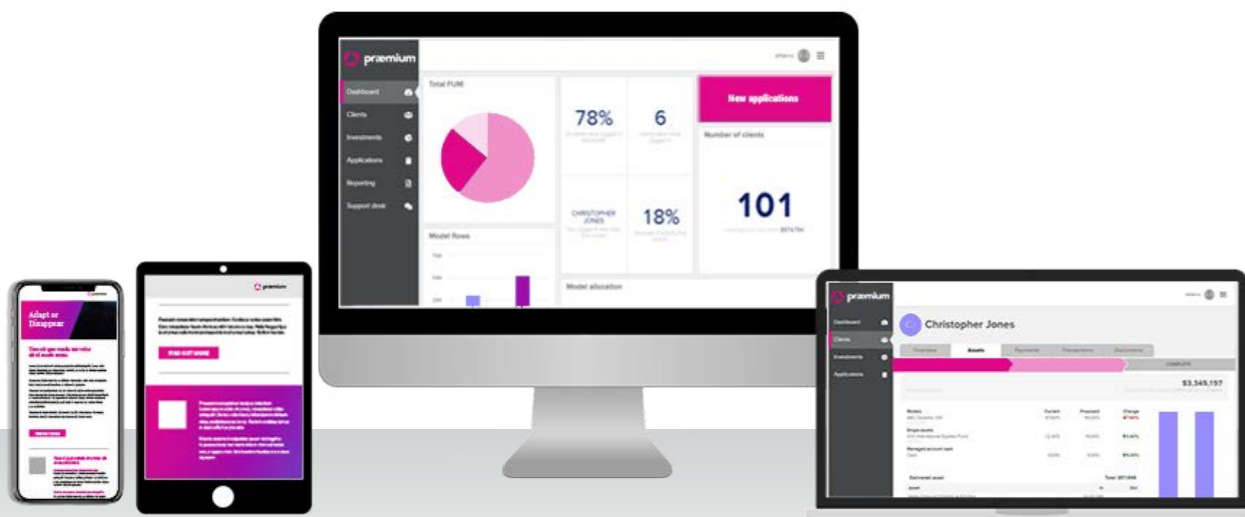
**Praemium offers a truly transformational investment platform that is flexible and agile enough to evolve with the changing dynamics of a financial advice business and help you to deliver a first-class service to your clients.**

Our managed accounts offering provides you with the broadest choice of professionally managed model portfolios in the market. You can choose from domestic and international securities, ETFs, XTBs and managed funds, and blend these with model portfolios to create your own tailored strategies.

The digital platform includes investor and adviser portals that provide rich insights into portfolio information and advice firm analytics across all managed accounts. In a world where investor expectations are changing rapidly, the portals are also important tools to underpin high-quality client engagement.

Another great benefit is that you can hold all your clients' portfolios on a single platform under a managed account structure, rather than needing multiple platforms to meet specific client needs.

We've been pioneering managed accounts for over 17 years and have refined and optimised our platform in collaboration with financial advisers. So we know a thing or two about managed accounts. Our Implementation Team will help you easily make the transition to managed accounts, with a comprehensive onboarding programme that is designed to help you get the most from the platform and make the transition seamless for your clients.



## Get in touch

Our team of managed account experts can help you make the transition to Managed Accounts and answer any of your questions. Give them a call today.

**T** 1800 702 488  
**E** support@praemium.com  
**W** praemium.com

Important Information: This document has been prepared by Praemium Australia Limited (ABN 92 117 611 784, AFS Licence No. 297956) for professional investors and financial advisers for general information purposes only. Praemium has not taken into consideration your personal circumstances or financial objectives and nothing in this document should be construed to be financial product advice. Please consider the relevant Product Disclosure Statement (PDS) and Target Market Determination (TMD) document before deciding whether to invest or continue to hold an interest in the Praemium SMA. The PDS and TMD are available at [www.praemium.com](http://www.praemium.com) or by calling 1800 571 881. Copyright © 2023 Praemium Australia Ltd. All rights reserved.

