Wraps and Platforms – operating principles and practical issues

'Wrap – the Adviser Perspective'

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Agenda

1. Making the decision
2. Implementation
3. Transferring Assets
4. Charging Fees, re-assessing business models
5. What platforms and technology are doing for us…
6. Needs for the future

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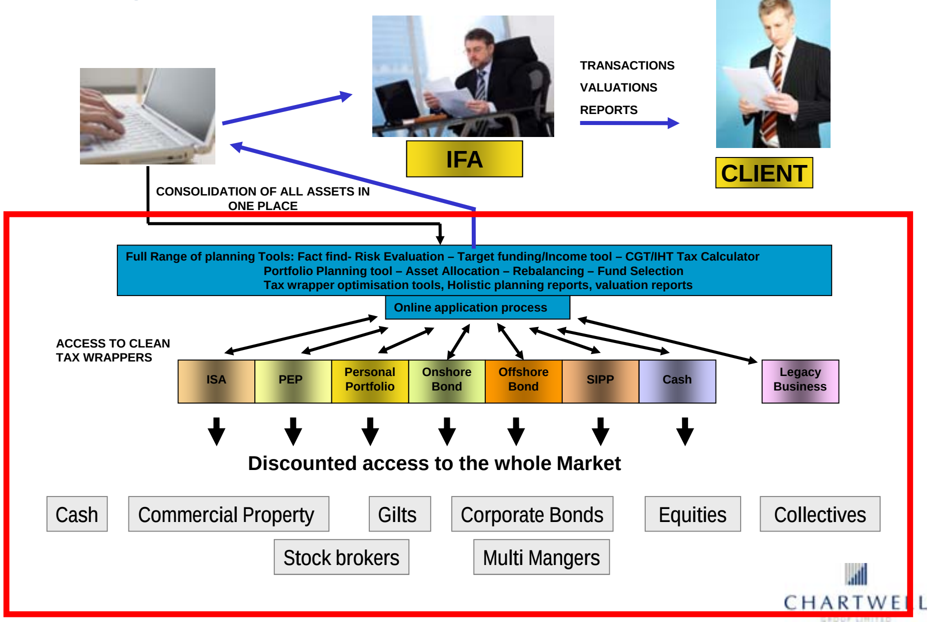
Making the Decision



1. Making the Decision

1. Argument for a single platform

1. *Control the end cost to client*
2. *One set of business processes*
3. *TCF – all clients experience the same (high) service levels*
4. *Consolidation of business value*
5. *If it is good enough for clients worth £100,000 should also be right for those worth £500,000?*

2. How to pick your platform

1. *What is right for your clients?*
2. *What is right for your business?*
3. *What are your 'hygiene factors'?*
4. *Who do you want to go into partnership with?*
5. *Who makes your investment decisions?*
6. *Who can you trust/control?*

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1. Making the Decision - extra margin for advisers

		Example Full wrap platform cost/model blended across all wrappers	Chartwell 'Investor Centre' Solution
1	**Fund Manager Example AMC**	**150bps**	**150bps**
2	**Platform negotiated rebate** (given back to client automatically)	**75bps**	**75bps**
3	**Wrap Platform Fee**	**40-60bps (** [Current downward pressure towards 30-50bps]	**25- 30bps. Free tax wrappers.**
4	**Discretionary Model Portfolios**	**Outsourced for further fee- HNW only. Typically 50 bps p.a. extra for mandate.**	**No extra charge, platform and digital technology supported; in-house expertise**
5	**Annual charge for Advice- aspiration**	**e.g.100bps**	**e.g.100bps Or 60bps 'remote'**
6	**Client Pays**	**•215-235bps p.a. net for no change in advice service •Up to 3% for Discretionary services**	**•200-205bps face to face •160-165bps ' remote' service…**

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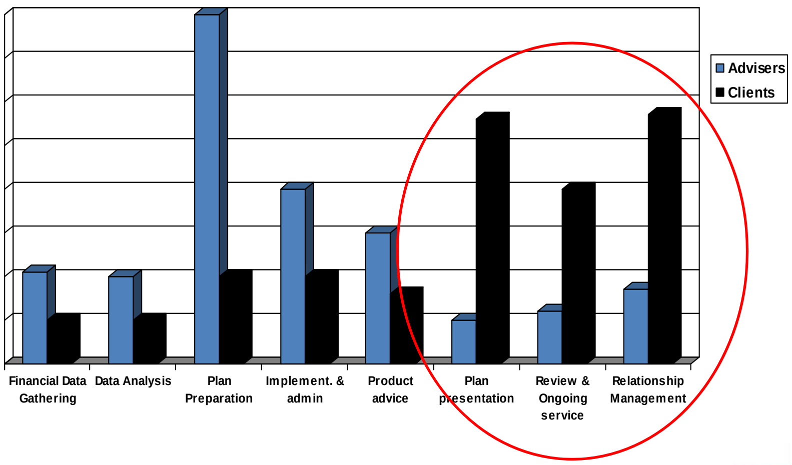
… and delivering the service that clients want..



Source: Cerulli Associates 2004

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2. Implementation: it boils down to……

1. The calibre of the people. Make sure you have the right knowledge-internally!
2. The calibre of the technology. The transaction platform is just the start…
3. Clarity of proposition. The one everyone goes on about…
4. Clarity of processes. The one everyone misses…

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2. Implementation: two key success criteria emerge

The ability to articulate the proposition consistently

- What is the service, who for and at what cost ?
- Consistent buy in from top to bottom ?
- Confident explanation to clients

The ability to organise the business to deliver the proposition

- Roles and responsibilities clear – best man for the job
- Competencies exist to deliver on the proposition promise
- Systematic approach using available technologies
- Sharing value creation between shareholders and staff

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2. Implementation - our experience

1. Advisers
   1. *Which clients do you speak to first?*
   2. *Product by product, or all at once?*
   3. *Benefits v.s features*
   4. *Understanding your entire proposition*
   5. *Cash is king*
   6. *Making the best use of your support team*

2. Administrators
   1. *Timing*
   2. *New responsibilities*
   3. *Get to know your opposite number*

One clear, known process is the best way...

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3. Transferring Assets

1. Tax Wrappers
   1. *What is available and at what cost? Bundled/unbundled*
   2. *FSA opinion on single platforms...if correct wrapper not available then should look at off platform therefore it is key to have links to the wrappers you might need*

2. Bond Challenge
   1. *All advisers have channelled large sums of client money in historically, time to re-appraise?*
   2. *The problem with exit penalties*
   3. *Who are bonds still right for?*
   4. *How can prevent clients paying 'too much'*

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3. Transferring Assets: 'Report Only' Assets

- Can you take an increased fee on report only?
- If you have all available wrappers what might be left as report only?
- Does the client understand the difference?
- Who is going to maintain these assets?
- Are platforms doing enough to support advisers that want to use report only asset facilities?

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4. Charging Fees, re-assessing business models

1. Messages
   1. *How to communicate the change to your clients...has to be a good news message!*
   2. *Offering passives to 'hide' the increase in cost due to platforms is a step backwards…*

2. Opportunities
   1. *Chance to revisit and revitalise client relationships (a test of good these are?)*
   2. *Know your client better: scientific risk assessments and risk graded investment solutions*
   3. *Chance for the business to experience growth from clients they have been servicing for years*
   4. *Ready for RDR themes in advance of FSA deadlines*

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5. What the platform is doing for us…

Allows us to:

- *Use the same platform across the whole of the business with differing per annum fees dependent on service channel selected: Execution Only; Remote Advice; Face to Face Advice.*
- *Given us a reason to segment our client base and offer more relevant services to clients, that are more profitable for us.*
- *Support a transformation of our service propositions across all channels.*
- *Simplify and reduce our administration burden-one place for all.*
- *Upgrade the advisory service we offer to a discretionary model at no extra cost to the client!*
- *Move to an 'RDR world' model where we are charging for the services we are providing, not the products we are selling.*
- *Dramatically improve our client reporting, annual reviews, statementing and general client experience. Allow clients access to share trading...*
- *Consider competitive, innovative Group and Corporate platform solutions. Free SIPP…*
- *Integrate with state of the art financial planning software for 'straight through' advice giving: key to our remote services.*
- ***Make our unique infrastructure and model available to IFA 'partnership' businesses to our mutual benefit.***

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6. Needs for the future

1. Integrations
   1. *How to make your platform assets 'stickier'*
2. Asset transfer assistance
   1. *The more assistance that advisers have in understanding migration patterns for assets, the quicker and more smoothly they can go on*
   2. *Why would the platforms not want to control this?*
3. The 'next big thing'
   1. *Direct/corporate....*
   2. *Platform consolidators - 'hubs'*
   3. *Contraction of the market place*

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