



Express your individuality in the world of investment choice

“What should I do with my money?”

Most financial advisers, when asked this question by a client, adopt the traditional approach of investment in managed funds, typically accessed through what is termed a master trust or wrap platform.

This recognises that the financial adviser, in implementing wealth creation structures and strategies for you, requires the services of a professional investment manager (accessed through a managed fund) in the day-to-day management of your money.

Managed funds involve the pooling of assets for a large number of investors into a single fund that is then invested on their behalf, with returns allocated based on the number of units held.

Such an approach undoubtedly is of advantage for smaller investors

given the benefit of professional management and access to investment opportunities they would otherwise miss.

“But I don’t think managed funds are for me?”

The managed fund approach has its shortcomings, the most common of which are tax and transparency related.

If an investor buys units in a managed fund just before the fund sells a stock which, for example, has doubled in value, the new investor is hit with a capital gains tax liability immediately. And, in

the ongoing management of the fund, the investment manager at no time makes decisions having regard to each investor's tax position.

It is often said tax is an investor's greatest expense. Yet you are paying a fee to the fund without this being considered.

As a consequence, larger investors take a different approach, that is, to invest directly.

This is typically done either:

- on a do-it-yourself (DIY) basis (e.g. buying and selling shares over the internet),
- through a stockbroker (what is termed an advisory relationship – the stockbroker will make a recommendation to you and you agree or not to go-ahead with that decision); or
- via a financial adviser (again on an advisory basis with the financial adviser, acting as an intermediary and/or sounding board, usually transacting on your behalf through an on-line broker or stockbroker).

Whilst this comes with the benefits of direct ownership i.e. clear entitlement to franking credits attaching to shares, flexibility of making buy and sell decisions according to your tax position etc., it does not come with the benefits of professional investment management afforded by managed funds.

These encompass skills in constructing portfolios, day-to-day active management of portfolios, the applied research in terms of stock selection and access to macro-economic data which can play a part in decision-making.

These direct approaches are the domain of DIYers who are willing to take an active interest in their investment affairs and accept overall responsibility for performance of their portfolio, as at no stage do any of the other parties take on this responsibility.

"I like the direct investment approach but am a doctor, not an

investment manager – and just don't have the time or experience"

If having a professional investment manager to take responsibility for the management and performance of your very own portfolio has appeal, don't despair. There is another option – a Managed Account.

A Managed Account, initially developed in the US, is an account whose key feature is that the underlying assets are held personally by the investor. It does not involve pooling of assets or you being a unit holder. You have your own portfolio, with holdings in your own name.

Managed accounts come in various forms, the two most common of which are a Separately Managed Account (SMA) and an Individually Managed Account (IMA).

The essential difference between the two is the legislative framework which governs the operation of each.

A SMA is accessible much like a traditional managed fund through a Product Disclosure Statement (PDS).

A SMA is thus a "united managed fund", whereby you have a portfolio of directly held investments managed by a professional investment manager who uses a model portfolio approach, implementing the same investment decisions across all accounts generally without taking into account your personal circumstances.

A SMA is viewed as an alternative to the traditional managed fund.

It is typically seen as being at the lower end of the value scale given it is a managed fund replacement.

"OK, I am interested but I want something with a fuller service offering allowing for my own circumstances now and in the future"

This is where an IMA fits in.

An IMA is a portfolio management service for high worth clients, whereby the professional investment manager implements decisions across your portfolio, based on the mandate you have agreed with them and with full consideration of your personal circumstances. Some of these relate not only to your tax position but also to

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“An IMA is not for everyone. It suits an investor who has or is coming into some wealth but does not have the time, inclination or experience to run their money – yet wants a couple of professionals to run it, as they would like it run.”

your investment preferences (e.g. as a doctor, you may not want to invest in a tobacco company from an ethical perspective).

With an IMA provider, you will also not only have access to an investment management capability customized to your unique situation but also to a financial advisory offering.

This means any financial advice around structuring and strategies is closely aligned with the mandate attached to managing your money. It all happens under the one roof.

These roles are separate with SMAs, as exemplified by the fact that financial planners use SMAs in place of traditional managed funds i.e. as a product replacement, not a change in service offering.

The overall relationship with an IMA provider is more akin to a “family office” style arrangement, where any issue attaching to the client’s financial affairs can be coordinated at this level, given the knowledge of the client.

An IMA is not for everyone. It suits an investor who has or is coming into some wealth but does not have the time, inclination or experience to run

their money – yet wants a couple of professionals to run it, as they would like it run.

Essentially it is a Do It For Me offering as opposed to Do It Yourself.

“I like the sound of this IMA . But what are the negatives?”

Hard to find once you accept the fact that entrusting an IMA provider to manage your money is not dissimilar to giving over your money to a managed fund-just that with an IMA provider you can actually see what you own !

One of the disadvantages floated within the industry is that, for the IMA provider, the individualised nature of the service can mean IMAs are labour-intensive.

It is said IMA providers don’t possess the economies of scale in transacting on your behalf that more mass market SMAs and managed funds have.

Whilst perhaps justifiable in certain circumstances in the past, technology has served to level the playing field in recent times – as is the case with technology in general. And will only continue to reduce the cost of delivering this offering as the popularity of IMAs grows.

- So, if you tick yes to the following:
- an individually tailored portfolio;
- the benefits of direct share ownership;
- attention to and consideration of your tax position;
- a transparent fee structure;
- all paperwork attended to by someone else;
- easy accessible on-line reporting;
- access to your own portfolio manager as well as financial adviser under the one roof; and
- no tax impact if you wish to change service providers, given stocks are in your name an IMA is hard to beat.

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Geoff is a co-Executive Director of Accordius, a privately-owned personal funds management business, based in Melbourne.

Nurturing your medical wealth

How personal are your investments?

Are your investments tailored to your needs?

Do you always know what you are invested in?

Are your investments structured to allow for effective tax management?

Are you aware of all the fees being charged against all your investments?

Is the person making investment decisions on your behalf a full time fund manager or just a relationship manager? Do they do their own research or just follow the recommendations of others?



AT ACCORDIUS we know that you have worked hard to create your wealth. We work one-to-one with our clients providing them with Individually Managed Accounts that are tailored to maximise returns.

We have the flexibility to either work with your own financial advisor or, if required, provide high quality, unaligned advice. We believe in complete investment transparency. You can see every transaction made on your behalf.



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If answering yes to the above questions is important to you then you should
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