For adviser use only

Making the switch to managed accounts

Managed accounts offer multiple benefits to your practice and your clients. Here's everything you need to know to start your managed accounts journey today.

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The past five years have seen a twofold increase in the proportion of advisers using managed accounts. As at 2021, 44% of advisers use managed accounts (up from 22% in 2016), with an additional 26% intending to start.[1] The growth is with good reason. Platforms have evolved to the point where they can administer a wider range of solutions, providing the all-important efficiency, flexibility, transparency and choice that advisers and their clients require to respond swiftly and decisively to a rapidly changing investment world.

At the same time, managed accounts provide advice businesses with the opportunity to build stronger relationships with their clients – ones where conversations about strategy take precedence over everyday administration.

In this white paper, **Making the switch to managed accounts**, we take a closer look at managed accounts, their significant advantages and how to transition your practice, providing valuable insights into:

- The benefits of managed accounts
- Readying your business for managed accounts
- How to choose your managed account provider

1 Investment Trends, February 2021, *Managed Accounts Report.*

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Section 1

Why it's time to use managed accounts

Why it's time to use managed accounts

Managed accounts have experienced significant growth over the past few years with nearly $100 billion funds under management.[2] Forty-four per cent of advisers are now using them, with an additional 26 per cent intending to use them within the next 12 months, according to research by Investment Trends.[3]

It's hardly surprising. Whereas 10 years ago, managed accounts were limited to a simple SMA structure solely for equities, today there are a wide range of solutions that are perfectly positioned to meet the changing demands of clients. Not only do they offer multi-asset portfolios, but they can also seamlessly incorporate a combination of managed funds and listed securities in their portfolios.

Meanwhile, advisers have a wide choice of underlying asset managers, which allows them to outsource day-to-day investment management to a manager who closely aligns to their existing investment philosophy. And for those with sufficient scale, there's the opportunity to partner with a consultant or asset manager to custom build a managed account solution for their practice and client base.

In addition, today's managed accounts help advisers cope with rising regulatory costs, driving efficiencies and providing them with the all-important time to deepen their client relationships and add value.

13 hours a week
The time advisers can save using managed accounts

2 As at 31 December 2020. Source: IMAP.

3 Investment Trends, February 2021, *Managed Accounts Report*.

3 ways clients benefit from managed accounts

1. Investments can be tailored to suit individual circumstances
2. Individual asset ownership provides tax benefits
3. Greater transparency over investment portfolio

In fact, research by Investment Trends shows managed accounts can save advisers 13 hours a week.[4] That's a lot of spare time to concentrate on your clients' goals – as well as your own.

A solution for the times

MLC Asset Management's Director of Managed Accounts, Jason Komadina, believes managed accounts will become the default way of implementing investment advice in the future. "While they won't be a matter of one-size-fits-all, they will be a dominant part of the way advice businesses are run," he says.

Their distinct advantages were brought home in 2020 when most advice businesses were rushing to meet their clients' needs in the face of a pandemic and considerable market volatility. It was particularly challenging if you were stuck with a traditional advice process, Komadina says. "Time was not on your side. You had to get the client in for a meeting, produce an SOA, have them approve it and place trades through the system. Best case that took four weeks," he points out.

Moreover, advisers were dealing with unprecedented demand. As Komadina says: "The next conundrum was, you've got 70 clients: who do you see first?"

Advisers who used managed accounts were in a far better position to implement their clients' decisions. They were also freer to have those critical strategic conversations with them. "2020 was a time where a lot of those advisers actually picked up business," Komadina says. "On the other hand, if you were in a minefield of dealing with incoming phone calls, that's where a lot of advice firms realised they needed to do it differently."

Advisers who used managed accounts were in a far better position to implement their clients' decisions.

4 Investment Trends, February 2020, *Managed Accounts Report.*

The benefits of managed accounts: What clients value the most

- **59%** Transparency
- **53%** Diversification
- **44%** Direct ownership of shares
- **42%** Cost-effective
- **41%** Access to professional managers

Source: Investment Trends, *2020 Managed Accounts Report.*

Top 5 reasons advisers recommend managed accounts

- **49%** Allows clients to see underlying shares in portfolio
- **46%** Level of fees/cost-effective
- **43%** Most effective way of implementing model portfolios
- **41%** Effective way of accessing professional funds management
- **41%** More free time to focus on other tasks

Source: Investment Trends, *2020 Managed Accounts Report.*

"Managed accounts allow us to use external expertise to manage a portfolio and focus on strategic and structural decision-making, while keeping client costs down."

Morgan Collins,
Senior Financial Adviser,
Lane Financial

Time is of the essence

One reason why managed accounts save your business so much time is because they can take a lot of the administrative work out of managing your clients' portfolios. With the portfolio manager responsible for making the investment decisions, and with rebalancing taken care of, you gain much more time to engage with your clients and build your practice.

This certainly benefited advice firm Lane Financial, which transferred to managed accounts a couple of years ago. "Managed accounts allow us to use external expertise to manage a portfolio and focus on strategic and structural decision-making, while keeping client costs down," says Senior Financial Adviser Morgan Collins.

Another firm to benefit is ID Accounting and Wealth Solutions, which focuses on providing strategic advice to pre-retirees and retirees. Director Paul Bourke confirms that the firm has enjoyed much greater productivity since introducing managed accounts. "We originally built the practice on in-house portfolio management, but we found ourselves spending too much time on portfolio management and not enough time on strategic advice."

Managed accounts changed all that. "That's where the real value lies," Bourke says.

Time saved by using managed accounts: 13 hours a week

Preparing SOAs	76 mins
Investment admin work	110 mins
Selecting/researching investments	112 mins
Preparing ROAs	101 mins
Generating and collating reports for client reviews	76 mins
Communicating portfolio changes to clients	84 mins
Following up clients for approvals	72 mins
Other compliance work	75 mins
Other activities	72 mins

Source: Investment Trends, *2020 Managed Accounts Report.*

The insight of experts

However, it's not just the additional time that enhances your client relationships. The ability to view the positions and performance of all underlying assets

in a managed account at a glance – combined with client-friendly reporting and insights – can also lead to more meaningful client conversations and relationships.

And, of course, there's also the fact you are handing over your clients' portfolio construction and asset allocation to an expert in the field.

"MLC Asset Management's team of investment experts actively manage the asset allocation within each portfolio, adjusting the portfolios in response to changing markets or when a new opportunity is identified, to balance risk and return in the portfolios," Komadina explains. "It brings with it a depth of resources and insights that an individual advice firm is unlikely to have on its own."

By bringing experts on board, you also reduce the inherent risks to your business. Within a managed account, your clients' investments are continuously monitored and adjusted. "It's much more straightforward than managing individual stocks and investments for clients yourself, reducing the compliance and administrative burden on your practice," Komadina says.

What managed accounts can mean for your clients

Another advantage of managed accounts is the undeniable benefits they offer to your clients. Here are just some of them.

Greater transparency: With managed accounts, clients get direct access to the underlying assets. This allows for increased transparency, for your clients but also your business.

ID Accounting and Wealth Solutions' Bourke received a lot of positive feedback when his business introduced managed accounts. "[In the past],

"It brings with it a depth of resources and insights that an individual advice firm is unlikely to have on its own."

Jason Komadina, Director, Managed Accounts, MLC Asset Management

Understanding the challenges

Of course, managed accounts are not without their limitations. As ID Accounting and Wealth Solutions Director Paul Bourke explains: "You're limited to the portfolio manager's direction, which is why having a solid relationship between the practice and the manager is so vital. You can have some influence, although this will be limited for smaller practices."

It can also be cost prohibitive to make changes with the manager, and rebalancing can also be frustrating at times, Bourke adds. "Some portfolio managers have blackout periods while rebalancing and this can cause issues for income and withdrawals. A lack of unitisation can make it difficult to track at times on a truly granular level."

Additionally, says Lane Financial Senior Financial Adviser Morgan Collins, advisers give up the investment mandate. "So you can't include any 'captain's picks'. Plus, if the manager makes a bad call, you're on the hook."

Nevertheless, these limitations are typically minor compared to managed accounts' benefits.

clients would often become frustrated trying to understand their portfolio, given they often held a mixture of asset classes across various platforms," he says.

Since transitioning to managed accounts, clients have enjoyed being able to watch the live asset allocation within their portfolios. "Clients log in to one platform and see how their assets are performing, giving them extra comfort and educating them on the investment process," Bourke says. "This in turn gives us a better relationship with clients."

Greater flexibility: Because clients own their assets when it comes to managed accounts, they retain a degree of freedom to tailor these assets to their circumstances – depending on the particular platform provider's functionality.

For example, they may be able to substitute out certain stocks and funds. This can help when it comes to meeting particular ESG requirements or when a director of a company is unable to buy more of their own stock. "Clients are not exposed to the behaviour of other investors in the same way as they would be if they were in a pooled investment like an industry fund," says Lane Financial's Collins.

Tax efficiency: Managed accounts don't generally expose investors to the same level of inherent tax consequences as traditional pooled, multi-asset investments. This is particularly so when a managed account includes direct listed securities, where the tax position of these investments is segregated from those of other investors.

This can provide flexibility around tax. Clients, for instance, may be able to forestall the realisation of a capital gain or loss until the new financial year.

Expert solutions: Clients appreciate advisers turning to experts in the field. "Using a professional portfolio management solution provides the client with confidence and, more importantly, allows the adviser to work on strategic financial planning, which is what ultimately provides greater outcomes for the client than simply relying on returns," Bourke says.

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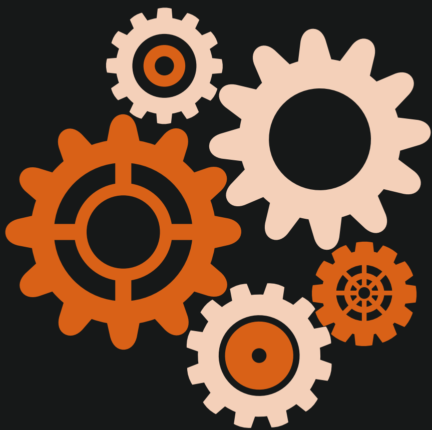

Section 2

How to ready your business for managed accounts

How to ready your business for managed accounts

Once you've decided to implement managed accounts, the next step is to work out how to transition your practice as smoothly as possible in order to maximise the benefits.

The implementation process involves more than simply selecting the right provider. It's also an opportunity to refine the practice's value proposition and align business processes behind it, as well as spearhead a better approach to client engagement and communication.

It's also critical that you don't forget your team. Building employees' awareness and managing their expectations (while also preparing them for any new skills they might require) are essential elements of setting up your managed accounts system.

Starting with your value proposition

If you truly wish to optimise your advice practice, you'll need to set some goals. The first step is to think through what the practice wants to achieve by implementing a change to its offer and process. Greater efficiencies, reduced investment leakage and the capacity to rapidly express investment ideas for clients are just some of the benefits managed accounts can deliver.

This will lead naturally to a re-assessment of the business's value proposition. This is what sets your business apart and should clearly articulate how the firm meets clients' needs. This process could involve considering how the business can support what really matters to clients. It requires an assessment of where the business wants to focus its and clients' time and how to achieve any changes. This will also help determine new partners with which the business should form new relationships.

ID Accounting and Wealth Solutions started using managed accounts five years ago. Bourke says that, across the industry, advisers are becoming more comfortable articulating their value proposition when they are not managing the portfolio directly.

If you truly wish to optimise your advice practice, you'll need to set some goals.

"The industry is seeing a significant shift in mindset and advisers are putting more emphasis on providing strategic advice to put clients in a better financial position, rather than focusing on the value-add of portfolio management," he says. "Portfolio management in itself is a huge task, and if you do not dedicate the time and resources to it then the question needs to be asked whether you are providing your clients with an appropriate solution."

Re-engineering your processes

As you transition to managed accounts, you should re-engineer business processes around the redefined client value proposition. This is because, for most firms, having some clients in managed accounts and some clients in non-discretionary portfolios will lead to inefficiencies.

As such, the practice may need to consider its administration partner and the platforms it uses, including whether it makes sense to use more than one platform. This deliberation means thinking through the value different platforms provide. During this part of the process, it's important to evaluate platform features, pricing, product range and the selection of assets available.

Bourke says the implementation process was relatively straightforward at ID Accounting and Wealth Solutions. "The beauty of running managed accounts is that the majority of them sit on a platform. They are re-balanced at a click of a button, reporting is streamlined and information is right there."

The business has internal spreadsheets to capture independent research on the underlying fund managers and monitors this data on a monthly basis. "We also independently monitor the monthly return numbers and reconcile with research to ensure accuracy."

During Lane Financial's switch to managed accounts, in a push to create greater efficiencies, the practice implemented three different client groups as part of the transition process. "When we communicate to clients, we talk to one of three portfolios, which allows us to very effectively communicate to every client in that portfolio," explains Collins.

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**Morgan Collins,
Senior Financial Adviser,
Lane Financial**

Taking clients on the journey

When you first introduce managed accounts into your practice, it's also important to take your clients on the journey.

You need to help manage their expectations by:

- Providing clarity around how the portfolio will be managed
- Explaining the investment manager's role in running the portfolio
- Showing them where to find information on their portfolio
- Preparing them for the higher level of communication and transparency that occurs with managed accounts

It's a good idea to find out what clients want to focus on when it comes to their interactions with you here. At the same time, it's essential to ensure they understand they will still have control, complete transparency of their account and insight into their portfolio.

In fact, some clients may be a little daunted by just how much information they are now privy to. After all, if they're used to seeing just two shares on a page, for instance, a jump to 25 might take them by surprise. As their adviser, you need to consider how you will prepare them for this new level of communication and transparency so they can become comfortable with it.

The initial process may take some time and effort if you want to build strong foundations. Bourke communicated the changes one-on-one to every single client. "I spent the best part of two hours with each client, walking them through the changes involved in switching to managed accounts and their benefits," he says.

The key was being honest and open, Bourke found. That involved explaining that his practice was expert in strategic advice, while managed accounts allowed his team to work with experts in portfolio management. He underlined the importance of the relationship. "We work very hard alongside our portfolio managers and meet them monthly to discuss portfolio updates, themes and challenges," he says. "It's all about working in clients' best interests."

Lane Financial took a similar approach. "We spent 18 months explaining to clients what we were doing and why, and the efficiencies involved and the fact it means less paperwork for them," Collins says.

"I spent the best part of two hours with each client, walking them through the changes involved in switching to managed accounts and their benefits."

Paul Bourke, Director, ID Accounting and Wealth Solutions

But he stresses the importance of delivering the right offer to the right client segment. “Some clients will still want more granular control over their portfolio. Others will be happy to be led through the transition to managed accounts by the practice. What’s important is to work out a model that works for the relationship. Managed accounts don’t need to be one-size-fits-all.”

Preparing your team

It’s not just the clients’ expectations that must be managed. Your team also needs to get on board as their roles necessarily evolve.

It’s essential to emphasise to the whole team why and how the new processes will help the business achieve its strategic objectives. This will form the basis of the internal communication program. Be sure to emphasise to employees that managed accounts are an opportunity for career growth.

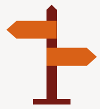
An essential part of the training process is ensuring staff understand and buy into the managed accounts investment philosophy. This includes understanding their role and the role partners such as investment managers play. It’s vital to make it clear to the team how managed accounts fit into the overall service to clients.

Bourke says it took time getting his team on board. “We spent months with the team, helping them to understand managed account structures. We had healthy debates and called in portfolio managers to assist us.”

Often, it takes a cultural shift, he says. “Issues will arise if the whole team is not 100 per cent behind the switch to managed accounts.”

During the transition process, transparency is key.
Make sure you explain:

The practice’s strengths and weaknesses under the old and new models



Where the business is now and where it’s headed

The steps that are required for the practice to reach its goals

The timeframe you hope to follow

Certainly, this was the case for Bourke’s team. “The transition was much easier once the team was able to collectively recognise the benefits and efficiencies and, more importantly, realise managed accounts mean a better service offering for the client,” he says.

The process has been ongoing. “We now have multiple structured team meetings booked in the diary to discuss managed accounts, research updates, returns, risks and changes.”

A new advice process

When you introduce managed accounts, it’s likely you will need to re-engineer the advice process. The annual review is a good example. In the traditional structure, 50 minutes of the allotted hour spent with the client is taken up going over the performance of the portfolio, asset performance, what’s worked and why.

The client and adviser will dutifully and somewhat laboriously work through all

Shifting to managed accounts is about refocusing the client discussion so 50 minutes is spent on goals and only five to 10 minutes is spent on the portfolio.

that data. Some clients will value this. Others will go through the process because they think that's what the advice experience is, not because they are hugely invested in it. Only five minutes is spent talking about the client's short-term and long-term goals.

Shifting to managed accounts is about refocusing that discussion so 50 minutes is spent on goals and only five to 10 minutes is spent on the portfolio. Importantly, this is not about having a less detailed conversation. It's about talking through the thinking behind the portfolio and its ability to help clients reach their goals, as opposed to justifying each decision about the portfolio for which client approval is required.

Practices will also need to redesign their client contact and client care program. Let's say you produce an SOA for a client once a year, including annual rebalancing. This is an extremely time-consuming process for paraplanners.

Implementing managed accounts substantially reduces paraplanners' workload around this. No longer are they required to collect data about clients' investments from multiple sources such as fund managers and asset consultants. Instead, advisers' time switches to be much more goal-focused, tracking how the goals are being met as opposed to concentrating on individual assets. Instead of spending most of their time on admin, paraplanners can concentrate on engaging with the managed account provider, who will be able to deliver all the information the client needs about the portfolio and how it's positioned in light of their view of markets.

When it comes to ongoing client communication, advisers will need to decide where to source and store information and research. This allows the business to retool the paraplanning and operations team so it can produce more content and better engage with clients, instead of producing incessant SOAs and completing and administering endless trades on behalf of a client. The efficiencies saved and time gained can be reinvested into better client experiences, which helps build longer-lasting relationships. Better relationships also assist in generating new business because clients are happy to refer others to the practice.

Advisers' time switches to be much more goal-focused, tracking how the goals are being met as opposed to concentrating on individual assets.

What do advisers do with the time they save?

^ Includes 'new client acquisition', 'professional development' and 'developing my client value proposition'.

Source: Investment Trends, *2020 Managed Accounts Report.*

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Section 3

How to select the right managed accounts partner for your practice

How to select the right managed accounts partner for your practice

Once you've decided to go ahead with managed accounts, you need to think about the provider you want to partner with. It will be one of the most important decisions your business will ever make.

It's vital to choose a partner that can support your firm through good times and bad – such as the severe market dislocation we saw in early 2020. It's also important to choose a provider that can be a long-term strategic partner for your business.

Partner is the key word here. There's a huge disparity between a managed accounts provider that simply delivers a service and one that partners with a practice to produce genuine business benefits. Ultimately, you may want a managed accounts solution that's much more than just a service provider. Then again, some advisers would prefer a provider that offers an off-the-shelf solution only. Either is possible. It's a matter of knowing what's right for your firm.

Know your providers well

The difference between achieving a good and a great managed accounts outcome comes down to the due diligence you do on your managed account providers – whether that's your platform providers, your investment manager or your consultant.

Bourke spent months researching managed accounts providers before deciding which to partner with. "We used three different research houses and took time understanding the platforms in which they reside because this impacts the client experience. This also allowed us to get a clear picture of costs and service delivery."

The process was so thorough, Bourke's team built a compliance program around its independent research to benchmark the performance and management style of the portfolios, so it had confidence rolling them out to its client base.

For Collins, what's important is a provider that makes the right investment calls at the right times and demonstrates confidence in their process. "Look for a managed

Ultimately, you may want a managed accounts solution that's much more than just a service provider.

account partner with synergies to your existing processes and strategies, and who feels like an extension of your business," he says.

Money matters

It's a good idea to consider fee structures when choosing your managed accounts portfolio and platform provider. This can get complicated, but essentially it comes down to three cost centres.

1 The administration platform: Ongoing admin fees and platform level transaction costs. Advisers should be aware some platforms will have a nuanced fee structure around managed accounts that is different to their broader wrap.

2 The investment manager: The investment manager for the underlying manager account will levy a fee that should cover their portfolio management IP (asset allocation and security selection), implementation, reporting and regular communications.

3 Underlying investments: This will depend on the type of investments that form the managed account. For instance, there will be a different fee structure for managed accounts largely comprised of ETF or index funds versus those made up of direct securities or managed funds. Some managed account portfolio providers may be able to use their scale and relationships to secure discounts on the cost of the underlying investments.

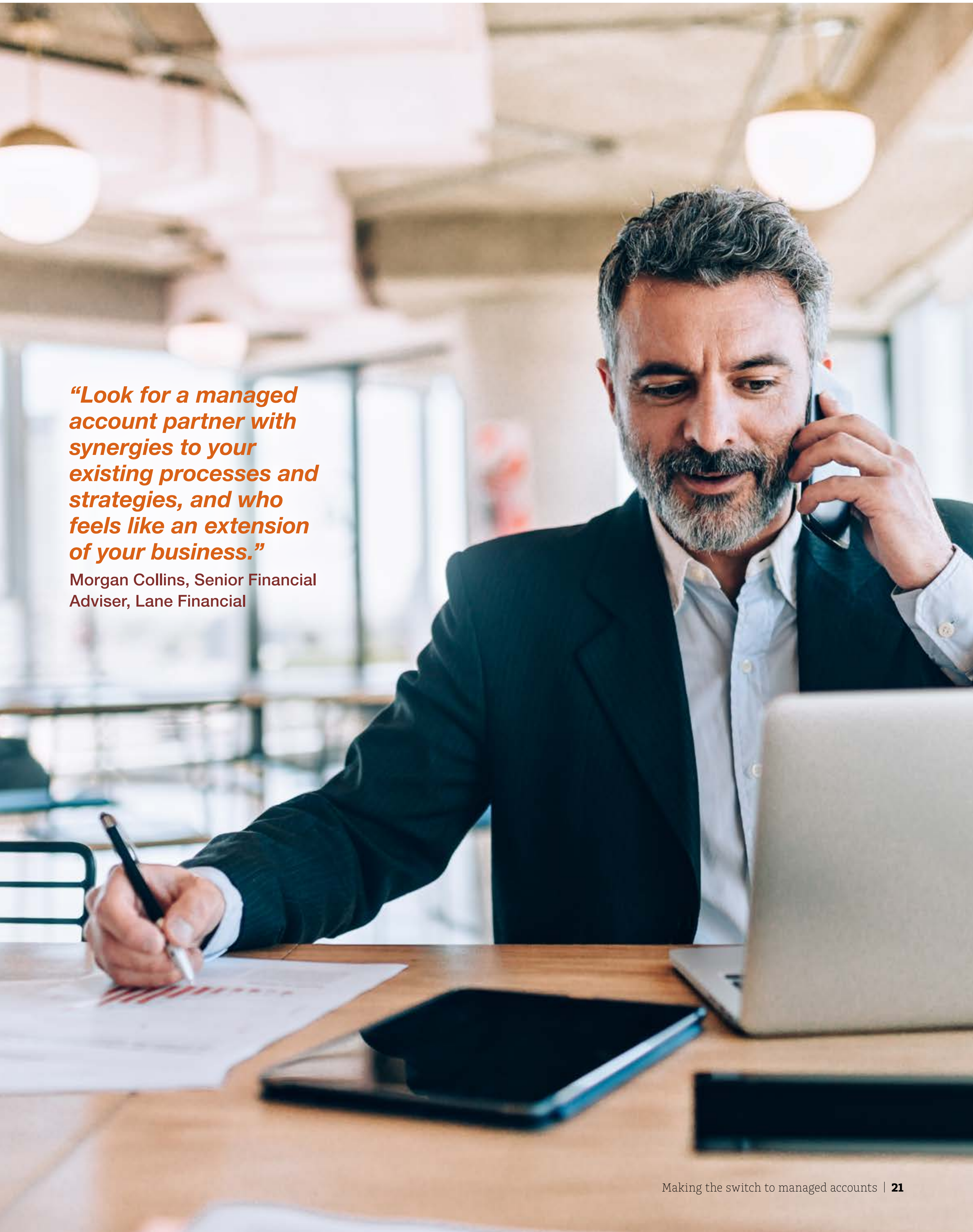
Doing your due diligence

Putting aside those firms operating their own investment program, at the end of the day, selecting a managed account solution also means selecting an investment manager or consultant who will have the ultimate responsibility for portfolio management.

In the first instance, therefore, you need to undertake the same due diligence process you would otherwise apply to selecting any multi-asset fund or model. However, successful delivery of a managed account investment program requires additional experience and capabilities from your manager and you will need to ensure your preferred investment manager or consultant has these as well.

While not exhaustive, ask the following additional questions of your shortlisted investment managers or consultants:

- What's your history in running both multi-asset portfolios and managed accounts? (Would this stack up if it were a managed fund?)
- How do your investment capabilities translate to managed accounts? (Consider issues such as whether any components are watered down, differences in the review cycle, the timeliness of investment decisions and the consistency across all managed accounts they may be operating. That is: What's on the tin vs in the tin?)
- What investment resources and personnel do you have available? Who are they and are they primarily or solely dedicated to their managed account solution? (Who's actually managing my clients' money?)
- What are your capabilities in supporting my practice in critical operational and service areas such as regular reporting and insights, transaction commentary, client-focused communications and advice documentation? (Does the service level exceed that of a non-managed account investment?)



"Look for a managed account partner with synergies to your existing processes and strategies, and who feels like an extension of your business."

Morgan Collins, Senior Financial Adviser, Lane Financial

While you want to keep an eye on your costs, you will need to consider your clients' needs. Depending on your business value proposition, it may be that your client base suits low-cost investments, or a more active – but costlier – approach.

It's also essential to factor in service levels. Again, the level of service your managed accounts partner delivers needs to be fit-for-purpose for your firm's clients and your value proposition. You should also take into account how your practice will need to retool as it introduces managed accounts, as well as the ongoing collateral your partner will deliver.

Fees also need to cover your partner's intellectual property, the access it can provide to unique investment opportunities, and its scale. In addition, any negotiation the managed accounts portfolio provider undertakes with the investment manager should be included.

Bourke and his team say while it's important to consider fees when choosing a managed accounts provider, that's not the only factor they considered.

"Proper management of the clients' funds and strategic asset allocation is as important as portfolio fees," he says. "The outcome outweighs the fee debate. I believe some advisers and clients focus too much on the fees portfolio managers charge as opposed to the investment or portfolio management style. Cheap does not always mean good, especially during extreme volatility as we saw in 2020."

He encourages advisers to do their own research on the underlying manager's management expense ratio (MER) or indirect cost ratio (ICR), to check how they align with the industry average. "Many managed accounts will be able to offer a reduced fee structure, depending on their size and the size of the advice practice," Bourke says.

"Cheap does not always mean good, especially during extreme volatility."

Paul Bourke, Director, ID Accounting and Wealth Solutions

Other critical considerations

It's important to identify a managed account provider that works with your preferred platform to support the kind of experience you want to offer to your clients. Efficient transaction timeframes, how they transact, reporting capabilities and the ability to tailor certain features – for instance, stock substitution in model portfolios – are key.

When it comes to investment processes and strategies, a well-defined investment philosophy is absolutely critical. You need to know what your managed account portfolio provider stands for and how it realises this vision. Most importantly, its investment philosophy must line up with your practice's philosophy. Otherwise, there will be a clash of cultures.

Being able to provide evidence will help when explaining the managed account provider's offer to your clients and what they should expect from moving to managed accounts. When it comes to investments, the manager should be able to provide detailed, quantitative analysis of its portfolio construction. This is in addition to evidence the portfolio is consistent with its style and philosophy.

3 questions to ask yourself about a potential partner

1. Does the managed account provider and the platforms it accesses support the experience I want to offer clients?
2. Does the provider offer detailed, quantitative analysis of its portfolio construction?
3. Do I truly understand the style and philosophy of the provider?

Understanding what your managed accounts provider stands for is essential, as it's the only way to measure its performance.

Only when you understand its style can you appreciate whether it is delivering on its promises through market cycles. You must be able to review if it makes decisions in the way you expect it to, meets your expectations in terms of communication and insights, and supports your business growth. It must work with you as a partner, which is as important as the way it invests the accounts. All these elements, not just the portfolio, build the client proposition.

Collins suggests looking for a provider that delivers individual holding level transparency and a way to manage the cash account (for instance, re-investment and auto-sell features), as well as good reporting and easy access to documentation through the platform, including access to manager comments.

You need to know what your managed account portfolio provider stands for and how it realises this vision.

"Find synergies with your processes and strategies," he advises. "That way, the provider will act like an extension of your business. You don't want to introduce managed accounts for efficiency only to get bogged down explaining to clients asset allocation differences from targets, and why it's all a bit different from what they're used to. Unless it's a positive change of course."

Bourke agrees platform features are highly important when selecting a managed account provider. "Just because a platform holds a managed account doesn't mean it can always deliver," he says. "We found, early on, some platforms did not have the capacity to pay income or lump sums while the managed account is being rebalanced. This is not always the case with all platforms but something to keep in mind when doing your research."

Bourke also views a managed account provider's investment philosophy as critical.

"Establish which investment philosophy is important for your practice. Our client base is predominately made up of pre-retirees and retirees. We have sought management styles that aim to provide less volatility and more consistent returns through strategic and fluid asset allocation.

"We know of some practices that adopt a more passive investment approach and prefer to index their client portfolios. Whichever approach works best for you is something for the practice to determine."

Ticking all the boxes

You also want your managed accounts provider to have a clearly defined process for managing conflicts of interest. Find out how staff are incentivised and ensure they are aligned to clients' interests. At the end of the day, the managed accounts provider should only win when clients win.

Furthermore, you need to have a clear understanding about how your platform provider keeps your clients' money safe. Find out about the credentials of the custodian holding the assets.

Bourke says, when it comes to performance measurement, he conducts peer research through independent groups to compare how his managed account provider stacks up against others in the same or similar portfolio space and management style.

"Many managed account providers will also provide peer comparison, which is great," he says. "We like to ensure we reconcile this with our own research to ensure all information provided is accurate and reflects the objective of the client." When it comes to risk, Bourke's business relies on external research conducted by three different providers each month.

At the end of the day, the managed accounts provider should only win when clients win.

Conclusion

Realising the benefits of managed accounts

Realising the benefits of managed accounts

There's no doubt managed accounts can be advantageous to your clients and your business. However, realising the benefits takes a transformative mindset. As you go about introducing managed accounts into your practice, you'll need to keep your mind open to new opportunities and ways of doing business. By revisiting your business value proposition and processes, you can ensure you create an ultra-efficient business structure that produces higher profits and, critically, a more engaged practice and client cohort.

This necessarily takes thorough preparation and a step-by-step approach.

1 Defining your value proposition
First, you need to think through the value your business delivers customers – the needs it meets or the problems it solves. Then it's important to connect this value to your service offering.

2 Re-engineering your processes
Next, you'll want to make sure your business processes are fit for purpose. This includes ensuring your staff are well prepared as you look to transition your client base to managed accounts. As well as rethinking your administrative needs, you can consider the new partners you'll need – including any new platforms and investment managers. It will be important to assess a number of different options, weighing up which provides the best value and cultural fit.

3 Bringing clients along on the journey
As well as your staff, you'll want to ensure your clients are well prepared for the change. You'll need to make them aware of the benefits they stand to gain, including the degree of transparency they'll enjoy compared to something like a managed fund, plus the high level of expertise and greater room for strategic conversations managed accounts will bring.

4 Taking a new approach to client service
A more engaged client can mean a better, two-way flow of communication. This, in turn, means you might want to rethink your communication processes. Some clients will have more questions about how their assets are managed, which means advisers need to allocate more time to them. Fortunately, that's possible because your time has been freed up due to the fact that individual trades are now the domain of your investment manager and SOAs are a thing of the past.

The end game

The process of introducing managed accounts is a journey. Done well, it can lead to greater administrative efficiencies and better client relationships and engagement. Ultimately, your practice will be in a better position to win business while supporting greater outcomes for you, your staff and your clients.

A more engaged client can mean a better, two-way flow of communication.

For more information, call MLC Asset Management from anywhere in Australia on **1300 738 355**, visit **mlcam.com.au** or contact your MLC representative.