

Growing SMA use hits education barrier

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By Alison Bevege | In Financial Planning

Financial advisers are gradually increasing their use of separately managed accounts, with education forming a barrier to widespread uptake of the structure, new research has found.

The 2011 Separately Managed Accounts Report found that while just 18% of financial planners advised on SMAs in 2011, a much higher proportion of 59% said they saw the benefits of the accounts.

Recep Peker, Investment Trends analyst, said lack of information was the key barrier to adviser uptake.

"Financial planners say they don't know enough about them," he said.

"They understand the benefits of SMAs but they want to get more comfortable with the product structure before recommending to their clients."

Peker said the study, released today, canvassed 919 planners.

It revealed advisers recommending SMAs had increased their use of the medium with 16% of their personally managed funds under advice in SMAs this year, up from 12% in May 2010.

Connie McKeage, chief executive of SMA provider OneVue, said the number one issue facing the industry was more investment in education and training.

McKeage likened SMAs to the funds management industry in the early 1980s.

"Everyone was saying: 'What's a unit model?'," she said.

But once education and training kicked in, it took off.

"We have to do that much more effectively outside the managed fund structure," she said.

McKeage said the sector was taking off, and despite the negative share market, her company had seen four straight months of substantially positive net fund inflows.

Her company's SMA added 10% of its entire advisor registrations in the last month alone, she said.

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