

Netwealth US Study Tour 2018 – Adviser panel

At Russell Investments, we are known for our global investment capability and the people we have ‘on the ground’ in over 20 locations researching managers and sharing local market insights.

The advantage of our global reach, is how connected we are to Advisers across the globe. This connection gives us the ability to share insights and understand our commonalities (which may be more than you think!), see where we are ahead of the curve and identify the opportunities to learn.

At the recent **Netwealth US Study Tour 2018**, this connection was put into action. We had the privilege to host a panel of US based Advisers, moderated by our Head of Adviser and Intermediary Solutions - US, Mark Spina. The Advisers, Jeff Went, Jason Gladowsky and John Kuric presented a mix of business models and client approaches.

Here’s some of the things we learned from the panel conversation:

Efficiency is critical, no matter the market

A clear commonality across Australian and US Advice markets is that efficiency is critical to both client and business success.

The US Advisers identified that working with strong partners, building a robust team and creating time to build intimacy with clients were key drivers of their businesses.

Intergenerational wealth should focus on deepening the client relationship

Whilst in the US, intergenerational wealth is a bit of a buzzword, Advice businesses are building a proposition around this. Taking a family focused approach in the advice conversation has enabled these client relationships to grow across three generations, all with diverse needs, to work towards and understand the desired family outcomes. This is a less established concept in Australia, but there were some interesting examples on how they make this work.

- Meet the children – not with the explicit intention of gaining them as a client, but to understand the broader context of the client
- Host family lunches to build awareness, trust and to show you are willing to be instrumental in both the wealth and well-being of the older generations.
- Bring children into the aged care discussion much earlier. With the consent of the client, having meetings with the children to understand their attitude towards their parents aged care needs. Potentially mediating any challenging family conversations around these plans.
- Take on all the family members as clients, even the younger ones at a lower fee

High Net Worth clients don’t necessarily need custom portfolios

A question asked from the audience was... “At what asset level or AUM, would it be considered appropriate or viable to build custom portfolios, with stock selection?”

This clearly is different across the markets, as not one of the Advisers on the panel built custom share portfolios. They may build model portfolios based on managed funds and ETFs, but no one saw stock selection as an investment solution for any of their clients. In fact, they felt that their clients wouldn’t trust a small advice practice making those types of decisions. The prestige associated with using a boutique solution like Russell Investments is seen as a draw card for their high net worth clients.

Australian Advice documentation is an outlier

Another discussion focused on what goes in to a 'Financial Plan' for a US based client and how long it takes to prepare. You could physically see the reaction in the room when the US Advisers referenced a 15-page Financial Plan. One Australian contingent commented "15 pages! Ours are more like 80-100 pages", to which the US Advisers couldn't believe that something with that length could possibly go to a client.

While our markets are at different stages of the reform journey, and our regulatory environments are very different – it was a stark reminder on the compliance framework that the Australian market is working within.

The US Advisers shared a strategy they use to help the client focus on the most important information. Within the executive summary they state the top 5 points discussed in the last client review and the 3 action items that the client and/or the Adviser is going to do before the next review. It then becomes a living breathing document that the client keeps, revisits and is a reminder of the value of the Advice interaction in that meeting and going forward.

Technology used as an enabler

An area of technology discussed was the use of account aggregators. In the US the example was E-Money, similar examples in Australia would be Moneysoft or Xeppo.

It was clear that using a tool like this was beneficial with some wide-reaching applications within an Advice business

- ***As part of the Advice onboarding process*** – by logging in and taking the time to load up all various accounts, it increased the client's engagement and assisted with buy-in to the process of consolidating all their wealth in to one viewpoint.
- ***As part of the Estate Planning conversation*** – create peace of mind for the client so they feel comfortable and know that all their various financial positions are in one place for their loved ones to easily manage.
- ***As a lead generation tool*** – To prospective clients, one Adviser provides a free login to this service along with a business card, to encourage them to pull together their financial status. If they take that first step to do this – you know that they are engaging with their finances and what they need to do to improve their overall position – and likely to be open to advice.
- ***Spending tracker*** – In addition to the Financial Plan, advisers are offering budget and spend reporting as part of the ongoing advice service. Helping clients understand that the 'spending' lever is one of the most critical in building wealth. Using data and reporting capabilities to stick to the plan and build additional and ongoing advice touchpoints outside the traditional annual review and client communications.

Robo Advice is not the enemy

Robo advice is well established in the US market, with individuals able to seek Robo advice for next to no fees. However, all the Advisers on the panel were confident that while Robo Advice would be attractive for some people, the personal advice relationship will always have a valuable role to play.

Robo advice can't replace the personal relationship, the conversation skills required to understand the clients' situation, the ability to deal with personal nuances and navigate the complexities of investment, taxation and regulatory environments.

At the end of the day – they still believed their biggest value add to a client was to give them peace of mind and a long term trusted relationship.

For more information:

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