



**01:**  
**Peter Chun**  
General manager,  
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Colonial First State

# Choosing the right managed account

Managed accounts can have a variety of structures, so it's important to choose the option that best fits your business model.

Like other investments, managed accounts can only be offered by licensed entities.

And while there are a variety of possible structures, they usually take the form of either Registered Managed Investment Scheme (RMIS) managed by a Responsible Entity (RE), or a Managed Discretionary Account (MDA) authority on a licensee's Australian Financial Services Licence (AFSL).

"Recent regulatory changes have definitely lifted the bar for MDA operators. So while that doesn't mean the benefits of MDAs have gone away, we do expect licensees to increasingly look to platform providers who can issue managed accounts through an RMIS model," Colonial First State general manager, distribution, Peter Chun says.

Therefore, as financial advisers and licensees, it may be more helpful to focus not on the precise legal structure of the managed account, but on finding an option that best supports your business model and your clients.

## Separately Managed Accounts - One-size-fits-all

The structure often known as a Separately Managed Account is typically a one-size-fits-all solution, where the responsible entity of the SMA appoints one or more professional investment managers to oversee and implement portfolio construction and investment selection.

For advisers and licensees, this model offers maximum simplicity and efficiency, with lower costs for both your practice and your clients. Emerging technology has also meant that SMAs may allow certain customisations to cater to individual client requirements – thus providing scalability benefits with some customisation.

Typically SMAs are structured as Registered Managed Investment Schemes with an investment selection generally provided by external managers.

## Individually Managed Accounts - Individually tailored

The structure known as an Individually Managed Account offers a higher level of customisation, either at the licensee level or the individual client level.

With this model, licensees can select and manage investments to create a range of tailored portfolios for their clients, usually with the support of an external manager or platform provider.

While this approach typically involves a greater investment of time and money by the licensee, it can be very attractive to dealer groups looking to create a bespoke offering that gives them a unique point of differentiation or caters to the needs of a distinctive client base.

Typically IMAs are structured as Managed Discretionary Accounts with an investment selection generally provided by the licensee or dealer group.

## Convergence of options

It's worth noting that the terms SMA and IMA are not strictly defined and are often used in slightly different ways by different providers. To add to the confusion, some providers also use the term Unified Managed Accounts (UMA) to refer to accounts with in-built transaction, reporting and administration services. But as technology improves and the market evolves, the distinctions between these different account types are becoming less clear, with many of their features converging. That's why it can make sense to focus, not on the product structure, but on finding the option that best supports your business model and your clients.

## The questions you need to ask

- Your business model - You need to consider, not simply your current business model, but the next step in your evolution. What direction do you plan to take? What are your key business objectives: greater consistency and efficiency, or a highly bespoke offering, personalised for individual clients?
- The client experience - How can you add the most value for a high quality client experience? By customising individual portfolios, freeing up staff to focus on proactive relationship building, or a combination of the two?
- Target client segments - What are your key client segments and what are their priorities? Do your clients want to be engaged in investment selection or are they happy to rely

Late last year CFS launched its managed accounts offering on the mega-platform FirstChoice. What's little known is that since 2008, the fund manager has offered customised managed accounts solutions to a number of institutional clients. Over the past decade, that little offshoot has become a \$7 billion FUA business.

We invite you to read this primer where Peter Chun, the group's general manager in distribution, introduces some of the key managed accounts jargon and the issues that every financial adviser should consider before choosing a managed account solution. As Chun explains, rather than developing a one-size-fits-all solution, they have chosen a different path.

*Michelle Baltazar*  
Michelle Baltazar  
Director of Media & Publishing

on professional guidance? How sensitive are they to costs?

- Selective applications or an all-in-one solution - How do you plan to use managed accounts in your business? As an option for selected clients, used in combination with other investments in a tailored portfolio? Or as a whole-of-portfolio solution, potentially extending across your client base?
- Resourcing and capacity - What capacity do you have as a licensee to invest time and expertise in partnering with a product provider to create a customised offering? What cost efficiencies could you introduce across your network?



## The quote

*Emerging technology has also meant that SMAs may allow certain customisations to cater to individual client requirements.*

## Colonial First State's managed account solutions

"It's not well known, but Colonial First State has a strong history in managed accounts dating back to 2008. We started our journey 10 years ago by developing customised managed account solutions for a small number of our large institutional clients and we currently hold over \$7 billion in FUA within these structures," Chun says.

"In developing our managed accounts product suite, we recognised that different licensees and advisers have individual business needs and requirements. That's why, rather than developing a one-size-fits-all solution, our approach was to develop a range of managed account solutions."

Colonial First State's managed accounts solutions are available across both their FirstChoice and FirstWrap platforms. On FirstChoice, licensees can set up and run managed account portfolios for their super and pension clients, expanding on the multi-manager and model portfolio options already available.

On FirstWrap, advisers can invest on behalf of their clients in a range of managed account portfolios provided by a number of professional portfolio managers, and hold them alongside other investment options in a client account. Work is also underway on a tailored managed account solution, ideally suited to licensees with in-house investment capability who are looking to take on the role of portfolio manager for their managed account solution. **FS**

Visit [colonialfirststate.com.au/managedaccounts](http://colonialfirststate.com.au/managedaccounts).

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