

# PORTFOLIO

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## The right tools in rocky t

With returns diminishing, now's the time to check what fees you're paying, what products you're buying and demand

If there is some good news for the hundreds of thousands of investors whose retirement and other savings are held through the supermarket of the investment world — investment platforms — it is that costs are falling and key services are improving.

Like any good supermarket, convenience — including better access to information about your portfolio online — and value for money are key and it is even more the case in this market environment, as investors can do little but sit and watch the value of their portfolios tumble.

Investment platforms come in two sizes: wrap accounts and master trusts. If you have been to see an adviser there is a good chance that the administrative structure under which your investments are held is one of these.

According to research group Investment Trends, almost 80 per cent of inflows invested through financial planners are placed on a platform. The attraction for the adviser is the fees they earn and the ease by which they can provide clients with timely performance and tax information.

Broadly speaking, wrap accounts are the equivalent of the sprawling supermarket where investors are offered an investment choice from a broad menu of wholesale managed funds, listed securities such as shares and property trusts, term deposits and other products.

Master trusts are more the corner-store variety, typically offering investors a limited choice of managed funds, usually without the option of listed securities.

The MLC MasterKey Super platform, a master trust, for example has 42 investment options, while the Macquarie Investment Manager account, a wrap, has 554 investment choices.

That said, the Macquarie Investment Manager platform has a smaller menu due to restrictions placed on money to be invested for superannuation purposes.

Some platforms are best suited — and are marketed to — investors with a minimum of \$100,000 to invest. MLC MasterKey Custom offers a

lower administration fee for higher balances, while Macquarie Wrap has a fee structure that is more competitive for smaller balances.

Then there are “baby wraps” or “mini-master trusts”, that are platforms with fewer investment options pitched at people with starting account balances of about \$50,000.

One important distinction between wraps and master trusts is who holds the beneficial ownership of the investments. This has implications for an individual's tax situation, as well as the overall portability of investments, depending on whether the investments are held inside or outside super.

Under a wrap account an investor holds the investments in their name while a trustee (for super and pension clients) or a custodian (for non-super/pension money) “wraps” all of an investor's

### All capital gains need to be jealously preserved.

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investment and tax information into regular consolidated investment reports and an annual tax report. Where managed funds are held, the investor receives units in their name.

With a master trust, a trustee or responsible entity offers investors an investment menu of the fund manager's own branded managed funds and issues units in those funds. The returns for investments in the funds and any capital gains or dividends are reflected and incorporated in an overall unit price.

Someone who wanted to choose from an extensive range of investments or wanted to switch investments around frequently might opt for a wrap account. However, an investor content with a more restricted choice they intend to keep more or less unchanged for many years might go for a baby wrap or master trust.

For investors considering

## FINDING THE RIGHT PLATFORM

Largest investment administration services

	Funds under management (\$bn)	Investment options	Admin fees (%)
• AMP Flexible Lifetime Super	20.6	85	up to
• MLC MasterKey Super	13.9	42	up to
• Macquarie Investment Manager	13.4	554	up to
• BT Wrap (badged)	12.4	464	up to
• Mercer Super Trust - Corporate	9.9	47	up to
• Colonial FirstChoice - Personal	9.4	89	up to
• Plum Superannuation Employer Division	8.4	58	1
• BT SuperWrap Allocated Pension	6.7	170	up to
• Colonial FirstChoice - Wholesale	6.7	93	1
• AMP Custom Super	6.5	61	up to

\* Administration fees do not include entry fees or investment fees. Significant discounts may apply for high



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