

Planners recommend more shares

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Financial planners are increasingly recommending direct shares to clients as private investors shun managed funds, platform fees fall and advisers gain access to more research.

Planners placed 23 per cent of new client money in shares in the year to May, up from 15 per cent last time, a survey from research company Investment Trends has found.

It expects this figure to reach 40 per cent by 2014, a trend which is likely to put further pressure on the managed funds industry, which is also suffering from the sharp decline recorded during the global financial crisis and consolidation among large retirement funds.

The ban on commission payments will also remove much of the incentive for advisers to recommend managed vehicles.

“Planners as an industry are growing more confident in recommending direct shares to their clients,” Investment Trends analyst Recep Peker said. “Not only are shares recommended to more clients, fewer planners are waiting for clients to drive this advice and fewer are citing compliance risk as a barrier to recommending shares relative to May 2010.”

The trend is in line with the findings of a recent Australian Securities Exchange survey which estimated that the proportion of Australians dealing in direct shares rose to 30 per cent from 25 per cent between 2008 and 2010.

Overall, planners in the Investment Trends study said they placed 28 per cent of new client money in listed investments, including real estate investment trusts and exchange-traded funds, against 19 per cent in 2009-10.

Advisers pointed to several attractions of direct equities, such as franking credits, dividends, low cost, transparency and tax effectiveness.

Most clients who are investing in direct shares are running self-managed superannuation funds.

Investment Trends found that of those planners who recommend shares, 67 per cent do so to trustees of do-it-yourself schemes.

Half of the planners who deal in direct shares said they were recommending particular stocks, either using their own ideas or enlisting the help of a broker or dealer group.

Nearly two-fifths said they used a broker.

The Australian Financial Review

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