

Remuneration reality

Australia's financial planners, on average, receive 56% of their income from upfront and trailing commissions, according to the 2009 Planner Business Model Report, published this week by researcher Investment Trends.

The report, based on a survey which included 1400 financial planners, underlines the impact on the financial planning industry of the federal Government's proposal to bar advisers from charging commissions to retail investors. This proposed bar, to take effect from July 1, 2012, covers investment products including managed funds, superannuation and margin loans.

Further, as discussed in the previous Smart Investing column, the Government plans to introduce, from the same date, a statutory fiduciary duty requiring advisers to act in the best interests of their clients, and to place the best interests of their clients ahead of their own.

In releasing the 2009 Planner Business Model Report, Investment Trends principal Mark Johnston observes: "Asset-based fee for service has been the fast growing area [of financial planner remuneration] over the last few years.

"The proportion of planner revenue coming from fixed rate or hourly rate arrangements has only crept upwards since 2006," he adds, "while the proportion from asset-based-fee-for-service models has risen by more than 60% over this time."

Investment Trends found that the use of asset-based fees for service was skewed towards planners with high funds under management (FUM). Planners with FUM of more than \$40 million received an average of 35% of their income from asset-based fees. This compared with an average of 17% among planners with FUM of under \$10 million.

The Government proposes to bar asset-based fees on geared products and geared investment amounts.

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