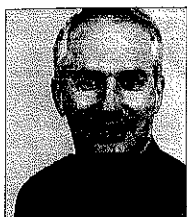


Execs return to financial planning coalface

A number of senior executives in the financial services industry are throwing it all in to become financial planners again. SIMON MUMME discovers why work is not always about the money.

For those familiar with Ray Miles's business history, his latest play could be seen as a case of history repeating.

This month, the former Genesys recruitment head will relinquish his executive role in favour of leading a practice within the dealer group. He has bought a substantial equity stake in the Genesys Brown, Bulley, Staric (BBS) practice and plans to significantly grow this business, gain scale and acquire a network of Genesys practices across Australia.



Ray Miles...
'I'm not good at reporting to anybody else'

While encountering few major problems at his previous, four-day-a-week executive position under Challenger financial planning chief executive Greg Kirk, Miles - who grew the fledgling Associated Planners (AP) from 6 practices in 1989 to 110 in 2004 when Challenger Wealth Management bought the

group and merged it with Garrisons to form Genesys - has been lured back to more personally fulfilling work.

"It's about building something significant. I've always been involved with running a financial planning business at the dealer end rather than the financial planning end. This is what I enjoy," Miles says.

"The trouble with the current business is that somebody else runs it and I'm not good at reporting to anybody else."

Even though the career change incurs a substantial salary cut, this is a comparatively small concern now that he is driving a business: "I enjoy growing a [business]. It's a reason to get out of bed".

Miles regards the BBS practice in Neutral Bay as being "probably the best practice in the group". In his previous role, he recruited some of the eight planners who currently work there.

Miles says growing the business involves implementing three strategies: build scale, broaden the range of advice offerings and achieve operational excellence.

"It's a pretty big financial planning practice but it needs to be a lot bigger, in my view. With AP and Genesys, we proved scale really works. You get much bigger profit and

much better service as a result.

"We went to Challenger chasing scale and the business grew 50 per cent in two years."

Miles has similar expansion plans for the Genesys practice and is aiming for national scope.

Vital to this expansion is the offering of self managed super fund (SMSF) advice, direct equities advice, accounting and general broking so that a more holistic, client-centric service is built.

To cater for BBS's typically high net worth clients, "you must be really good at managing direct equities," he says.

A certified financial planner, Miles worked as a planner before managing AP. He stepped down from managing Genesys in 2004 since Challenger intended to list the dealer group. "I didn't want to spend most of my time reporting to bureaucrats," he says.

"But as luck would have it, it looks like they're not going to list now."

The former head of technical services at Colonial First State (CFS), Peter Hogan, is also more accustomed to the executive stream of financial planning. For the seven years to September 2006, he was responsible for training CFS planners. For the five years preceding that, he trained planners tied to Macquarie Bank.

"The consultancy side I'm used to, but the financial planning side is different. I've always dealt with professionals: CEOs, CIOs, financial planners," Hogan says.

"It can be difficult to explain investment products to mums and dads who walk in off the street. So you do your bit to help them understand before they walk out the door."

Unlike planners at the Genesys BBS practice, Hogan deals with a broader spectrum of clients. But, like Miles, he prefers to deal with higher net worth investors.

"There's a real mix: retirees in the pension phase; a lot of accumulators; people setting up SMSFs. Our preference is clients with \$200,000 or more to invest."

He joined his wife Linda at Avenue Capital Management (ACM) in North Sydney last year. Changing life circumstances and the opportunity to go into business with his wife were the major forces behind the career change.

"I've been in big business for 25 years. For the last month at CFS I was on the road for four days of each week and I have a three year old son, so there was a lifestyle element to it as well...My wife had just bought a business from a retiring financial planner at ACM in North Sydney."

As for the difference in salary, "it's a choice that you make when you decide to go into business for yourself".

Under the ACM business structure, Hogan and his wife write their own business within



Peter Hogan...
Just left a 25 year career in big business.

the group, an arrangement which they both find appealing.

"It was important for me to join a dealer group that wasn't institutionally owned," he says. ACM is owned by planners.

"There are long-term benefits in building a business which can be sold, for a profit, down the track."

Hogan has also recently stepped down from a two-and-a-half year tenure as chairman of the self-managed super fund professionals of Australia (SPAA) association, becoming deputy chairman and maintaining a seat on the board. ING superannuation strategy manager, Graeme Colley, will become chairman. Aply schooled on issues embedded in SMSFs, Hogan is aware of common mistakes and breaches of law committed by investors who manage their own super.

"People take money out of funds when they shouldn't; they make related party transactions; they use assets as securities for borrowing," he says.

ACM is in the process of transferring business from a badged Oasis platform to a badged Macquarie wrap, with all super accounts already moved across and non-super investments and pensions in transit, Hogan says.

In line with other Genesys practices, BBS uses the SOLAR range of wraps, which are badged versions of the BT platform, as well as Colonial's FirstChoice.

When asked about planner remuneration, both Hogan and Miles advocate charging fees instead of commissions. Yet in some instances Hogan recommends investment vehicles with in-built commission structures.

He negotiates ongoing fee rates with clients investing \$100,000 or more on the Macquarie platform. Investments of this size mean investors will be charged the wholesale platform management fee. For clients with smaller portfolios, Hogan advises they invest directly in retail managed funds, avoiding retail platform fees but paying through the commission structures built into retail funds.

At BBS, planners might soon be abiding by an almost mandatory fee-for-service structure.

"Nearly all the revenue on the investment side is made through fees. All of our work going forward will be based on fees," Miles says. ■

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