THE LIST

AUSTRALIA'S TOP 50 FINANCIAL ADVISERS

in association with BARRON'S

The new frontier

The royal commission into banking revealed the dark side of the financial advice industry, but the exercise must be the first step in creating a stronger, more transparent sector

Story by: **James Kirby**

Australia's top financial advisers face a very challenging world in 2019 after the sector endured a searing experience at last year's banking royal commission led by Kenneth Hayne.

In just a few weeks, the public discovered not just the extremely bad behaviour of some of our major financial institutions but the shortcomings of many advisers who were revealed as poorly educated, lightly monitored and at worst rapacious. The public discovered also that advisers can let you down regardless of how much they charge.

Two prominent independent advisers, Sam Henderson and Terry McMaster, saw their professional reputations badly dented as they confronted Justice Hayne. They have reportedly left the industry.

The dramatic scenes at the commission are fading a little from public memory and a new landscape is emerging as we publish our third listing of Australia's Top 50 Financial Advisers. There has been an exodus of banks from wealth management and a subsequent rush by advisers to begin new financial advice operations which can claim independence from the major institutions.

At the same time, money is pouring out of the banks and insurers and into industry super funds, while self-managed super funds march on independently, albeit with a drop in new funds: the commencement rate for these DIY funds is at a 10-year low.

Many of the advisers on our list concede privately a sense of relief that the commission has exposed the worst excesses of the system, although they fear that ever more intense regulation will push the price of their services beyond the reach of many potential clients.

This group of advisers must negotiate a tricky road ahead with the government — in particular the new Financial Services Minister, Jane Hume, who is charged with bringing in the key commission recommendations, including the termination of trailing commissions. Dante De Gori, the chief executive of the Financial Planning Association, says: "This issue of trailing commissions is a priority now. We just want to see the transition process the government might outline."

Hume will also be expected to initiate a review of commissions in life insurance and to consider the creation of a single disciplinary body for the financial advice sector. Meanwhile, the clients of our top advisers face the future in a more confident mood after a slew of anticipated tax changes around property, tax and franked dividends have been abandoned with Labor's loss in last month's federal election.

Even so, the extraordinary furore over franking credits during the federal election campaign has made many Australian investors aware of the need to diversify and the parallel risks of depending too much on Australian "franked" shares.

In our Top 50 survey, advisers constantly reinforced the message of portfolio diversification — the need to break the traditional reliance on cash and Australian shares which has characterised Australian independent investors.

While Australian-based property investment is common to all local investors, wealthier investors have long since diversified their share portfolios offshore into Wall Street stocks and bonds and into the less transparent world of private equity and hedge fund investing.

The other outstanding issue for advisers this year has been the changing face of super — the biggest honey pot in the finance market where everyone has some interest thanks to mandatory superannuation contributions.

As the financial reputation of non-profit industry funds gained strength off the back of strong investment returns, investors turned away from the big banks and insurers. And it was scarcely surprising, given that the banks and insurers presented a miserable picture at the commission with every one of the Big Four banks — ANZ, CBA, NAB and Westpac — revealing flaws in how they managed people's money. Similarly groups such as AMP and IOOF came out of the commission hearings with their public images badly mauled.

For advisers, the swing towards industry funds is an important issue because it removes money they would previously advise upon and direct for investment. As the top advisers seek to guide their businesses — and their clients — through these issues, their own sector is genuinely in flux.

Until very recently it was much too easy to become a financial adviser. The lack of standards cost the industry dearly. Anyone armed with a so-called RG 146 qualification could present as an expert. Behind the counter of a bank, on the phone at a major super fund ... a generation of salespeople could masquerade as financial advisers.

Even before the royal commission hearings started, the industry — in tandem with government — had begun an overhaul. With the creation of a new government body called the Financial Adviser Standards and Ethics Authority, the sector aimed to upgrade its professional standards.

The essential feature of the FASEA plan is that every adviser will need to be a university graduate who has done a specialised course in financial advice.

What the advice industry is aiming for is an industry regulation that matches what we expect from lawyers or doctors, where there is a fair degree of internal regulation and the prospect of being called before your peers is sufficiently daunting to keep bad behaviour in check.

Similarly, there are calls by key industry figures such as Stephen Dunne, chair of the CFA Societies Advisory Council, to have a "one adviser, one licence" system under which the practice of rogue advisers moving from one licence to another can be stopped.

Of course it is never easy to harmonise such rules and there has been a fierce rearguard from groups such as the Association of Independently Owned Financial Professionals. The AIOFP is highly resistant to banning trailing commissions, which it believes will simply be pocketed by the banks and not returned to the client.

Inside the best financial planning practices the issues which occupy most working days revolve around helping clients to optimise their financial opportunities; balancing risk and reward; choosing between active and passive funds; and deciding whether to place money offshore or keep it onshore.

Invariably these top advisers are paid by the hour on a fee-for-service arrangement: trailing commissions (where fees are continually paid over the life of the investment) are not relevant to them.

But the issue of how an adviser is paid remains at the heart of the wider industry's poor reputation. Trailing commissions are still common with some financial advisers as well as most mortgage brokers and life insurers.

Justice Hayne singled out trailing commissions as a problem. So called "grandfathered" trailing commissions were to be phased out in 2014 but remain common.

Hayne also suggested they should be scrapped for mortgage brokers, but the industry has reached agreement with both major political parties to retain these on the grounds clients will not pay for mortgage broking services. Similarly, Hayne suggested commissions in life insurance should be reviewed.

Key advisers openly agree with him. Patricia Howard, a Melbourne-based financial adviser and committee member of the AIOFP, clashed with her board when she told *The Australian*: "Grandfathered commissions have no place in our industry in the future, they are a relic." The AIOFP has announced a campaign to mount a High Court action against the Hayne recommendation.

In broad terms the structure of regulation as it applies to financial advisers has not changed significantly since the commission, which upbraided regulators for allowing some of the worst behaviour yet recorded, but left the key agencies intact. Moreover, there is a new willingness to prosecute rather than make peace deals such as enforceable undertakings.

On balance this might be progress. It means leading executives in the wealth management industry will surely avoid debacles such as the fees-for-no-service affair which brought trouble to organisations such as AMP.

Similarly, the painfully slow changeover from commission-based advice to fee-for-service will also lift standards.

But perhaps the most interesting development for financial advice has come from outside the commission with the consolidation of various existing bodies such as the former Financial Ombudsman Service into a new super-regulator, the Australian Financial Complaints Authority.

For top advisers and active investors, the arrival of AFCA should be a step forward because it allows clients to take action against an adviser or a financial institution without resort to the courts, which are expensive, time-consuming and exhausting for those taking action.

At its best, this almost accidental revival of power among the major regulators and the creation of a one-stop shop for financial complaints should make the business of finding the best advice a little easier. **D**

THE LIST

BARRON'S

AUSTRALIA'S TOP 50 FINANCIAL ADVISERS

This is the third annual *Barron's* Top 50 Financial Advisers list — and the first which ranks a woman at the top of what has for a long time been a male-dominated industry.

Sue Dahn from Pitcher Partners, Melbourne has been on the list before and now joins previous winners — Charlie Viola of Pitcher Partners, Sydney in 2018 and Scott Carmichael of Escala Partners, Melbourne in 2017. The 2019 list includes 29 new advisers among the 50 and seven women — up from six last year.

The Australian list is compiled in partnership with the New-York based *Barron's* investment publication which has for many years produced the top advisers list for the US.

Most of the advisers on our list run a team of about 10 people and manage a client book worth about $1 billion.

Many top advisers still do not define a minimum dollar amount they are prepared to handle for a client, but the average portfolio is $1.98 million — generally excluding the value of the family home.

While the average is $1.98 million there is considerable variation between advisers, with more than one demanding a minimum client portfolio of $5 million but with the lowest minimum set at $250,000.

Our top advisers are mainly based in Sydney, Melbourne, Brisbane and Perth with a sprinkling of entrants from the moneyed enclaves on Queensland's Gold Coast such as Broadbeach and Sanctuary Cove.

New arrivals on the list include the team from Koda Capital with several — including Charles Moore, Peter Dunn and Frank Macindoe — making the list.

We also have new entrants such as Olivia Maragna from Aspire Retire, Brett Stene from Jacaranda Financial Planning, Hamish Harvey from Stanford Brown and Philip Zhou from Macquarie Wealth Management.

Within the top 10 we have already witnessed considerable staying power since we started the list in 2017, with Pitcher Partners, Escala Partners and Morgan Stanley all continuing to hold down several positions. Only one Sydney-based adviser — Viola of Pitcher Partners — makes the top 10.

The regulars on the list include second-placed Garth Hu of Morgan Stanley along with brother and sister Claire and Tim Mackay of the Quantum Financial group in Sydney.

Regular contributors to *The Australian*'s Wealth section, such as Will Hamilton of Hamilton Wealth Management and Douglas Turek of Professional Wealth, who are also well-known investment commentators, have become veterans of the list.

James Kirby

Rank 1
2018 3
Name Sue Dahn
Firm Pitcher Partners
Location Melbourne
Years of planning experience 21
Minimum account size $1 million
Size of team 54
Funds under advisement $5.3 billion

Rank 2
2018 2
Name Garth Hu
Firm Morgan Stanley Wealth Management
Location Melbourne
Years of planning experience 12
Minimum account size $5 million
Size of team 6
Funds under advisement $1.1 billion

Rank 3
2018 5
Name Scott Carmichael
Firm Escala Partners
Location Melbourne
Years of planning experience 21
Minimum account size $2.5 million
Size of team 7
Funds under advisement $1.3 billion

Rank 4
2018 1
Name Charlie Viola
Firm Pitcher Partners
Location Sydney
Years of planning experience 20
Minimum account size $1 million
Size of team 20
Funds under advisement $2.1 billion

Rank 5
2018 NR (no ranking)
Name Adam Stanley
Firm Pitcher Partners
Location Melbourne
Years of planning experience 6
Minimum account size $1 million
Size of team 54
Funds under advisement $5.3 billion

Rank 6
2018 8
Name Ben James
Firm Escala Partners
Location Melbourne
Years of planning experience 21
Minimum account size No minimum
Size of team 8
Funds under advisement $800 million

Rank 7
2018 NR
Name Mason Allamby
Firm Escala Partners
Location Melbourne
Years of planning experience 18
Minimum account size $1 million
Size of team 4
Funds under advisement $620 million

Rank 8
2018 NR
Name Anita Beckers
Firm Macquarie Private Bank
Location Broadbeach, QLD
Years of planning experience 23
Minimum account size $1 million
Size of team 4
Funds under advisement $700 million

Rank 9
2018 9
Name Craig Emanuel
Firm Morgan Stanley Wealth Management
Location Brisbane
Years of planning experience 21
Minimum account size $1 million
Size of team 4
Funds under advisement $640 million

Rank 10
2018 NR
Name Matthew Gartrell
Firm Macquarie Private Bank
Location Broadbeach, QLD
Years of planning experience 12
Minimum account size $1 million
Size of team 4
Funds under advisement $700 million

Rank 11
2018 NR
Name Charles Moore
Firm Koda Capital
Location Sydney
Years of planning experience 14
Minimum account size $3 million
Size of team 4
Funds under advisement $750 million

Rank 12
2018 NR
Name Bernie Connolly
Firm Morgan Stanley Wealth Management
Location Sydney
Years of planning experience 13
Minimum account size $2.5 million
Size of team 11
Funds under advisement $1.8 billion

Rank 13
2018 NR
Name Peter Dunn
Firm Koda Capital
Location Sydney
Years of planning experience 4
Minimum account size $3 million
Size of team 4
Funds under advisement $750 million

Rank 14
2018 NR
Name Frank Macindoe
Firm Koda Capital
Location Sydney
Years of planning experience 17
Minimum account size $2 million
Size of team 4
Funds under advisement $660 million

Rank 15
2018 NR
Name Chad Brendish
Firm Morgan Stanley Wealth Management
Location Melbourne
Years of planning experience 33
Minimum account size $3 million
Size of team 10
Funds under advisement $1.24 billion

Rank 16
2018 NR
Name Philip Zhou
Firm Macquarie Wealth Management
Location Melbourne
Years of planning experience 6
Minimum account size $1 million
Size of team 2
Funds under advisement $500 million

Rank 17
2018 NR
Name Andrew Cowen
Firm Macquarie Private Bank
Location Melbourne
Years of planning experience 12
Minimum account size $5 million
Size of team 11
Funds under advisement $1.3 billion

Rank 18
2018 NR
Name Ben Forrester
Firm Macquarie Group
Location Sydney
Years of planning experience 10
Minimum account size $5 million
Size of team 3
Funds under advisement $575 million

Rank 19
2018 10
Name Paul Alexander Anthony Burgon
Firm Lipman Burgon & Partners
Location Sydney
Years of planning experience 14
Minimum account size $1.5 million
Size of team 16
Funds under advisement $1 billion

Rank 20
2018 17
Name Paul Lyons
Firm Morgan Stanley Wealth Management
Location Melbourne
Years of planning experience 25
Minimum account size No minimum
Size of team 3
Funds under advisement $670 million