THE AUSTRALIAN

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THE DEAL

REINVENTING BUSINESS

in association with BARRON'S

THE MONEY MAKERS

Australia's Top 50 Financial Advisers

Canva's Melanie Perkins & Gail Kelly's new book

Australia's Top 50 Financial Advisers

in association with

BARRON'S

THE MONEY MAKERS

Neil Kendall has a simple explanation for his job. "I am the money worrier," says the Brisbane-based financial adviser. "I worry about money so the clients don't have to." Money worriers and, as we label them in this issue, money makers: that's a succinct summary of the role of advisers in an increasingly complex world.

Kendall, from Tupicoffs, is one of about 20,000 advisers in Australia and among the 50 who have made it onto the inaugural Top 50 Financial Advisers in Australia list compiled for *The Deal* by US publication *Barron's*.

These "money worriers" are part of an expanding market, thanks to increasing demand for help on complicated financial products, especially those involving superannuation. That complexity has tested the competence of advisers, and the sector has been tarnished in recent years with a string of scandals and revelations of poor qualifications. In the decade since the 2008 Global Financial Crisis, Australia, like other jurisdictions, has worked hard to address the issues and increase regulation. From 2019 federal government legislation will impose new education standards on all financial advisers.

Already, of course, Australian consumers have access to many expert practitioners and our list celebrates the leaders in the sector. Everyone on the list has satisfactorily answered a string of tough questions about their operations. The survey for the list was designed and administered by *Barron's* based on decades of experience running similar surveys in the US. The project was assisted by advisory board of key figures in the Australian financial services sector.

Every adviser reviewed by the survey answered more than 70 questions covering client assets, fees generated on assets, size of staff (relative to client list) professional credentials and a range of other key factors.

In common with the original *Barron's* survey in the US, we have opted not to include portfolio performance returns because performance is based on allocations and these differ for every client depending on what they want to achieve.

The list shows that advisers can just as easily operate in the suburbs as the skyscrapers of the CBD. Their firm may be one of the better-known brands of financial services in Australia, such as AMP or Shadforth Financial Group, or an operation rarely mentioned in the financial media.

The issue of whether an adviser is aligned or not – that is, whether they are affiliated to a major institution – has long been a critical one in the debate around financial advice. It goes to the heart of consumers' concerns about whether they are getting independent advice. But our survey shows good advisers come from either camp. Indeed aligned planners have made it to the top of the tree in our survey, with Marc Smith, one of the top-ranked advisers in the market, aligned to BT Financial Group.

Even so, a large number of the top planners work in independent outfits and there is a significant cohort from firms that were launched as breakaways from bigger companies. The list includes advisers from Escala Ltd, formed from former UBS staff, and Hamilton Wealth Management, which began on the floor of NAB Private Wealth. There are also strong signals the ranks of independent planners will grow most rapidly in the years ahead. Already in 2017 there are reports more than 400 advisers have left the major banks due to limitations on staff recommending products offered by rivals. At the same time, several highly ranked planners operate entirely independently and have no links – current or historical – with major financial service groups.

Our advisers typically service a few hundred clients, though they may only handle a few dozen. Many advisers have no "minimum value of assets" requirement for their clients but some have a minimum of $1 million or $1.5 million of "investable assets" that does not include the value of the family home.

This is an innately conservative profession and most practitioners are men. Only six of our top 50 are women. Indeed one of them, Nerida Hicks, from Bridges in Nowra, NSW, recalls that she did not think it was possible to work in the male-dominated sector when she left school. It would be some years before she got her start.

Our advisers operate from all over Australia – a number on our list are from regional cities – are of any age and typically have financial qualifications. The most common is the Certified Financial Planner degree, overseen by the Financial Planning Association and a globally recognised qualification. More recently, the CFP designation has been flanked by the internationally recognised Certified Investment Management Analyst (CIMA) credential.

Not surprisingly, there are many accountants on the list, along with tax advisers. There are MBAs, and plenty of MAICDS (members of the Australian Institute of Company Directors), not to mention a smattering of some of the more exotic qualifications and professional designations common in this sector, such as Membership of the Association of Divorce Financial Planners (ADFPs).

Some advisers started their working lives in another field: for example, Doug Turek (see profile page 39) is a Canadian who began his career with a doctorate in chemical engineering. "I had to retrain and find a new career when I came to Australia," says Turek, who now operates in Melbourne.

Will Hamilton worked as general manager Wealth Services at NAB Private Banking before he teamed up with his wider team at Hamilton Wealth Partners, including Ian Gillies a former country head of wealth planning at Credit Suisse.

Sally Huynh came to Australia from Vietnam when she was nine. These days she runs a successful practice out of Melbourne and also – in common with many on our list – does pro bono work, teaching the basics of financial literacy to groups in regional Queensland.

As a Vietnamese woman in a male-dominated profession, Huynh stands out. "Or at least I look very different from most of the people in a room full of advisers," says the diminutive Brisbane-based planner.

The survey suggests many of the best advisers have two jobs: guiding their clients through the challenges of life's key financial decisions, and building their reputation and the wider reputation of the sector. Almost all are active in the broader community. Many work on improving the profession via legislators or through professional associations; others are involved with care and welfare groups. Tim MacKay has volunteered with UNICEF in Laos, Marc Smith has been on the board of the Vana Child Ministries in Zimbabwe, which cares for orphans in Africa. Mark Minchin has always been a keen kayaker and has spent much of his spare time coaching his wife Chantal, who took a bronze medal at the Beijing Olympics in the women's K4 event.

Scott Carmichael, Tim Mackay and Will Hamilton are among those who already have a strong profile outside the industry. "I have a lot of opinions about how to make financial decisions against the background of both the markets and the financial structures we have to work with," says Hamilton, who is a regulator contributor to *The Australian*.

As the finance industry struggles with reputational issues and the explosion of so-called "robo-advice", many advisers put a premium on personal relationships

Brother and sister Tim and Claire Mackay are well known as the next generation of Mackays in Quantum Financial Services, founded by their father Bill in Sydney in the 1960s. The siblings are active influencers on LinkedIn and other social media.

The advisers on the list generally agree that financial advice in 2017 has been heavily dominated by changes to superannuation rules, given the federal government's sweeping changes to contributions and pension payment rules that began on July 1. However, for the majority of planners most of their time involves setting goals with clients and helping them reach those goals.

One of the biggest challenges is to offer a distinctive service in an industry where everyone purports to offer the ideal solution. As the finance industry struggles with reputational issues at the lower end of the market and the explosion of so-called "robo-advice" at every level of the industry, many advisers put a large premium on personal relationships. This may often entail advising not just one person, but a complete family or even generations within a family. As Doug Turek tells *The Deal*: "One trend we are seeing is a lot of generational skipping of wealth – a lot of our customers' children have already made their wealth and bought their homes – so it's going to be about the grandchildren."

Turek also says the subject of professional qualifications "has always been an issue ... it really needs to be fixed". It's a sentiment shared by many in the field. With luck, a new generation of advisers will avoid the stigma of poorly qualified planners with the potential to damage the whole sector.

Dante De Gori, CEO of the Financial Planning Association, (the peak body for financial advisers) says a new education regime for planners to be enforced by law in 2019 will greatly improve standards. Under the regulations, every planner will need a university degree in financial planning and will be obliged to subscribe to a code of ethics. And the new rules are spurring the higher education sector to develop training in this field.

As De Gori says: "For as long as anyone could remember there were just 14 universities across Australia offering financial planning degrees. In the past year we have had 10 new applications from universities wanting to offer course when the new regime starts in 2019."

Our top advisers long ago gave up the idea of making a living from commissions: product-based commissions are now banned in financial advice, with the exception of insurance advice.

Curiously, in the US, where the industry is enormous, with more than 300,000 financial advisers – and where the greatest financial advice fraud in memory occurred in the New York offices of Bernie Madoff – commission-based financial advice remains a feature of the industry.

However, more US advisers are turning to what has become mandatory in Australia – a fee-based service. Arguably, Australia is now ahead of overseas jurisdictions with its ban on commissions, though the notable exception for insurance commissions means we are still a long way from claiming a leadership position.

What's more, Australia's free market and open financial system means investors here have endless choice but little guidance when it comes to making the major financial decisions in life. How we choose our mortgages, or our life insurance policies, or our college education finance, is crucial to long-term financial success, yet much of the system in Australia remains based on selling products rather than offering advice.

With our mandated superannuation system, everyone is now legally obliged to save a substantial part of their salary for their pension needs, but the system offers us very little help when it comes to actually investing those savings.

The changes to superannuation rules introduced this month represent an extreme example. The changes are the most complex ever imposed on the super system and it is no exaggeration to say it would be foolhardy to engage with the new rules without first seeking professional advice.

What Australia's legion of private investors need more than anything else is skilled professionals whom they can trust. Our list of financial planners is an effort to seek out top advisers who meet that need. **D**

If you are not prepared to spend money to make money, stay away from the financial planner sector. And if you are, you need to be realistic about outcomes

A good adviser is yours to find

Story by:
James Kirby

Illustration by:
Steven Moore

There's an apocryphal story that does the rounds of financial planners. The clients are at the planner's Christmas party when the planner is asked to offer an opinion on various aspects of financial news. The planner calmly answers a string of varied questions in a useful way. The partygoers generally agree the planner is convincing and authoritative.

Then the planner leaves the party, driving away in a top-of-the range sports car. Two partygoers exchange views.

"That's it," says one. "I've found the planner for me. It's clear he is an operator and can make money."

"That's it all right," says the other. "I don't want to know about this planner... He's clearly milking everyone for fees!"

In other words, when it comes to financial advice, value is in the eye of the beholder.

This widely varying concept of value – and the related complexities around the willingness of both client and planner to take risks (or to accept risk-reward ratios) – is one of the key reasons *Barron's* does not include financial returns in its survey criteria. "We have found over many years with the US version of this survey that returns are just too variable and depend too much on the individual choices made by both the client and their adviser," says Matthew Barthel, a *Barron's* associate editor.

No surprise, then, that our Australian survey does not use financial returns as one of its criteria; after all, returns are intimately linked with risk settings, and the spectrum of risk is infinite and will differ greatly between clients, within families or between husbands and wives.

But there are some questions you can ask yourself before you select your financial planner. Should your adviser be independent or aligned with a larger organisation? It's a an issue that has beset the financial services industry for a decade but "rogue" advisers can emerge from either camp.

Perhaps a better question is who is the best planner for you? If your objective is modest – to find someone who will set you on the right course, or a professional to offer a second opinion on your plans for a once-off event such as an inheritance or a redundancy, then you may not need to spend a lot of money. Indeed there may be no need to go through an elaborate introduction process to find what can be, after all, a relatively straightforward item of advice.

You may be comfortable dealing with a planner who works either inside a major institution or is aligned through some form of alliance. The most common type of alliance is the dealer network, where planners operate with some independence but get their business contacts and management services from a larger organisation.

Alternatively, if you wish to deal with an adviser repeatedly – you may want them by your side through a series of financial events, for buying a house, starting a business, selling a business, even entering retirement – then an independent planner who is not aiming to rise through the hierarchy of a large organisation may be more appropriate.

The ideal planner is ultimately a person who can act in your best interests, with whom you click in a situation where the costs are totally transparent and the relationship can be as regular or as intermittent as you wish.

How much should you be prepared to pay? As a guide, you might expect to pay each year 1 per cent of the total dollar amount you have under advice. Most surveys in Australia show advisers who charge by the hour end up charging between $1000 and $3000 in total, depending on the complexity of the client's affairs and the amount of paperwork he or she is willing to do themselves.

The measure of a good financial planner is that the client is satisfied with what the adviser charged in relation to the perceived benefits of the relationship. It's not necessarily linked to the underlying wealth of the client. Rather, it is connected to the notion of value. **D**

The independent planner

Ideally, the independent planner is an experienced operator who now runs his or her own practice – or shares a practice with like-minded others. Independent planners charge on a time basis with fees by the hour, or through a so-called ad valorem arrangement in which the client agrees to pay a percentage, such as 1 per cent, of the amount under management as a fee.

Good planners are careful not to waste the client's time. They are willing to advise and recommend anything that might benefit or strengthen a diversified portfolio. They are not tied to anyone or anything – they don't go on trips to Hawaii to attend conferences that coincide with their daughter's wedding. They are not obliged to anyone but the client.

They look on financial advice as a challenge to guide people towards a position of financial independence where they have built wealth in a way that suits their disposition. They are also highly numerate and fully briefed on all tax dimensions of the investment plan, and are up to date on changes that have been announced or may be coming.

Crucially, the independent planner does not look at a client in terms of getting them into products or onto platforms. Rather, they offer an ongoing thread of advice that is top level and worth the money, whatever they charge.

In terms of asset allocation, the independent adviser can probably go much wider in the spectrum of advice they can confidently offer, and clients should expect a lot more than plain vanilla options.

There should be a willingness to explore beyond the ASX 200 or residential property and bonds. They should offer exposure to offshore stocks and funds and alternative asset classes. Just as easily, an independent planner should be able to recommend "do nothing" options if a high holding in cash is the best choice for a client.

At their worst, the independent planner is clearly independent but that is perhaps their only virtue. They know enough to set up as an adviser – they have the qualification but they know little more. They make mistakes and misinterpretations that you cannot be expected to spot. Worse still, they are blissfully unaware of money-saving techniques or common tax-efficient alternatives.

This kind of planner's independence is a weakness. They do not update themselves on professional expertise, and they do not have a peer group at work to consult.

As time goes by, their client list grows but their knowledge base does not. They resort to hoary old maxims to get them out of answering direct questions, and where precise answers are available they serve up platitudes to cover their lack of skill.

The aligned planner

At their best, the aligned planner can offer limited, occasional advice for a reasonable price without drawing the client into an extended or expensive relationship.

They are most likely to work for one of the major banks or insurance companies, and will be 100 per cent open about their relationship with that institution, explaining to all clients the way they are paid when recommending different products or services.

Again, they should offer both a fee-based service and an ad valorem arrangement. Several aligned planners have made it to the very top of our Top 50 list.

In contrast to the independent planner, the aligned planner can focus more directly on the client because they operate inside a large ecosystem that can take care of time-consuming issues such as compliance and documentation. An aligned planner should also have a lively working relationship with other planners, and have the opportunity to be constantly briefed by the group's technical, tax and legal leaders on changing issues in the profession as they arise.

Unlike an independent planner, who may need to spend as much time building the business as servicing clients, an aligned planner should be more available at short notice. It should also be possible for advisers to cover for each other if the issue is answering a simple question.

At their worst, aligned planners know as little as bad independent planners. They are not entirely frank about the manner in which they receive commissions from larger groups, such as insurers. Though neither independent nor aligned planners accept commissions any longer from financial product sellers, there is a general exception for the sale of insurance. It is worth asking your adviser, if they discuss insurance, what their arrangement with the insurer might be.

In very unsavoury cases, an aligned planner may concentrate heavily on – or have a complete bias towards – the companies that are offering the best rates of commission. In recent times this issue has been at the core of some scandals inside the bigger banks.

The defence for commission-based advice is that it allows customers with little money to avoid having to pay fees upfront to get advice at the very early stages of wealth building. The merits of this defence have been sorely tested in a number of recent cases involving the larger banks.

Qualifications

One of the most vexed issues in financial planning is the subject of qualifications. Unlike those of many professionals, such as lawyers or doctors, the credentials needed to become a planner vary considerably.

On the one hand, a planner may have excellent qualifications. They may be an accountant or a lawyer, as well as having passed a series of financial planner exams.

In contrast, the minimum standards set for those who wish to call themselves advisers are low. An adviser may have simply sat through a series of classes during a week-long course and received a minimal qualification. This allows them to sell a limited suite of products acting under the wing of a broader licence held by their employer.

The education benchmark is the internationally recognised certified financial planner degree run by the peak body, the Financial Planning Association of Australia.

More commonly, poorly qualified advisers have managed to pass minimum standard exams conducted in a multiple choice format and offered online. The supervision of these exams is not closely monitored.

Some financial advisers are embarrassed by the ease with which qualifications can be obtained – and retained. There have been various attempts to introduce more difficult hurdle rates for exams, and at least ensure that advisers have their careers underpinned with a graduate degree before they seek to tackle specialist financial adviser exams.

Some progress is being made and the industry is working on a new standard for all advisers. Just how many are out there is unclear, largely due to the wide variation in qualifications, but surveys suggest more than 20,000 planners now work in the industry.

As always in any area of professional activity, there is a tug of war between those who need to have a regular crop of newly minted advisers, such as the big banks and insurers, and boutique financial planning operators who want to make the profession more exclusive. Dante De Gori, CEO of the Financial Planning Association, suggests the situation will get a lot better when new legislation comes into force in 2019.

"That's the kick-off date for a whole new educational regime among financial planners, where you will have to have a university degree in financial planning to register as a financial adviser," he says.

However, the relatively light regulation of the current exam system remains, and that is not doing the reputation of the industry any favours. A move to mandatory exams requiring the student to enter a monitored exam hall where there can be no assistance from colleagues would be a good start to getting that reputation back on track.

The *Barron's* method

Barron's is a respected, 96-year old American financial news weekly published by Dow Jones, which is wholly owned by News Corp. It has been rating the top financial advisers in America since 2004. Its overall goal in publishing these rankings is to shine a spotlight on the best advisers, with an eye towards raising standards in the industry.

The thinking is that the bottom 1 per cent of financial advisers garner an outsized amount of attention in the press. On the one hand, this is understandable; malfeasance and professional misbehaviour should be called out. On the other, this does little to get consumers the help they need most – in locating quality advisers who can help them with their long-term investing and financial goals. The rankings are part of an effort to remedy that.

The lists serve two distinct types of Barron's readers. For wealth management professionals (who make up about 20-25 per cent of Barron's readership), they serve as an industry scorecard. For investors (more than 70 per cent of the readership), the rankings are a tool that can help in the process of finding financial guidance.

Advisers who wish to be ranked fill out a 102-question survey about their practice. We then apply our rankings formula to that data to generate a ranking.

The formula features three major categories of data: (1) Assets, (2) Revenue and (3) Quality of practice.

Investment performance is not an explicit component of the rankings formula, because advisers' investing returns are largely dictated by the risk appetite of their client base. Rather, we look for other indicators of client satisfaction, including the amount of assets clients entrust to advisers and the fees they pay to them for overseeing the assets. Both of these numbers are indicators of the value clients believe they are receiving from their advisers.

The quality of practice component includes such things as the length of time an adviser has been in the industry; the adviser's regulatory record (which is quite detailed in the US); the certifications and designations owned by an adviser and his/her team; an adviser's charitable and philanthropic work; client retention and other factors.

Again, the goal is to shine a light on the best advisers (rather than the worst) in the hope of getting others to emulate their work, thereby raising standards in the industry.

Matthew Barthel
Associate editor, *Barron's*

Australia's Top 50 Financial Advisers

in association with BARRON'S

How we did it

The inaugural version of the Top 50 survey comprises 73 questions covering everything from the financial performance of the advisers' practices to their credentials, their education, and their charitable and philanthropic work. The goal of the ratings is twofold:

1. To provide consumers with a selection of quality advisers

2. To establish a benchmark for a high standard of client care that all advisers can emulate.

Our rating formula includes both quantitative and qualitative calculations. The quantitative includes the amount of client assets an adviser oversees and the fees generated by those assets. These dollar figures function as concrete indicators of client satisfaction – people effectively voting for their adviser's service with their hard-earned money. The qualitative factors include advisers' professional credentials, the size of their staff relative to their client base, their experience in the financial services industry and more.

To keep the survey pool focused, we created an advisory board in Australia comprising asset managers, consultants, and executives at banks and independent advisory firms. This board nominated just over 200 of the nation's best financial advisers, 96 of whom filled out survey forms for a response rate of 47 per cent.

Online at theaustralian.com.au/top-50-advisers

Rank 1
Name Scott Carmichael
Firm Escala Partners
Location Melbourne
Years of planning experience 19
Minimum account size $1 million
Size of team 4
Funds under advisement $900 million

Our advice is always objective and considered, unhibited by proprietary products or business alliances, and grounded in research.

Rank 2
Name Will Hamilton
Firm Hamilton Wealth Management
Location Glen Iris, VIC
Years of planning experience 32
Minimum account size $1.5 million
Size of team 7
Funds under advisement $400 million

Drawing on years of experience with clients and financial institutions in Australia and internationally, our advisory services continue to succeed in delivering bespoke outcomes with a strong emphasis on risk management.

Rank 3
Name Marc Smith
Firm BT Advice
Location Brisbane
Years of planning experience 18
Minimum account size $1 million
Size of team 8
Funds under advisement $375 million

My job is to break down the technical jargon in a way clients can understand and that will resonate. There is a real heart and humanity behind every decision I make for them.

Rank 4
Name Thomas Murphy
Firm Escala Partners
Location Sydney
Years of planning experience 17
Minimum account size $5 million
Size of team 9
Funds under advisement $1.1 billion

What most differentiates me is my interest in geopolitical trends influencing capital flows. This complements my investment market background.

Rank 5
Name Phillip Gillard
Firm Shadforth Financial Group
Location Sydney
Years of planning experience 21
Minimum account size No minimum
Size of team 1
Funds under advisement $297 million

To understand what is important to you, to diagnose complex issues and implement solutions. To coach you, to measure your progress. To educate you to allow you to make informed decisions.

Rank 6
Name Douglas Turek
Firm Professional Wealth Pty Ltd
Location Melbourne
Years of planning experience 12
Minimum account size $1 million
Size of team 4
Funds under advisement $300 million

Help accumulators to make work optional and the already wealthy to preserve and enjoy their financial security.

Rank 7
Name Campbell Sorell
Firm Shadforth Financial Group
Location Melbourne
Years of planning experience 16
Minimum account size No minimum
Size of team 4
Funds under advisement $259 million

Providing others with freedom and confidence so that they can spend more time doing what they love.

Rank 8
Name Mark Minchin
Firm Minchin Moore Private Wealth Advisers
Location Mosman, NSW
Years of planning experience 14
Minimum account size No minimum
Size of team 13
Funds under advisement $925 million

By providing clients with the necessary background information coupled with our financial wisdom, we enhance their financial decisions. We strive to bring greater affluence, certainty and security to their lives.

Rank 9
Name Paul Nicol
Firm GFM Wealth Advisory
Location Camberwell, VIC
Years of planning experience 18
Minimum account size No minimum
Size of team 26
Funds under advisement $700 million

We offer a full, one-stop SMSF service, including set-up, compliance and administration, investment advice and portfolio management, and accounting.

Australia's Top 50 Financial Advisers

Rank 10
Name Chris Smith
Firm VISIS Private Wealth
Location Brisbane
Years of planning experience 18
Minimum account size $500,000
Size of team 12
Funds under advisement $230 million

We offer a comprehensive range of services incorporating a traditional approach to planning supported by the latest technology.

Rank 11
Name Nerida Hicks
Firm Bridges Financial Services
Location Nowra, NSW
Years of planning experience 12
Minimum account size No minimum
Size of team 5
Funds under advisement $261 million

In everything we do we believe in challenging the "normal". We believe in thinking differently, offering a service that is friendly and simple, but which has impact.

Rank 12
Name Luke Eres
Firm Innate Financial Services Group
Location Keilor, VIC
Years of planning experience 21
Minimum account size $500,000
Size of team 10
Funds under advisement $500 million

A better life. A better business. A better world.

Rank 13
Name John Manuel
Firm Prosperity Advisers Group
Location Newcastle, NSW
Years of planning experience 15
Minimum account size $10,000
Size of team 18
Funds under advisement $465 million

One team, One plan, smart advice.
A multidisciplinary team of experts delivering holistic advice.

Rank 14
Name Neil Kendall
Firm Tupicoffs
Location Brisbane
Years of planning experience 15
Minimum account size No minimum
Size of team 22
Funds under advisement $862 million

I am the Money Worrier. I worry about people's money so they don't have to.

Rank 15
Name Sally Huynh
Firm Shadforth Financial Group
Location Brisbane
Years of planning experience 14
Minimum account size No minimum
Size of team 25
Funds under advisement $224 million

I give advice to clients like I would give to my own family, honest advice to give them realistic options to consider so they can make smarter and more sustainable financial decisions to secure their future.

Rank 16
Name Jeremy Taylor
Firm Shadforth Financial Group
Location Melbourne
Years of planning experience 11
Minimum account size No minimum
Size of team 3
Funds under advisement $211 million

I help clients clarify and prioritise their most important goals. I then use interactive cashflow modelling to test those goals and put in place the right strategies to achieve them.

Rank 17
Name Rowan Fielke
Firm Thornton Group
Location Dulwich, SA
Years of planning experience 22
Minimum account size $100,000
Size of team 18
Funds under advisement $550 million

Our holistic approach is highly personalised and maintained with strong relationships for ongoing service.

Australia's Top 50 Financial Advisers

Rank 18
Name Bentley Klein
Firm Axios Financial Solutions Pty Ltd
Location Melbourne
Years of planning experience 29
Minimum account size No minimum
Size of team 13
Funds under advisement $395 million

Helping you understand the financial impact of a decision before you make one; helping you to reach your true financial and lifestyle potential; helping you to achieve a certain future.

Rank 19
Name Troy Theobald
Firm Robina Financial Solutions
Location Robina, QLD
Years of planning experience 21
Minimum account size $150,000
Size of team 14
Funds under advisement $241 million

We inspire people to live their ideal life by helping them achieve financial certainty.

Rank 20
Name Michael Thompson
Firm BT Advice
Location Pinjarra, WA
Years of planning experience 17
Minimum account size $150,000
Size of team 10
Funds under advisement $300 million

To always put the client in a better position.

Rank 21
Name Daniel White
Firm Shadforth Financial Group
Location Brisbane
Years of planning experience 11
Minimum account size No minimum
Size of team 4
Funds under advisement $190 million

To understand my clients' goals, provide peace of mind and simplify their finances.

Rank 22
Name Peter Nonnenmacher
Firm Hillross Macarthur
Location Campbelltown, NSW
Years of planning experience 26
Minimum account size $150,000
Size of team 10
Funds under advisement $178 million

There is a lot of noise around wealth creation and not much about why. Once we know why, we can help clients reach financial freedom.

Rank 23
Name Anthony Catt
Firm Catapult Wealth
Location Norwood, SA
Years of planning experience 14
Minimum account size No minimum
Size of team 7
Funds under advisement $400 million

Our clients value our transparency, direct investment approach, income predictability and that we aim to be there when it counts.

Rank 24
Name David Pamflett
Firm BT Advice
Location Broadbeach, QLD
Years of planning experience 31
Minimum account size $50,000
Size of team 5
Funds under advisement $280 million

To provide ongoing holistic wealth creation and preservation solutions based on our high net wealth clients' evolving needs, taking into account their real fears, goals and frustrations.

Rank 25
Name Dean Gilkison
Firm Gilkison Investments
Location Como, WA
Years of planning experience 18
Minimum account size No minimum
Size of team 10
Funds under advisement $170 million

We develop highly personalised relationships with our clients and a multi-generational focus.

Australia's Top 50 Financial Advisers

Rank 26
Name John Tsiokaras
Firm BT Advice
Location Sydney
Years of planning experience 12
Minimum account size $500,000
Size of team 6
Funds under advisement $180 million

To make an impact, engage and enjoy close relationships with our client community.

Rank 27
Name George Kambouroglou
Firm BT Advice
Location Sydney
Years of planning experience 19
Minimum account size $50,000
Size of team 5
Funds under advisement $220 million

To take the financial uncertainty out of people's lives by providing affordable and valuable advice

Rank 28
Name Claire Mackay
Firm Quantum Financial
Location Sydney
Years of planning experience 8
Minimum account size No minimum
Size of team 9
Funds under advisement $313 million

I work with a select number of clients so I can give them the attention they expect.

Rank 29
Name Brett Stein
Firm BT Advice
Location Sydney
Years of planning experience 25
Minimum account size $300,000
Size of team 3
Funds under advisement $159 million

To empower our clients to make informed decisions to improve their wealth and lifestyle through personalised strategies that address all their financial planning needs.

Rank 30
Name Todd Hammond
Firm BT Advice
Location Brisbane
Years of planning experience 23
Minimum account size No minimum
Size of team 4
Funds under advisement $350 million

To create enduring personal and financial relationships with clients using a formulated and proven process.

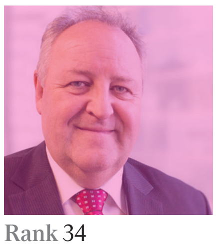
Rank 31
Name Simon Growden
Firm Shadforth Financial Group
Location Perth
Years of planning experience 21
Minimum account size $300,000
Size of team 5
Funds under advisement $143 million

Rank 32
Name Glenn Peers
Firm Bridges Personal Investment Services
Location Baulkham Hillls, NSW
Years of planning experience 14
Minimum account size $2000
Size of team 4
Funds under advisement $181 million

To provide proactive advice, outstanding customer service and value for money services that clients understand and appreciate.

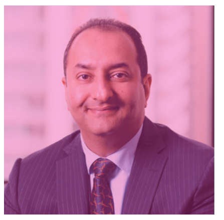
Rank 33
Name Glenn Sterrey
Firm Bentleys Wealth Partners
Location Adelaide, SA
Years of planning experience 17
Minimum account size $500,000
Size of team 5
Funds under advisement $175 million

To retain and protect the clients' capital, and then to produce above average and benchmark returns on a net after-fee basis.



Rank 34
Name Tim Donohue
Firm PMD Financial Advisers
Location Melbourne
Years of planning experience 30
Minimum account size $100,000
Size of team 8
Funds under advisement $500 million

To ensure we do the best for our clients by providing exceptional service on every occasion, offering advice in an easy to understand and professional manner.

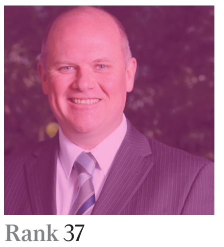


Rank 35
Name Aziz Meherali
Firm Elixir Private Wealth
Location Sydney
Years of planning experience 20
Minimum account size $500,000
Size of team 4
Funds under advisement $150 million

Integrity, loyalty, care.

Rank 36
Name Craig Butler
Firm Shadforth Financial Group
Location Perth
Years of planning experience 8
Minimum account size No minimum
Size of team 1
Funds under advisement $154 million

I offer personal financial advice, solutions and services tailored to each client's unique set of circumstances and objectives.



Rank 37
Name Tim Mackay
Firm Quantum Financial
Location Sydney
Years of planning experience 12
Minimum account size No minimum
Size of team 9
Funds under advisement $313 million

I work with pre-retirees and retirees looking to manage their family's wealth and to fund their dream retirement.

Australia's Top 50 Financial Advisers

Rank 38
Name David Fleming
Firm BT Advice
Location Bunbury, WA
Years of planning experience 19
Minimum account size No minimum
Size of team 6
Funds under advisement $203 million

Rank 39
Name Dominic Mulcahy
Firm UNICA Wealth
Location Hobart
Years of planning experience 18
Minimum account size $200,000
Size of team 12
Funds under advisement $240 million

We provide a very high level of client-centric service and support through an above-average ratio of staff to clients, and a collaborative, team-oriented and structured approach.

Rank 40
Name Gary Dean
Firm Prosperity Advisers Group
Location Sydney
Years of planning experience 14
Minimum account size $10,000
Size of team 18
Funds under advisement $465 million

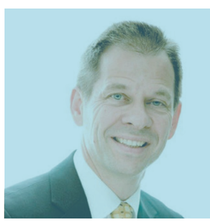
One team, one plan, smart advice. A multidisciplinary team of experts delivering holistic advice.

Rank 41
Name Linda Clay
Firm Advice
Location Brisbane
Years of planning experience 16
Minimum account size $212,000
Size of team 68
Funds under advisement $1.6 billion.

We want to create a better tomorrow for our customers, our communities and our shareholders. To do this we need to establish a culture of help.

Rank 42
Name Patrick Anwandter
Firm Strategy First Financial Planning
Location Brookvale, NSW
Years of planning experience 19
Minimum account size No minimum
Size of team 12
Funds under advisement $560 million

Providing you with the greatest chance of achieving your preferred future by helping you to make smart financial choices.



Rank 43
Name Peter Crump
Firm ipac South Australia
Location Wayville, SA
Years of planning experience 13
Minimum account size $400,000
Size of team 3
Funds under advisement $160 million

My clients are better educated on what matters to their financial situation. With that comes the confidence to make good decisions.

Rank 44
Name Gwyneira Brahma
Firm Brahma Wealth Management
Location Kalgoorlie, WA
Years of planning experience 16
Minimum account size No minimum
Size of team 14
Funds under advisement $170 million

We aim to give clients clear advice with definite results and to ensure they understand the strategies we have recommended.

Rank 45
Name Jeremy Gillman-Wells
Firm Bravien Financial
Location Yarralumla, ACT
Years of planning experience 16
Minimum account size No minimum
Size of team 12
Funds under advisement $232 million

By understanding what drives you and what's important in your life, we design the strategies to get your entire financial house in order.

Rank 46
Name Finn Dorney
Firm Shadforth Financial Group
Location Hobart
Years of planning experience 9
Minimum account size No minimum
Size of team 5
Funds under advisement $110 million

Rank 47
Name Ben Calder
Firm Calder Wealth Management
Location Adelaide
Years of planning experience 22
Minimum account size $100,000
Size of team 14
Funds under advisement $196 million

To guide people and their families to live their ideal fullest lives.

Rank 48
Name Bert Dugdale
Firm RI Advice Alderley
Location Brisbane
Years of planning experience 14
Minimum account size $50,000
Size of team 6
Funds under advisement $122 million

We provide good, honest, friendly advice, easy to understand and tailored to client's needs.

Rank 49
Name Anne Graham
Firm Story Wealth Management
Location Hawthorn, VIC
Years of planning experience 18
Minimum account size No minimum
Size of team 9
Funds under advisement $265 million

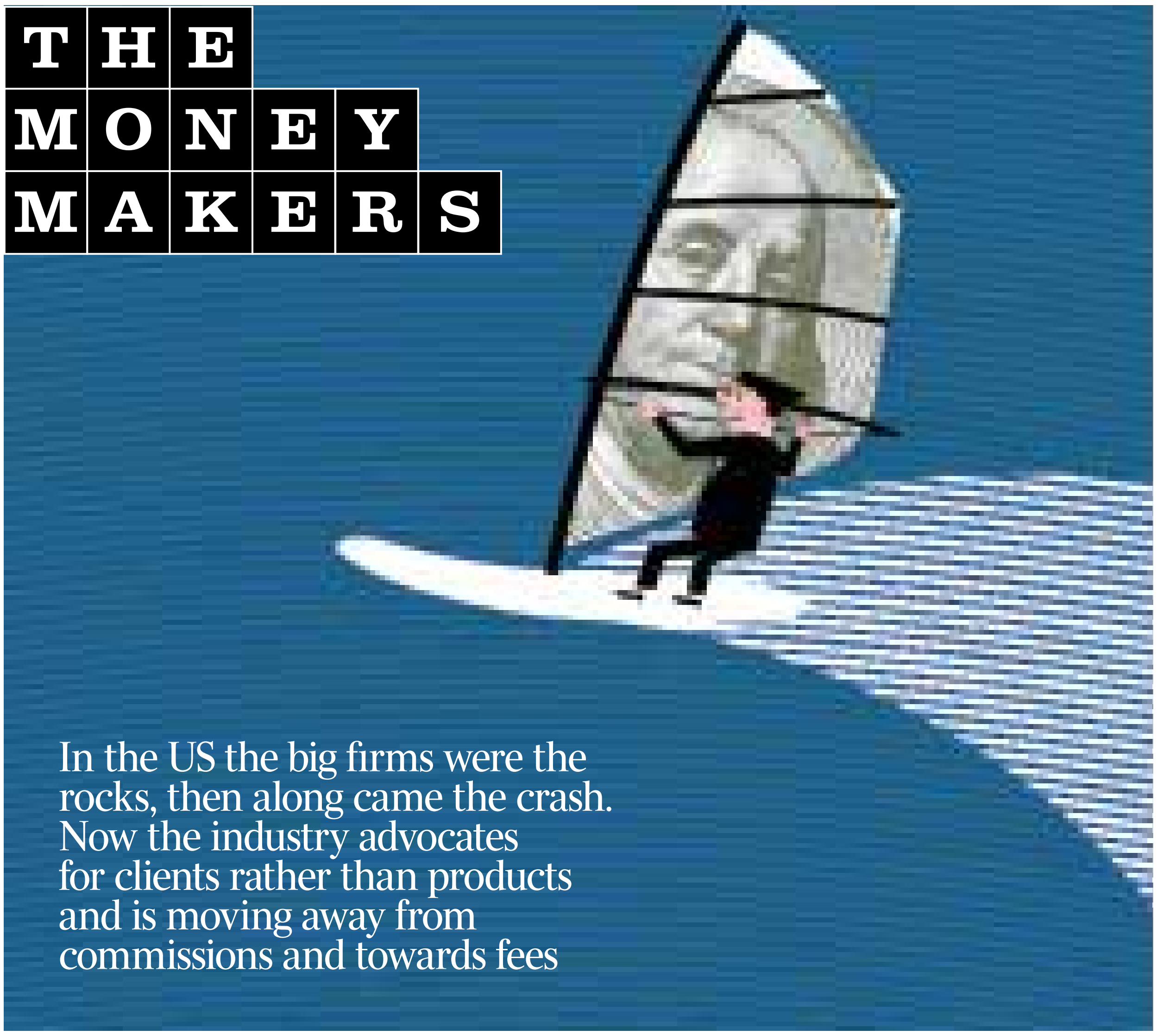
We give you the confidence to take control of your life and write the next chapter.

Rank 50
Name Liam Shorte
Firm Verante
Location Castle Hill, NSW
Years of planning experience 12
Minimum account size $200,000
Size of team 8
Funds under advisement $220 million

We work with professionals and white collar clients who are planning to be financially independent within the next 10 years.

Several firms on the list are subsidiaries of banks or are licensed through interests connected with banks. For example, RetireInvest (RI Advice Alderley) is owned by ANZ; Elixir Private Wealth is a representative of Godfrey Pembroke, a subsidiary of NAB; the BT Advice group is owned by Westpac; while the Brahma, UNICA, Story Wealth and Verante groups operate under licences ultimately controlled by Westpac. Planners may have similar connections with insurers or wealth management groups: the Shadforth group is owned by IOOF. Calder, Catapult, and PMD operate under licences controlled by IOOF. Prosperity, Axios, Bravien, Hillross Macarthur and ipac operate under licences ultimately controlled by AMP.

THE MONEY MAKERS



In the US the big firms were the rocks, then along came the crash. Now the industry advocates for clients rather than products and is moving away from commissions and towards fees

The state of the States

Story by: Ross Snel

Illustration by: Steven Moore

Just as recent Australian bank scandals have eroded investor faith in advice, the financial crisis of 2008 jarred Americans' trust in advisers. The industry recovered, and it is moving closer to the day when advisers will enjoy the same level of trust as a doctor. Compensation continues to shift toward a fee-based model and away from the commissions that can create conflicts of interest. With a spirit similar to Australia's Best Interests Duty (the section of the Corporations Act requiring financial advisers to act in the best interests of their client), new regulations are pressing more advisers to act as fiduciaries, accelerating a move that was already under way.

At the same time, the technology underpinning the much-hyped robo-advisers is transforming the way all sorts of firms serve clients.

"Financial professionals continue to move away from being professional sellers to being professional buyers, from being product advocates to being client advocates, from a commission structure to a fee structure, and overall, away from a suitability standard toward a fiduciary standard," says Mark Tibergien, CEO of BNY Mellon's Pershing Advisor Solutions, which provides custodial services to advisers.

To understand where US wealth management is headed, however, it's useful to take a look at its past.

During the 1970s, retail banks controlled much of the advisory business, notes Charles "Chip" Roame, managing partner at Tiburon Strategic Advisors, an industry consultant. But during that decade and the next, full-service broker-dealers with nationwide operations, such as Merrill Lynch, emerged as "massive players". These broker-dealers are still known in the industry as "wirehouses", because local branches once sent trade orders to headquarters over telegraph lines. Their business focused on transactions: the buying and selling of securities such as stocks, bonds and mutual funds.

Although brokers would offer advice, clients paid fees to execute trades and compensation was based on commissions. Then in the 1990s, discount brokerages such as Charles Schwab took to the internet, following online upstarts such as E*Trade. They popularised low-cost securities trading for self-directed investors who didn't want guidance.

Although discount brokerages tended not to offer advice, they were opening up trading to a less well-heeled clientele. Significantly, discount brokerages would later add advice – some of it not even human – to their offerings in an example of how once-clear industry distinctions blur over time.

Meanwhile, something else was under way as a number of advisers were setting up shop as independents. Some opened firms known as registered investment advisers, or RIAs. These firms charged a fee, not commissions, to manage clients' investments, often complementing that advice with planning on taxes, estates and trusts.

The RIA movement led to a bifurcation of the way various advisers were regulated. Depending on their size, RIAs must register with the Securities and Exchange Commission (SEC) or state authorities. They also have to meet a fiduciary standard, placing clients' interests first. That sets them apart from their counterparts at broker-dealers, who report to a different regulator, the Financial Industry Regulatory Authority, and must meet a lesser "suitability" standard. They must put clients in investments that are merely suitable, and this doesn't prevent them from selling products that compensate them better at clients' expense.

Other independents emerged as representatives of independent broker-dealers, or IBDs, which provide back-office services such as trade execution and compliance but tend to give advisers more freedom than wirehouses do.

Joining the ranks of both RIAs and IBDs were "breakaway" brokers leaving wirehouses because they wanted to run their own businesses or escape pressure to sell proprietary company products.

Both sorts of independents "gained huge traction" in the 2000s, Roame says.

By the middle of that decade, things were looking good. The US economy was expanding, the stock market was recovering from the dotcom crash, and many people were working as advisers. Total head count in 2005 was just over 350,000, according to research firm Cerulli Associates.

Then the financial crisis hit. Markets went into a tailspin, shaking investor faith in Wall Street, which was at the centre of the storm.

"We saw Bear Stearns go under, Lehman Brothers go under, and Merrill Lynch bought by Bank of America," says Alois Pirker of Aite Group, a financial services research and consulting firm. "Those big firms had been seen as the rocks that couldn't be moved, as having stability."

For a time the crisis also appeared to call into question the diversified portfolio strategy that so many advisers had championed for managing risk. Supposedly non-correlated assets were swooning simultaneously, and some investors lost hope that their holdings would recover.

Scott George, the president and CIO of The Mason Companies, an RIA in Reston, Virginia that manages $3.1 billion for individuals, recalls having to talk investors "off the ledge" and convince them not to cash out at distressed prices.

As the markets recovered, the benefits of diversification became clear again. It took the S&P 500, a benchmark for large-cap US stocks, more than five years to surpass its pre-crash peak, but diversified portfolios took less time.

"After the financial crisis, we calculated our peak-to-peak break-even was 22 months for our growth strategy," George says.

In the wake of the crisis, the migration of investors to RIAs from wirehouses – a trend already in place – picked up steam. "All of a sudden the notion that RIAs, which had been considered risky because they're small, and big firms were safe, was thrown into question," Pirker says.

Adviser head count shrank after the crisis and by the end of 2015 stood at 310,504, according to Cerulli Associates. Even so, the percentage of advisers working at all types of RIAs jumped to 19.2 per cent in 2015 (the latest year for which Cerulli data is available) from 8.8 per cent a decade earlier.

The financial crisis and a concurrent scandal – the exposure of financier Bernie Madoff's massive fraud – made investors more cautious about where they got financial advice. They also started asking better questions.

George at The Mason Companies says the firm's clean regulatory record is disclosed on a standard form that RIAs must file with regulators. "That's something that clients ask about now," he says. "They never used to pay attention."

Pershing Advisor Solutions' Tibergien says that the greatest impact of the crisis, however, was discouraging young people from becoming advisers.

"The talent shortage is acute and perhaps the biggest challenge facing the industry today," he says. "Without more people coming into the business, advisory firms are quickly running out of capacity to serve clients. As a result they are slowly moving upmarket and abandoning those who may need help the most."

Different regulatory standards for advisers at brokerages and RIAs remained in place, but that is changing. A rule crafted by the Department of Labor during the Obama years requires all advisers working on tax-advantaged retirement accounts to meet a fiduciary standard. It took partial effect on June 9, but its ultimate fate is in limbo after President Trump asked the department to review it. States are getting into the act, with Nevada imposing a new law in June.

"It's important to emphasise that the fiduciary standard has existed in the RIA world since the Securities Act of 1940, which created the concept of an investment advisory," says Tibergien. "But that is a principle, not a rule. What came out of the Department of Labor was a rule with behaviours more clearly defined and the opportunity for litigation more real."

Even though the DOL rule didn't follow Australia's lead and ban commissions, wirehouses have moved toward eliminating or reducing the use of commission compensation on these retirement accounts to ensure compliance.

Proponents say that the rule will benefit retirement savers by eliminating conflicts of interest that can hurt account performance. Industry critics counter that it will increase clients' costs or make it uneconomical for brokerages to serve smaller investors.

Even if the DOL rule is watered down or revoked, the industry is already moving away from commission-based compensation and toward a fiduciary standard. RIAs, which charge fees and already have to meet a fiduciary standard, are the fastest-growing advisory channel, with about $3.8 trillion in assets now under management, according to Roame. Tibergien says that since 2008 there are 1400 fewer broker-dealer firms, while in the past year alone 750 new RIA firms were established.

Additionally, even large wirehouses such as Merrill Lynch and Morgan Stanley have been shifting more of their business serving wealthy clients away from commissions. One reason is that fees based on assets under management can generate predictable, recurring revenue streams. Pirker notes that 40 per cent of wirehouse client assets are now in fee-based accounts.

Technology has long been a transformative force in the advisory space and the digital trend receiving a lot of attention in the States right now is the proliferation of so-called robo-advisers – online platforms that provide automated guidance, portfolio construction and trade execution.

These firms are hardly new, of course. US pioneers Betterment and Wealthfront were founded in 2008, and robo-advisers have sprouted in other countries, with Australia's Stockspot and Ignition Direct being two examples. But now large discount brokerages and wirehouses are jumping on board, sometimes melding robo and human advice.

For example, Schwab opened an automated service for investors with as little as $5000 in 2015. Then this year it launched what could be called a cyborg: Schwab Intelligent Advisor provides automated account management and unlimited access to a human consultant via phone or video conference.

Merrill Lynch rolled out a robo-adviser in February that could help it win clients who traditionally could not afford full-service options.

The shift toward a hybrid approach is also coming from the digital upstarts, with Betterment earlier this year launching new plans that include access to human advisers.

Pirker says that while there may be technology-only or adviser-only services in the future, "the majority will be somewhere in the middle".

Another key trend is consolidation, with large RIAs such as HighTower Advisors and United Capital Financial Advisors scooping up other firms. This race could see the emergence of a large nationwide RIA capable of selling stock and becoming a public company.

"Consolidation continues to accelerate," Tibergien says. "However, it is driven less by old advisers dying and retiring and more by growth-oriented advisers trying to build brands, efficiency, market presence and capacity."

He says this will eventually result in 10 or 12 national RIA firms and probably 50 to 60 super-regional firms. "In some respects they are following the lifecycles of law firms, accounting firms and other professional enterprises," says Tibergien.

While the exact outcome of all these changes remains to be seen, the future seems bright for companies offering good advice. The financial crisis taught many individuals the importance of a sensible investment plan that controls risk. And there's plenty of money out there to be managed: Cerulli estimates that total investable assets among the estimated 125 million US households stood at $34 trillion at the end of 2015. **D**

Ross Snel is an American business journalist.

Australia's Top 50 Financial Advisers

THE MONEY MAKERS

Counsellors for a new world

DAVID GERAGHTY

Scott Carmichael

Story by:
Richard Gluyas

Escala Partners

For Scott Carmichael, the fundamental rules of investment hold just as true in the eye of a storm, such as the 2008 financial crisis, as in the calm that precedes it: Don't follow the pack, stick to your own strategy, focus on the long term.

Carmichael remembers the 2008 crisis well. He was attending a conference in Asia with then-employer UBS as all hell broke loose back home and the market crashed 7 per cent.

"It was mayhem and a deeply emotional day for a lot of people," he says. "I remember fielding a lot of calls and having conversations with people who were genuinely scared about the future.

"No one really knew what was going on but clients need to know you're there for them, and the truth is that if you went into the crisis with a well-diversified, well-balanced portfolio, you can look back now and know that you came out of it pretty well."

Timing is important in investment and it can be equally critical for a career in wealth management. After 14 years at UBS, Carmichael and a handful of colleagues left UBS in 2013 to start Escala Partners, a boutique, Melbourne-based wealth advisory firm that caters for ultra-high net worth individuals and families.

Escala is derived from the Spanish word "escalera", meaning to climb. The firm's head office at the top end of Collins Street features an extraordinary, 9m custom-designed Chesterfield lounge that runs the length of the reception area, where clients are handed a leather-bound food and drinks menu, including cocktails, to choose from.

The fitout is all part of the Escala experience, which has helped Carmichael earn top spot in the Top 50 Financial Advisers survey.

Carmichael, 45, has a client list of more than 50 wealthy individuals and families. Mostly they value their anonymity, although Intrepid Travel co-founder and chief executive Darrell Wade is quoted in an Escala promotional brochure as saying he has worked with Carmichael for more than 10 years.

The reason, Wade says, is Carmichael understands his "idiosyncratic" ways and has always had the same approach to his evolving financial needs – first, listen carefully; second, consider the appropriate options, and third, present logical solutions.

Carmichael's core investment rules are homespun and simple. When he counsels to invest for the long term, he doesn't mean for three or even five years. He's talking about generations.

"I know investing for the long term is a throwaway line these days, but the best way to have a strategy go wrong is to change it halfway," he says.

"I deal with multi-generational clients, so you're looking at anything from 10 to 20 years. If you have a sound strategy and you leave it for 10 to 15 years, it's going to go well."

Investment advice varies according to the client's needs. An ultra-conservative investor who values capital conservation above all else will naturally have a very different asset allocation from someone who is prepared to migrate up the risk curve in pursuit of long-term growth.

Carmichael says his objective for a hypothetical investor around the mid-point of those two extremes is to double the risk-free rate of return through the economic cycle. The risk-free rate of return is equivalent to the interest rate on a 10-year government bond.

"In today's environment, the risk-free rate of return is pretty low, so if you normalise it and double it you're looking at a 7 to 9 per cent annual return, which is pretty good, long-term annual growth," Carmichael says. "That might sound like unders to some people, but when you're dealing with clients with a lot of money there's going to be a bit more conservatism with some of them.

"I'm reasonably conservative so I'm not going to make big promises. If someone comes to me and says, 'I really want to drive returns and drive them hard', then I'm the wrong guy. If I lead (my advice) with returns, I'm not going to be managing expectations very well."

Carmichael's assessment of the investment environment is reasonably consistent – there are always things to worry about; it's just that they differ from time to time.

Growth at the moment is relatively subdued, with confidence levels sapped by a high level of political uncertainty. With the exception of Europe, asset markets look fully valued, or thereabouts.

The local dollar, he says, looks "interesting", because the convergence between the 10-year bond rate in Australia and in the US would normally suggest a fall in the value of our currency. The fact that it hasn't could point to weakness in the US economy.

"It's hard to know where to go right now," Carmichael says. "I'm very happy to be buying the Australian sharemarket around the 5600-5700 range, because if I invest correctly I know I can walk in on January 1 and clip a 7 per cent, fully-franked return, and if I compound that for five years I'm quite comfortable."