

# How to choose the right dealer group

Identify the key criteria for assessing which dealer group you should join.

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Understand why price is the least important factor when selecting a new dealer group.

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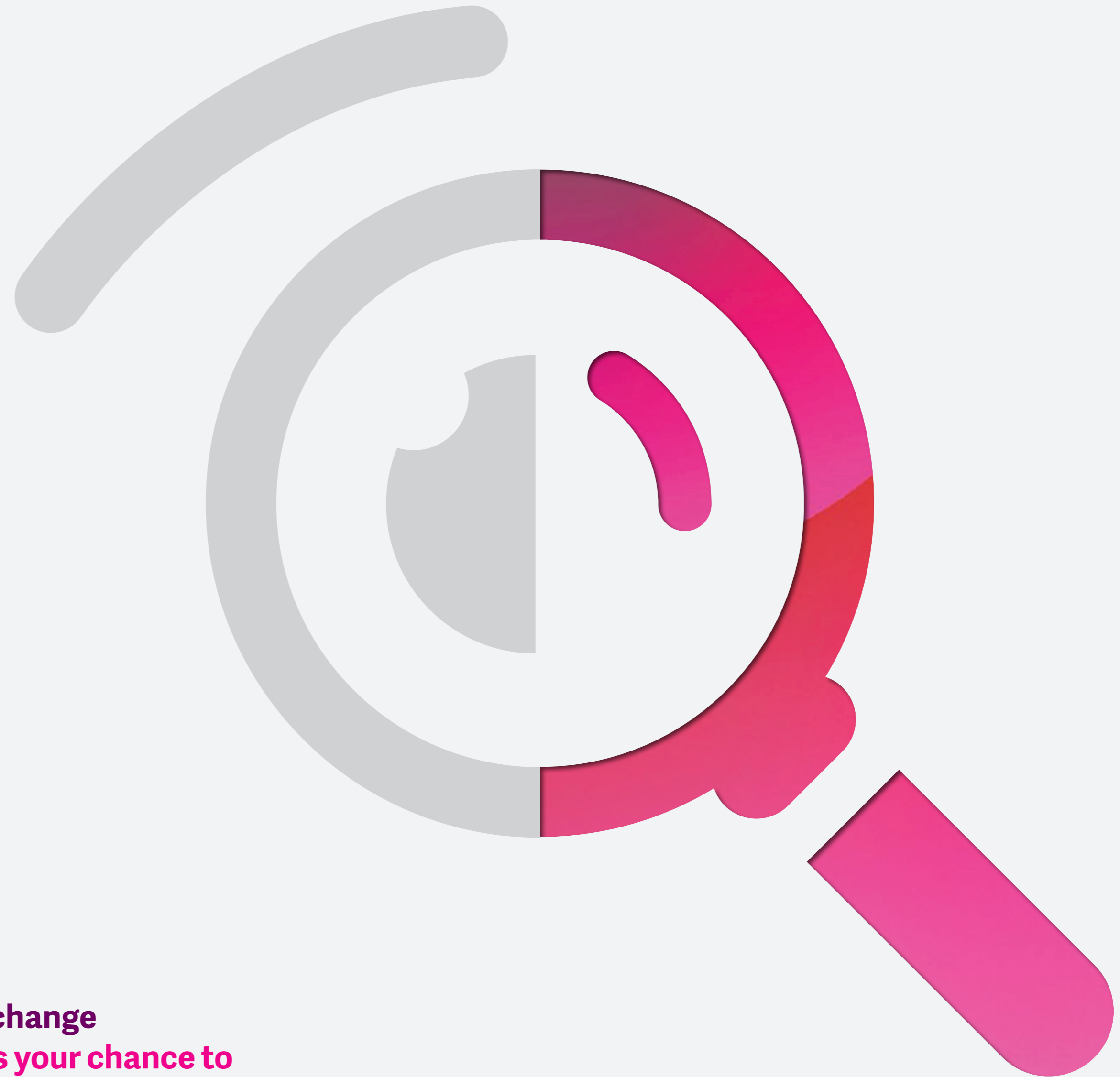
Assess how compatible a prospective dealer group is with your personal and professional values.

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Appreciate the significance of reputation when considering which dealer group is best for you.

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Know how to choose the dealer group with the right approved product list (APL) and business management services for your practice.



**With change  
comes your chance to  
explore new perspectives.**

# How to choose the right dealer group

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## Introduction

# Seeking an alternative

From the 1990s to the early 2010s, the 'big four' major banks and AMP licensed many financial advisers under their primary brands. They also built or acquired subsidiary financial advisory groups with brand names that offered little indication of their connection to their institutional parents.

The Commonwealth Bank, for example, licenses advisers through its Count Financial and Financial Wisdom brands (in addition to Commonwealth Financial Planning). ANZ has direct links to firms such as OnePath, Financial Services Partners, RI Advice Group, RetireInvest and Millennium 3 Financial Services. NAB has MLC, Godfrey Pembroke, Garvan Financial Planning and Apogee. Westpac has BT Advice, BT Select,

Securitor and Magnitude. And AMP licenses advisers via the Hillross Financial Services and Charter Financial Planning groups.

So dominant have the large institutions been in the advisory space that, until relatively recent times, many financial advisers felt they had little choice but to engage with one of them to ply their trade.

However, following the implementation of the Future of Financial Advice (FOFA) reforms and, even more recently, the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, this institutional dominance of the profession has become increasingly



**Many advisers now appear to be seeking an alternative to institution-aligned licensees.**

problematic.

Many advisers now appear to be seeking an alternative to institution-aligned licensees.

One option is for advisers to apply for their own Australian Financial Services Licence (AFSL). However, for those who do not wish to take on the administrative burden of managing an AFSL, the favoured alternative is to join one of the growing number of non-aligned dealer groups.

The process of selecting the right group, however, is not simple or straightforward. Advisers need to think carefully about what they're looking for in terms of a new, compatible dealer group 'home'.

## Introduction

If you're an adviser contemplating a move from an institutional dealer group to an alternative, this guide offers a fresh perspective, outlining the criteria you might consider in deciding which group is likely to suit you best.

### The primary criteria we address here are:

- Cultural compatibility
- Dealer group reputation
- Approved product list (APL) management, and
- Business management support.

It may surprise you to learn that the one thing most commentators in the profession agree on is that price should not be the primary criterion.



Advisers need to think carefully about what they're looking for in terms of a new, compatible dealer group 'home'



## Introduction

# Price – the least important factor

Too often, advisers choose to join a dealer group based on the sole criterion of price. At Netwealth we believe that, while this may be understandable, it is invariably a short-sighted perspective.

If the price is low, it's for a reason – and that reason might not equate with your long-term best interests as a professional financial adviser.

For example, the group may be subsidised by a product manufacturer, in which case you're likely to feel constrained by a limited approved product list (APL). This situation would prove to be no better than working with an institution-aligned licensee.

Other dealer groups may enable a low price through a reduction in

service delivery standards. If you're a professional adviser who takes pride in serving your clients' best interests at all times, you will inevitably struggle to succeed in such a compromised environment.

GPS Wealth managing director, Grahame Evans, believes it's essential for advisers to carefully consider what they receive for the fees they pay.

"What you put in your pocket is what counts," Evans says. "If your licensee is able to help you grow your business substantially, even though their fee is 30, 40, even 50 per cent higher than somebody else's, that's relevant because you've got substantially more in your pocket at the end of the process."



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With a reduced price, you can expect licensing and, perhaps, some compliance support, but not much more.

As Dennis Bashford, executive chairman at Futuro Financial Services, says, "with a cheap dealer fee, you can't get much. Too often, you look at what's promised by a dealer group, then you look at the low dealer fee, and you can see those promises simply aren't going to be met."

## Criteria for choosing a dealer group

# Cultural compatibility

The first criterion to consider, when deciding which dealer group to join, is cultural compatibility.

The licensee you select should understand you and your business, and be willing to support your efforts to operate a sustainable financial advice practice that provides outstanding service to your clients. This can only happen if you, the dealer group principals and the group's other advisers all share similar objectives, values and philosophical perspectives.

To begin, we suggest assessing business compatibility in terms of products, market positioning and the types of clients you serve.

Neil Younger, managing director and

Group CEO at Fortnum Private Wealth, says this requires asking yourself specific questions such as:

- What's my business model and is that business model supported by the licensee?
- Do I want to run a business using managed accounts?
- Am I looking for a managed discretionary account service capability?
- Am I dealing with high net worth clients where I need certain types of investment solutions available to those clients?

"You start, first and foremost, with what support your business really needs,



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and that helps you categorise which licensees are able to do that."

Once you have addressed such business-related questions, it's time to delve deeper into questions of personal and cultural compatibility.

"The second layer is around cultural fit and philosophical alignment," Younger suggests. "What's the licensee's proposition really about? What types of advisers are in that license today and do I fit? If I'm a risk specialist and the whole licensee group is full of investment specialists, I'm not really going to fit. Do I fit that licensee in terms of the types of people there – because licensee businesses bring together a community or collaborative culture?"

## Criteria for choosing a dealer group

When you're developing your shortlist of dealer group candidates, it's worth first listing your personal preferences and the cultural attributes of your business. For example, is your general outlook conservative or forward-thinking and innovative? Which do you value more – autonomy or sharing? Do you prefer your practice to be a high-tech or low-tech enterprise? Do you lean more towards radical transparency or polite discretion?

If your business is innovative, high-tech and radically transparent, you're unlikely to find a happy professional home in a dealer group that has a conservative, low-tech, reserved approach to business and communication.

Grahame Evans believes personal compatibility is at least as important, if not more so, than business considerations.

"I prioritise cultural fit as number one,

from the perspective of the type of person the adviser is," Evans says. "They need to fit with the values, beliefs and approach of the licensee and the majority of advisers in the group.

"For instance, if you were somebody who just wanted to be left alone, you wouldn't do very well at my firm, because we are highly inclusive and thrive on people sharing information and knowledge and helping each other."



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Grahame Evans



## Criteria for choosing a dealer group

# Dealer group reputation

The market reputation of the dealer group you join is an extremely important factor to consider. If you join a group that has a poor reputation, you are immediately infected by the stigma.

You should undertake due diligence on potential dealer groups well before you make the decision to join. Read as much as you can, from media news stories to ASIC and APRA records, to find out whether the licensee or its officers have been involved in disreputable practices over the past decade. And ask as many people as you can.

"You've got to do your research," says Grahame Evans. "Ask around about what

about what is known about the people who run the business. What's their reputation in the marketplace? As my mother used to say to me, 'If you lay down with dogs, you get up with fleas'.

Dennis Bashford agrees.

"Have a look at the reputation and character of the people running the dealerships," he says. "Have a look at their compliance history, whether they've had planners who have had enforceable undertakings (EUs), or whether the license has had EUs."

Just as an association with a licensee that has a poor reputation can harm the standing of your business in the market,



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Dennis Bashford

that has a poor reputation can harm the standing of your business in the market, joining a premium licensee with a highly-reputable brand can immediately enhance your status and that of your practice. This can represent a tangible benefit in terms of supporting your sales and marketing efforts.

Another clue to whether a dealer group has a positive reputation is the extent to how rigorously the group undertakes its due diligence on you and other advisers who apply to work with them.

A reputable dealer group is generally very careful in terms of only working with advisers who have an impeccable market reputation.

If a licensee does not do due diligence on you, I wouldn't go anywhere near them, because it says they'll accept anybody." Neil Younger says.

# Product list management

How does your target dealer group manage its approved product list (APL)?

One of the main reasons advisers are leaving institution-aligned groups is a lack of flexibility when it comes to the range of financial products they can recommend to their clients. If an alternative dealer group has similar constraints, it defeats the purpose of moving.

The majority of advisers are likely to be most comfortable in a dealer group environment in which a wide choice of products is approved through a rigorous investment research process.

As Neil Younger says, “many advisers are looking for the ability to run their business as an advice business,

without being constrained around the product solutions they provide to their clients. The institutions, which are predominantly built out of distribution models, can make that somewhat difficult.

“Also, advisers are looking for some flexibility around how managed accounts might fit into their business model. For many of the institution-aligned advisers, this hasn’t been available to them.”

Generally, the wider the selection and the greater the research rigour, the better in terms of your ongoing ability to provide the best investment products that meet the specific needs of your client base.

In terms of rigour, Dennis Bashford



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Neil Younger

suggests reviewing the dealer group’s model portfolios.

“One of the things I’d be looking at would be the model portfolios on the APL,” he says.

“I think, these days, it’s not too difficult to get a fairly broad APL. Have a look at the models and how they’ve performed, and how they’re selected, as well as the quality of the people making the decisions.”

## Criteria for choosing a dealer group

# Business management support

Is the dealer group you plan to join committed to helping you grow your business in a sustainable way? Does it have sufficient resources to provide practice management support, marketing support, compliance support, plus state-of-the-art research and technology?

Will your target dealer group offer professional development and training opportunities, along with regular, formal (and informal) business coaching? Can it provide you with regular, up-to-date information on changes in regulations and legislation, along with frequent market updates?

Your ultimate reason for selecting the right dealer group is to ensure your business survives, thrives and grows. It's a huge

plus if your licensee can provide most of the training, development, support and information you need to achieve this.

According to Neil Younger, rigorous compliance support is especially critical.

"Advisers are looking for a licensee that will genuinely try to help them manage their compliance risks, rather than the lowest-common-denominator application of the rules" he says.

This is another major reason so many advisers are leaving institution-aligned groups.

"The risk for a bank and its reputation, in this regard, is different to the risk for the adviser's business, and the two don't always fit together," Younger says. "So, we



**Does the dealer group you plan to join have sufficient resources to provide practice management support, marketing support, compliance support, plus state-of-the-art research and technology?**

see advisers becoming frustrated with a more bureaucratic approach to evidence in compliance, as opposed to a practical approach to managing risk."

Appropriate technology support is also important.

Will your target dealer group recognise and honour your existing relationships with software providers? Alternatively, will it provide easy access to its preferred systems at reasonable rates, along with adequate training and support?

Once aligned with your new dealer group, will you be in a position to employ the most progressive technologies available?

## Conclusion

# Where will you be in 2025?

Careful consideration of the criteria listed above is essential long before you select a new dealer group.

**In addition, you may also want to reflect on aspects such as:**

- Scale (which can deliver favourable pricing for things such as administration and technology)
- Professional indemnity cover and costs
- The terms and conditions of the proposed adviser agreement (particularly in terms of any termination clauses)
- Long-term 'ownership' of client accounts (i.e. who 'owns' the client

account on termination of the agreement)

- The process for remitting all revenues owed to you (i.e. speed, simplicity and documentation).

Grahame Evans believes the first thing any adviser should do, when considering a move to a different dealer group, is to identify all their own business needs.

"I would ask them to consider what is important to them," Evans says. "Where are they going? What will their business look like in 2025? What do they want it to look like?"

"They can then work out what strategies will be required to take them there and they can develop a 'fit' matrix in terms of

what they need from a licensee."

Dennis Bashford suggests advisers should then do as much research as possible on each licensee they are considering and the support each licensee promises.

"An adviser shouldn't take the AFSL's word for it," Bashford says. "They need to go out and talk, not just to people recommended by the dealer, but to people in that dealership they pick at random. Go and talk to them, and see how well the services are delivered, and where expectations are actually met.

"Also, advisers need to be patient in making their selection. It might be a six-month process."

Once you have done all the required research and have given sufficient attention to all the criteria outlined in this guide, you'll be in the best position possible to commence negotiations.



**The first thing any adviser should do, when considering a move to a different dealer group, is to identify their own business needs.**

# About Netwealth

**We are a technology company, a superannuation fund, an administration business. Take advantage of Netwealth's robust and fully-featured platform that is both powerful and flexible enough to meet the evolving needs of your business and clients.**



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