



Tap to
enlarge
photos

Midwinter 4th Annual Adviser Roadshow 2011

Advisers across the country gathered at the fourth annual Midwinter Roadshow to discuss strategic advice, portfolio management and how to demonstrate value to clients.

By Elise Burgess

Over 1,500 advisers in five Australian cities attended this year's annual Midwinter Roadshow to learn from key industry leaders about the future of the advice industry and the changing role of advisers.

"This feels like the largest gathering of advisers for any roadshow I can remember," said Matthew Esler, executive director, Midwinter, at the start of the Sydney Roadshow.

"It shows just how dedicated and keen the advice industry is, ready to learn more about their industry and to find out what they can do for their clients."

Esler and Peter Burns, national distribution manager for Midwinter, took turns speaking to delegates about the need to demonstrate the value of advice, involving the client in the portfolio creation process and building stronger relationships.

"Opt-in is completely unnecessary if you do this right," said Esler. "Clients will want to sign up with you. You won't have to fight for it."

Nat Fienes, NSW and ACT state manager for event sponsor, Praemium, highlighted how portfolio management and smart practice operations can generate adviser firm efficiency.

Smart Investing

Daniel Needham, managing director for event sponsor Ibbotson Associates, joined the event with a state of the market summary, surprising delegates with the opinion that while the equities space had experienced market volatility, they are not the worst investments at this time.

"Equities are slightly cheaper than normal but it is bonds that are very expensive now with low yields. The issue with equities at the moment is that while they are cheap, the profit margins are very high with a potential downside risk to earnings," said Needham.

Needham predicted that Australian equities including dividends would provide less than 3% inflation adjusted over seven years, although it was Australian REITS that were Ibbotson's pick.

"We think Australian REITS are one of the best sectors to invest in right now in Australia."

"The grade-A prime commercial property sector is very attractive right now, it hasn't had the same high response as previous cycles and foreign investors are keen, creating positive and sustainable payout ratios around these assets."

Needham suggests those advisers with a portfolio of bonds with



The quote

Advisers will have to deal with inflation risks, it's not going to go away, we need more focus on longevity risk and they need to have around 30% allocation into annuities."

Jeremy Cooper
chair of Challenger
Retirement Income



Media Partner
*Financial Standard
was the media
partner of this
year's Midwinter
Adviser Roadshow.*

constant duration should prepare to lose money due to inflation globally, but they will make a little money back within Australia.

"All that said, for us, cash is still the place to be. It doesn't have the same duration risk of volatility that bonds do."

On a broader scale, Needham also predicted Australia will face significant challenges but unlike the rest of the world, it will not be from government-led deleveraging but from private sector-led deleveraging.

"We have some of the most highly leveraged consumers in the world, we borrow huge amounts of money and we tie it to overvalued assets like residential property."

However, it seems our redeeming factor is our terms of trade, with resources adding real value to the power of Australia's output to build the nation's wealth.

"But at the same time, mining investment is actually creating significant inflationary pressures due to our constrained economy," Needham told delegates.

"We think the global recovery will continue to be challenged by deleveraging, but also from global inflationary pressures from the emerging world.

Jennifer Brookhouse, technical manager for MLC, added to the morning session with energy about insurance, comparing the benefits of holding insurance within super to those that don't and the tax deductibility of each approach.

"Advisers have to keep in mind several factors when it comes to insurance such as cashflow, taxation, beneficiaries and timeliness."

Jeremy Cooper, chair of Challenger Retirement Income, followed Brookhouse on stage to enlighten the crowd about the threats of longevity, inflation and market risks on retirement savings.

"We need to look much more closely at how retirement products perform at the retiree level," Cooper said to attendees.

In 2010, 69.1% of people aged 65 and over received either a full (41.5%) or part (27.6%) age pension, further proving to be the bedrock of most people's retirement incomes yet it is not enough to support even a modest living standard.

Cooper said retirees need a further stream of guaranteed income before they can afford the uncertain cash flows and volatility of investing in growth assets.

"It's that simple."

Pushing private pensions as a good alternative for portfolio constriction, Cooper identified common issues advisers come up against but also common solutions that Challenger supports.

"Advisers will have to deal with inflation risks, it's not going to go away, we need more focus on longevity risk and they need to have around 30% allocation into annuities."

Cooper spoke of the benefits of annuities as the new asset class, especially for advisers who have retiree clients, and suggested a 30% asset allocation towards annuities.

"Annuities are a new asset class that we think is coming back into people's consciousness, they are simple to use and for the customer to understand," said Cooper.

By the close of the final session, advisers were left with a positive outlook for their practices and with helpful tools they can implement immediately to get the most from their business.

Midwinter's managing director, Julian Plummer, said the 2011 event was a huge success.

"The calibre of speakers provided attendees with insight into implementing high quality financial advice in a post-FOFA world."

"The vast array of topics were extremely well received by all attendees due to the high level of expertise of the presenters and the evident depth of research and knowledge they demonstrated," said Plummer.

"We are already planning next year's event which is expected to be bigger and better than ever." **FS**