

PLATFORM LOYALTY

Wouter Klijn

There was a time when wrap accounts were obscure products used by sophisticated institutional investors and the super rich. But these days, 80 per cent of retail investment money in Australia enters the market through platforms.

This evolution is reflected in the number of platforms dealer groups add or remove from their portfolios. According to the *IFA Dealer Group Survey*, around 50 platforms were added or removed by dealer groups in the first six months of 2008.

The platform that was added by the most dealer groups was Aviva's Navigator, with five groups taking it on board. Asgard Elements, on the other hand, was the platform most often removed, with four groups cutting it from their portfolios.

However, taking a closer look at the data, it does not mean these two were the most and least popular platforms. Navigator also made the top three of the most removed platforms, while Asgard Elements also formed a popular addition, with three dealer groups indicating they had added it.

Dealer groups owned by banks and institutions generally have their own in-house platform and are loyal to that system, but independent dealer groups have different reasons to add or remove platforms.

An often-cited reason for dealer groups to support new platforms is that new financial advisers have joined the group.

"As a dealer group, we do not mandate the platform or the financial products our advisers use. Therefore, we have traditionally approved the use of a range of platforms," My Adviser managing director Michael Summers says.

My Adviser, which has 82 financial planners, has a preferred platform, which is a badged version of BT Wrap. But Summers says it does not always make sense to transfer clients from other platforms.

"We have structured [BT Wrap] to be up to 40 per cent cheaper than its competitors, and it is in our clients' interest to be in it. But we don't necessarily transfer them, because that might have capital gains implications," he says.

From a dealer group perspective the choice for a preferred platform is inspired by

efficiencies that can be achieved.

"In the non-corporate super area you have to get efficiencies and in order to get those efficiencies you tend to gravitate towards a small portfolio of platforms that you're comfortable with," Snowball Group chief executive Tony McDonald says.

"Let's be honest, a platform is a platform is a platform to a certain extent, and so you can run a small portfolio of platforms and meet your clients' needs."

In order to optimise efficiency, it is in the dealer group's interest to build relationships with platform providers that are most used by their advisers.

"The way we structure our platforms is we have tier 1, tier 2 and tier 3 relationships," Aon Financial Planning and Protection managing director Pierre Kraft says.

"The tier-1 relationship is very much with the bulk of our inflows."

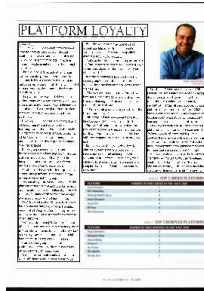
This group includes Axa Generations, ING's OneAnswer and Aon's own master trust.

The tier-2 relationships are with platform providers that many advisers in the group use, but that do not have a longstanding relationship with the company, while tier 3 is basically the rest.

But financial advisers, who deal directly with the systems and the products on it, have a much more outspoken preference for a particular platform. Subsequently, their decisions to change platform are much more complex, Investment Trends analyst Andrew Knox says.

Investment Trends runs a survey of 1200 financial advisers asking them about more than 400 criteria on which advisers base their choice of platform. According to the research, 30 per cent of financial planners stopped using a platform in the 12 months to August 2008, an increase compared to the 12-month period to October 2007, when 25 per cent indicated they had stopped using at least one platform.

Knox says financial advisers often changed platforms as they became more experienced. "When financial planners build up their practice, they often use a simple platform that caters for basic investment needs. But as funds under management grow, planners often look for more sophisticated solutions," he says.



He also says the role of financial planners has changed over the years, and this has altered what they look for in a system. "Financial advisers, these days, advise across a much larger spectrum of financial demands," he says. □



TONY MCDONALD:
efficiencies

TABLE 6: TOP 3 ADDED PLATFORMS

PLATFORM	NUMBER OF TIMES ADDED IN FIRST HALF 2008
Aviva Navigator	5
MLC MasterKey	4
Perpetual Wealth Focus	4
Asgard Elements	4
Asgard MT	4
BT Wrap	4
ING OneAnswer	3

TABLE 7: TOP 3 REMOVED PLATFORMS

PLATFORM	NUMBER OF TIMES REMOVED IN FIRST HALF 2008
Asgard Elements	4
Macquarie Wrap	3
Asgard eWrap	3
Navigator	3
Axa Access	3
ING OptiMix	3
Skandia One	2