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Macquarie pay still needs work: ASFA

Written by: Julie May

Macquarie's proposal to make remuneration arrangements consistent with global remuneration and regulatory trends is only a step in the right direction, Association of Superannuation Funds of Australia chief executive Pauline Vamos has said. "Reviewing its senior executive remuneration scheme is a great move by Macquarie. However, the way in which remuneration is assessed is still opaque and narrow, particularly at a time when numerous companies are failing due to greed and disregard to corporate responsibility," Vamos told IFA.

The next move for those revisiting remuneration schemes would be to further articulate how assessment criteria were applied against proposed arrangements, she said. "We know that factors including contribution to profit, use of capital, timing and risk are taken into account. However, long-term value, such as customer satisfaction and the working environment provided to staff, should be part of an overall dashboard assessment," she said.

Guarding short-term profits at the expense of long-term sustainability and value to shareholders and customers is not responsible, she said. "It may be early days, but there are clear indicators to assess the value added to a company in a year and what that value will sit in the future," she said.

More and more companies are urging shareholders to make comments on remuneration arrangements and are encouraged as it shows the company is accountable to its investors and customers."

Macquarie last week announced that it had received the approval of shareholders at its annual general meeting in July. The remuneration changes would apply to more than 300 of its senior executive. Changes would see the profit share paid out in cash reduced and the percentage of retained profit share reduced. «

Planners allocate more to own products

Written by: Wouter Klijn

Financial planners associated with a major funds management group prefer to sell customers superannuation products provided by their parent company, and the level of own-product sales is rising.

Sales allocated by financial planners to products of the parent group increased on average from 70 per cent to 74 per cent in the 12 months to September 2008, according to Roy Morgan research.

Of the six largest financial planning groups – AMP, National Australia Bank (NAB)/MLC, Commonwealth Bank of Australia (CBA)/Colonial First State (CFS), Axa, ANZ/ING and Westpac/BT – AMP has the highest proportion of their planner sales going to their own funds at 83 per cent.

"This proportion has been very stable over the last three years," Roy Morgan said.

Westpac/BT, NAB/MLC and CBA/CFS all have increased the proportion of super products bought through their own financial planning groups, with Westpac/BT showing the biggest increase from 67 per cent to 79 per cent. ANZ/ING was the only group to

show a reduction, falling from 46 per cent to 43 per cent.

But a BT spokeswoman said the research did not give an accurate portrait of the sale levels, as external products sold through the BT platform were also counted as BT products.

The spokeswoman indicated the actual level of parent company product sales was more likely to be between 10 per cent and 20 per cent.

Satisfaction with the financial performance of a super product was generally lower among customers who used products that had been sourced from the same fund manager as the planning group than among customers who used external products, the research found.

Only 7 per cent of customers switching super products through these planning groups were directed to industry funds. In contrast, 33 per cent of customers going through non-financial planners ended up with industry funds.

"Neither the big six financial planners nor the other planners are likely to direct [customers who switch super funds] towards industry funds,

when compared to funds switched through other channels," Roy Morgan said.

There is still much confusion among customers about the independence of financial planning groups. This was especially a problem if the brand was different to that of the owner. MLC-owned Garvan had the highest level of customers who were under the impression the group was independent, at 66 per cent.

"For customers of planners working for NAB, CBA and Westpac there appears to be a reasonable understanding that they are tied, but those dealing with AMP, MLC, Colonial and Axa have a degree of confusion over the issue," Roy Morgan said.

"Even when the planner comes directly from a major fund manager there is confusion over the issue of independence.

"Twenty-eight per cent using the AMP group think that the adviser is independent – and this is even after they end up with their own products – and 31 per cent of Axa customers think their adviser is independent." «

Sign-on fees more prevalent: FPSA

Written by: Wouter Klijn

Competition for financial planning practices has become tougher as more dealer groups offer sign-on bonuses to advisers willing to make the jump, according to Financial Planning Services Australia (FPSA).

"There are dealer groups out there that pay sign-on fees; they are paying a company to join the dealer group. We have come across that on numerous occasions now," FPSA chief executive Mark Ryan told IFA.

"It's not something that we are planning to pay.

"We are there to help an adviser build an asset in the long run and that is much

more valuable than cash on the table."

The financial crisis has made advisers more reluctant to move their practices, as they feel there is a higher risk of losing clients in the process.

But sign-on fees have in some cases proven to be an incentive to change.

One dealer group that has offered sign-on bonuses in recent months is Australian Financial Services (AFS).

After a proposed merger with Total Financial Solutions Australia (TFSA) fell through in February, AFS has targeted individual TFSA practices.

"AFS adopted the strategy, but only as a once-off, tactical ploy to target selected TFSA practices," AFS

managing director Peter Daly said.

AFS offered advisers \$30,000 for an increased administration workload and potential loss of revenue.

But some form of assistance offered to planners who were migrating their client base was not unusual, Kenyon Prendeville principal Stephen Prendeville said. "That assistance might be in the form of marketing, it could be in the area of administration, or it could be a discount on a dealer fee," he said.

"The current environment is extremely difficult in terms of risk around client retention and therefore there needs to be a reward for it to happen." «