

Advice 'opt in' reforms to dictate platform choice

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A yet-to-be-published report obtained by *Financial Standard* reveals that two in five planners will consider switching to a platform that can help them better administer the government's proposed 'opt in' reforms.

Researcher Investment Trends will release its annual 'Planner Business Model Report' next month, revealing details on who among financial advisers are just digesting the key elements of the Future of Financial Advice (FoFA) reforms and those that are already taking action.

Among their key findings is that the market share of platforms will be determined not by which group can offer the best channel to transition from commission-based to a fee-for-service model.

Instead, nearly 40 per cent of financial advisers surveyed said they will lean towards using a platform group that can help them better administer the predicted 'opt-in' arrangements, where clients must opt in to pay for advice annually, instead of the current rule where the default is that clients have to opt out.

They will also look favourably towards platforms that can provide more access to lower cost products and charge lower platform fees.

"All in all we expect an elevated level of churn between platforms over the next few years," said Mark Johnston, principal of the research firm.

Michael Heine, managing director of netwealth, said 50 per cent of their new business comes from advisers switching from other platforms and they've managed to do this through a new private wealth pricing structure, family fees and same pricing for more services.

"A hundred per cent of our clients are cost-conscious, and so they should be," he said.

The incumbents aren't standing still. Macquarie Wrap, BT Wrap and AXA have all improved their platforms in the past 12 months either through broadening product choice or through major technology upgrades.

As for advisers looking for help in opt-in arrangements, Heine said it is something they can set up, should the FoFA reforms become law.

"One of the functions of a platform for a long time is to collect adviser fees. I see the opt-in function as not dissimilar to that - it's just part of the admin process."

Ruth Liew

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