



NAB Cash Manager

NAB brings the best of both the banking and investment world in its new cash management product, writes MICHELLE BALTAZAR.

Just when you thought cash management accounts (CMAs) couldn't get better, they just did. This month, National Australia Bank unveiled NAB Cash Manager, a new product that should appeal to financial planners looking for a simpler yet more flexible alternative to conventional cash management products.

The bank manages around \$6 billion in its existing cash management products but decided to develop NAB Cash Manager after identifying a gap in the market, said John Salamito, executive general manager in consumer product solutions, NAB Personal Banking.

"Cash products have been prevalent for many years but we thought there was an opportunity, especially with us being a significant banking business and a wealth manager [through MLC], to create a 'best of both worlds' type product," he said.

This means that NAB Cash Manager retains the best features of a traditional bank deposit but with the "ease of use" and flexibility more often associated with cash trusts.

Flat pricing, flat rates

For example, NAB has introduced a competitive flat interest rate currently set at 2.15 per cent, breaking away from the banking industry standard practice of tiered interest rates.

"Often with bank cash management products, they have tiered pricing and tiered interest rates. We haven't gone that route," he said, explaining that for many financial advisers, a simple, flat interest rate is more effective in the long run.

"It is in the best interest of advisers [and their clients] because the nature of cash hubs, so to speak, is that they should go up and down," said Salamito.

True, tiered interest rates are great because higher account balances attract higher rates but there's a downside: account balances that fall below a certain point either get no interest or incur fees.

This makes taking money out a tougher decision than it needs to be, he said.

"It's about making things that are complicated a lot simpler. In the old days, when we need cash, we just open our wallet. Today, the decision is a lot more complex ... we think it should be simpler," he said.

Furthermore, NAB Cash Manager does not charge any penalty fees if the account balance falls below a certain level (another feature common to many bank CMAs), as would often be the case if the product was used for its intended purpose (i.e. to manage investment cash flow).

Adding to that benefit, the product has no monthly fees and no transaction fees as long as planners use NAB-owned channels (e.g. NAB ATMs).

"Again, it's about making things simpler such as cutting the confusion of transaction fees. They're the sort of features you would get from a product created from a banking point of view," he said.

Ease of use

From a wealth management point of view, Salamito drew on his financial planning background to illustrate how NAB Cash Manager is also "user friendly".

"Going closer to the heart of the wealth management world and the world of financial planners, we've done a couple of things that we think represents best-of-breed."

"First, the product has direct access to the government guarantee. That sounds pretty straightforward but what it means is that as a bank deposit, funds are automatically covered up to \$1 million, whereas money invested in a CMT is not covered by the bank deposit guarantee. Further, the return of a bank deposit like the NAB Cash Manager will not fluctuate as often as a cash trust," he explained.

Second, NAB roadtested the product to ensure it is well integrated with key adviser software platforms such as Coin, Visi, XPlan and Adviser Central.

"Hopefully, this should make the planner's ability to manage and monitor what's happening with their client's accounts - which is critical with a cash management product - more effectively," said Salamito.

Choice of fees

Even more important, NAB Cash Manager adjusts to the financial adviser's remuneration model, be it commission or fee-based. The product pays a commission of 25 basis points, which the planner can choose to rebate if they provide fee-based advice.

"We took every care to align this product with the planner's practice fee model. If the client chooses to have the commission rebated, that can be done automatically. That's fully integrated to the way we design the product so that rebating fees is hassle free," he said.

NAB said that surprisingly, many cash management products don't offer this feature, which in a way reflects how cash products are only just evolving in response to key financial planning industry issues.



JOHN SALAMITO

In short, NAB Cash Manager is a new cash management account that fills a product gap that arose from last year's financial crisis and the investor flight to safe, secure and guaranteed cash products but with the flexibility of cash trusts.

In combining the best of both worlds, Salamito said, planners can provide advice more easily and effectively. ●



The NAB Cash Manager account	
Features at a glance:	
Minimum opening balance	\$5,000
Ongoing balance	No minimum
Statements	Quarterly (or more frequently upon request)
Monthly account service fee	\$0
Free unlimited access via	NAB Internet and Telephone Banking, NAB branches, NAB ATMs, Telephone Withdrawal Facility, Facsimile Instruction Facility, BPAY® and cheque book.
You'll also benefit from	<ul style="list-style-type: none"> ▪ a competitive interest rate calculated daily and paid monthly on your entire account balance ▪ easy setup of direct debits, direct credits and periodical payments ▪ link to NAB OnLine Trading for easy online share trading