

Wealthtrac model not broken

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Wealthtrac, the administration business 60-per-cent owned by financial advisers, is banking on its new self-managed superannuation fund platform to drive growth while it works through regulatory changes impacting its traditional wrap business.

The business, which white-labels the wrap platform of ING-owned Oasis Asset Management, depends on platform rebates and volume bonuses that will ultimately be phased out under the new *Future of Financial Advice* (FoFA) rules.

The board of Wealthtrac will meet later this month to nut out its strategy for future growth.

The company's managing director, Matthew Johnson, said its trust structure and business model, which was established in 2004, was not broken. However, it faced challenges under FoFA.

While FoFA's grandfathering arrangements allow Wealthtrac and its existing supporters and shareholders to continue receiving payments and dividends, the new rules made it difficult for new advisers to join the group.

The government has also indicated in re-drafted regulations released in March 2013 that this open-ended grandfathering would be wound back and restricted to investments of existing members on the platform as at June 30, 2014. Under the regulations, volume-based payments in respect to new clients on platforms will be banned from July 1, 2014.

"Going forward, we're looking at ways to modify it to allow a mechanism for new licensees to join," he said.

"We need to articulate our strategy, but we're being very careful and we're seeking legal advice. We have not paid distributions or dividends (since July 1, 2013)."

Johnson said the business was focused on growth in its new SMSF platform, which was classified as an administration system and not a financial product subject to FoFA regulations. The service has attracted 200 accounts since its soft launch in April and charges trustees \$1680 per annum per fund. Members must then pay an additional fee to have their funds audited.

The cost of SMSF administration was being dictated by accountants rather than the big end of town, he said, which is offering such services.

"Accountants have found the cost of administration to be too high and our service is significantly lower than our competitors," Johnson said.

"Everyone used to talk about the magical \$200,000 number as the minimum amount required for an SMSF economically viable, but we believe it's now around \$150,000 because we've lowered the barrier to entry as our fee works out to be just over 1.5 per cent for administration on a balance of \$150,000."

Wealthtrac has also appointed former Bendigo Wealth business development manager, James Macken, to sell the SMSF service to financial planners and accountants.

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