

Advisers hampered by conflicted platforms

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By Alison Bevege | In Financial Planning

Advisers signed up on big institutional platforms are compromising their first duty to their client, independent advisers have said.

Out of 26 leading master trust and wrap platforms studied by research firm Investment Trends for its 2010 Investment Trends Platform Report, only three were totally independent in not owning a distribution network of planners at the same time as being product providers.

Those three were HUB24, OneVue and netwealth.

The others were all owned by product providers such as MLC and NAB Wealth (National Australia Bank), AXA/AMP, Colonial First State or BT Financial Group (Westpac).

Connie McKeage, chief executive of OneVue, said the big institutionals spent a lot of money on advertising, public relations and political lobbying which could make it tough for newcomers to compete.

"Distribution networks drive people into products," she said.

"That's why platforms buy financial advisers."

"But it's not putting customers first, it's putting product first."

By contrast, independent platforms must offer the best-of-breed of all products on the market and compete on merit in the hope that advisers will offer them to clients.

McKeage said there were many good products on the market.

"We have a term deposit hub over 22 institutions," she said.

"There are fantastic products out there not owned by the (platform providing) institutions - but they're not letting them on the menu," she said.

The Future of Financial Advice (FOFA) reforms would help a little bit, with advisers required to satisfy the "best interest" duty towards their client, she said.

Financial Planning Association (FPA) chief executive Mark Rantall would not be drawn on the conflict of interest created for financial advisers when platform structures are owned by product providers.

"The key is disclosure," he said. "Management of conflicts and avoidance of conflicts."

He said the FPA supports the Government's stance on the "client's best interest" duty.

But an unnamed financial planner called those linked to product providers through dealer groups "salespeople".

"No-one linked to product distribution should be called a planner or an adviser," he said. "They should be called a broker."

The adviser said the big issue was that product manufacturers control too many advisers, creating a situation where advisers were not free to offer the most appropriate products to clients.

"You don't go into a Toyota dealership and expect them to sell you a Nissan," he said.

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