



Bespoke banking: making the most of private banking

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It's said you need \$50 million just to say hello to a private banker in Geneva or New York but Australia's much younger private-banking services are rolling out the red carpet for customers with much less cash.

Here, if you have at least \$1 million in "footings" - assets not including the family home that you can invest or borrow against - the big domestic banks and some of the specialist operators among the investment banks will be happy to at least have a chat about what they can do for you.

Private banking - where a dedicated banker caters to your financial and investment needs - is "an attractive and growing" market, says Jane Watts, who in December left Macquarie Bank to become the general manager of Westpac Private Bank.

As of 2010, there were 207,500 high-net-wealth individuals - defined as people with more than \$1 million in investable assets - in Australia and the number has been growing at 8.5 per cent year-on-year since 2003, Watts says.

Money did the sums and in 2011 that would translate into a new millionaire every half hour.

That's partly the result of the wave of postwar baby boomers reaching the stage of life - global financial crises permitting - where they've accumulated a lifetime's wealth. They may be cashed up from selling a business ahead of retiring or they may have profited over the years from lofty property prices.

Of course, you don't have to be a baby boomer to be "privately banked", as it is termed.

Younger people are making money too, as small-business entrepreneurs, well-paid executives or as they start to inherit wealth.

There's also a lot of new money in places such as Western Australia and Queensland, where the commodities boom has created millionaires (and a few billionaires, too).

WHAT IS PRIVATE BANKING?

There's a bit of a debate about how you define private banking and in some ways that's because private banking is supposed to be tailored to the individual. What it is depends on how much you have and what you want to do with it.

You won't find a published list of specific services, products or discounts. Instead, private bankers talk about providing "bespoke", "holistic" and "integrated" services.

In New York that can extend to walking the dog for an ultra-wealthy client, though that sort of "concierge" service isn't common here.

In Australia, international operators such as Credit Suisse focus on wealth management, tapping into a history of private banking as a service for the leading families of Europe that goes back generations.

For the big four banks, comparatively recent entrants, it's more about combining their banking capabilities with more-recent expertise in wealth management, wrapping that up with platinum-level personal service.

You might get preferred access to investment opportunities such as share floats or bond issues, help with insurance and estate planning, access to superannuation specialists and general financial advice. You might want fast loan approvals.

You'll have a central point of contact - most likely with a "relationship manager" - plus a team of people around them that includes a financial adviser. In theory, your manager will always be available.

Adrian Hondros, the executive general manager of Commonwealth Private (which looks for \$2.5 million in footings and an annual income of \$250,000) says private banking is about three things: service, advice and opportunities.

It's deeper and broader than the service you'll receive from a lone financial planner and your relationship manager won't be dealing with hundreds of customers as a bank branch manager might.

That said, a principal in PricewaterhouseCoopers' wealth-management practice, Anthony James, says a number of financial planners in Australia offer similarly sophisticated services, dealing with only a small clientele of high-net-worth individuals. "They can't be forgotten," he says.

WHAT DOES IT COST?

Having come with at least \$1 million in investable assets - perhaps \$2 million, \$10 million or even \$50 million if you've knocked on the door of a "boutique" operator - you're already a pretty lucrative client, so you may or may not have to pay a separate fee for the privilege of having a private banker.

Commonwealth Private and Westpac Private Bank (\$1 million minimum and \$400,000 in earnings) don't charge a specific private-banking fee, for instance, while ANZ Private Bank (\$1 million threshold) levies \$1200 a year and NAB Private Wealth (also \$1 million) \$750.

But the comparison isn't a straightforward one, as you will still need to consider the other fees that will be charged.

You'll pay for financial advice, just as you would elsewhere, for instance.

The private banks of the big four charge a straight fee, while other operators extract a percentage of the funds you have under management.

If you have \$5 million under management, a 1 percentage point cut comes to \$50,000 a year.

Bear in mind that the banks levying a specific fee may waive other charges. ANZ's private-banking fee, for instance, covers credit card and account fees and access to online broker E*Trade.

Ultimately, it's not about discounts - if you have enough money you'll get those anyway, inside or outside a private bank - but about the level of service.

A sceptic might wonder whether private-banking services are just another way to extract fees by pushing products and services but Watts says high-net-worth individuals are pretty savvy and "they wouldn't tolerate product flogging".

WHO DOES IT SUIT?

Having \$1 million burning a hole in your pocket doesn't automatically mean private banking is for you.

The managing director of ANZ Private Bank, Catherine McDowell, refers to private bankers as being "servants" to people with complicated lives and complex financial needs. At ANZ, if you don't want such a close or deep relationship, there's a separate service for affluent clients - outside the private bank - that focuses more on the transaction side of banking.

The people it does suit are those who don't have the confidence or expertise to manage their money on their own and those who may be financially capable but "time-poor" - medical specialists are a big segment, for instance.

Some people may have complicated needs, such as how to divide their business wealth when the time comes to pass it on, or set up a philanthropic trust.

A principal analyst with the banking industry researcher East & Partners, Paul Dowling, says the value you'll get out of private banking depends on whether you're ultra-high-net-worth or just plain wealthy, as well as on how "active" you are: "The more transactions you're involved with, the richer you are to the bank."

At \$1 million in assets you may be getting only a "veneer" of private banking, he says.

THE RIGHT MATCH

Private banking is such a personal relationship that industry observers say shopping around isn't so much about price - everything's negotiable in the world of private banking - but about finding the right match.

Alan Shields of the Private Banking Council suggests sitting down with the person who may become your relationship manager to see if your ideas and personalities click.

The executive general manager of NAB Private Wealth, Angela Mentis, says a lot of work goes into matching the sophistication and needs of a potential client with the skills and "emotional intelligence" of the prospective relationship manager.

"That first meeting is very important," she says.

Awards and customer-satisfaction surveys may also provide clues. In *Euromoney's* Private Banking Survey for 2011, Credit Suisse was named best private banking service in Australia overall, followed by Commonwealth and NAB, then Westpac and Macquarie. Commonwealth Private took many subsidiary awards. Credit Suisse was also the worldwide winner.

In the 2011 Private Banking Council awards, Commonwealth Private won the \$1 million to \$10 million client category, ANZ Private the \$10 million to \$30 million category and Macquarie the \$30 million-plus category.

The principal of researcher CoreData, Andrew Inwood, says the customers of Westpac and Commonwealth Private are the most satisfied in its surveys but even then they only score 6 out of 10. "No one's ripping it up," he says.

Hey, big spenders

It's said that investor sentiment among the rich is a "lead indicator" - where they go now others will follow in six months' time. So where are Australia's wealthiest people putting their money?

Well, until late last year, they still had a big wad of it in cash after heading for safety during the global financial crisis. One survey of high-net-worth individuals (HNWIs) found that, as of last year, half still thought cash the best place to be, up from just 12 per cent before the global financial crisis.

However, researchers are saying that they are seeing signs that HNWIs are prepared to head back into the sharemarket.

CoreData says its Investor Sentiment survey for the March quarter found that, overall, respondents expected the economy to slow in the June quarter and business conditions to deteriorate.

HNWIs in the survey, though, predicted the opposite. "Could the tides finally be turning?" the researcher asks.

Investment Trends has also seen a move back to shares. Its survey late last year of 2000 wealthy individuals found that during the course of 2010, the proportion of assets held in residential investment property shrank from 25 per cent to 21 per cent, with that move mirrored by a rise in direct share investments from 28 per cent to 32 per cent.

When asked about their ideal asset allocation, high-net-wealth investors said on average that 40 per cent of their wealth should be in direct shares, says the chief operating officer of Investment Trends, Tim Cobb. "We tend to think wealthier investors are more savvy," he says. "The big question is whether their decision to switch from property will be followed by mum-and-dad investors."

Hands-on help with property portfolios

It was about the time she sold her first business that Emma Isaacs (pictured) started using private banking services.

"I was looking for a much more hands-on and close relationship with a banker," says Isaacs, now chief executive of Business Chicks, a national membership network for women in business.

"It was very much about personal investment services. I have a reasonable-size property portfolio. I like to move very quickly and my banker needs to move quickly to have deals approved. It's been really good to have someone right there for you. They look after both your business and personal needs, everything from mortgages through to credit cards, high-interest accounts and lines of credit."

But it hasn't been all plain sailing. Isaacs says her first private banking relationship wasn't entirely successful as it didn't deliver on promised networking opportunities, nor did she experience the level of service where, say, a loan could be approved on a Saturday night. That was despite her first bank charging an annual fee for private banking.

Her current bank doesn't charge a service fee and Isaacs has found it more interested in her investment goals and her business.

She feels her first experience was a result of just not getting the right person. "If you feel like you're only one of 2000 clients, then you may as well just go to the local branch and form a relationship with the manager there," she says.

Is private banking just another chance to push bank products?

Isaacs says her bankers have suggested things over the years "but they haven't been pushed by any measure - they'll certainly bring them up but I know it's up to me".

High-flyer relies on private banker

An author and speaker on business etiquette, Patsy Rowe (pictured), says she's happy to concentrate on what she does best and leave the finances to her private banker.

"I'm time-poor; I work six days a week, usually," says Rowe, whose speaking commitments take her around Australia and overseas.

"They've been able to project-manage my finances on my behalf. They've taken the burden off my shoulders so I can concentrate on doing the things I like doing and the things I'm good at."

Rowe says her private banker and financial planner will drive an hour from their office in Brisbane to her home in Sanctuary Cove to discuss her affairs. Banker Elizabeth Fox, of Westpac Private Bank, also accompanies Rowe to investment seminars, whether they're hosted by Westpac or not.

In addition, the bank has provided introductions to other clients who might want a speaker on business etiquette. "That's gold," Rowe says of the networking.

"I can't overemphasise the depth of the relationship. They want an enduring relationship with you. They're not in it for the quick sell of a product."

Key points

- You'll need at least \$1 million in assets outside the family home to access private banking.
- Private banking provides close-contact, personalised banking and wealth management.
- It's not necessarily about discounts; if you have enough money, you get those anyway.
- It suits people who need their hand held or who are time-poor.
- It's said that those who are less wealthy may only be getting a "vener" of private banking.

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