

### Affinity and beyond: Advice after institutional control

**Freedom from institutional influence and the shackles of traditional wrap platforms has allowed Affinity Wealth Services to build and execute a truly client-centric value proposition.**

In a previous life, Affinity Wealth Services was an award-winning Hillross practice and Principal Keith Jones was celebrated by Hillross and its giant parent AMP.

Jones was named Hillross Financial Planner of the Year in 2005. His practice, then called Hillross Parramatta, won the prestigious National Practice of the Year Award in both 2006 and 2007.

But in 2010, Jones decided to end his 15 year association with AMP and start afresh.

The business applied for and was granted its own Australian Financial Services License and has been trading under the name Affinity Wealth Services. Jones and business Partner Kate Golder who has worked in the business since 2002 became Responsible Managers on the License. In 2011, Affinity Accounting Services was launched and in 2013, Affinity Wealth Services also became a Market Participant with the National Stock Exchange of Australia (NSX).

Today the business has over 400 clients, \$350 million in assets under advice and 24 staff across four divisions: financial planning, accounting, asset management and aged care advice.

Recently, Affinity Wealth Services launched a new managed discretionary account (MDA) solution with the help of specialist MDA provider [managedaccounts.com.au](http://managedaccounts.com.au).

It will ultimately replace the firm's proprietary MDA system, ensuring that advice and portfolios are tailored to meet the specific requirements and objectives of individual clients.

It's unlikely that the new MDA service will deliver significant cost benefits, according to Jones, however, it will deliver greater transparency and greater accuracy in reporting as well as access to innovative modeling tools, ongoing support and auditing.

"Being self-licensed means we're not confined to a dealer group's guidelines and rules about what products and services are appropriate. We're able to structure portfolios more effectively," Jones said.

“Our clients know that we are independently-owned and they like that we’re not subject to interference from an institution. At the pointy end of the market, people value that. While we’ve always had their trust, the level of trust went up a notch when we gained our own license.”

According to Jones, trust is the key to running a successful MDA service because a client delegates the day-to-day management of their portfolio to an adviser, stockbroker or investment manager. That adviser, stockbroker or investment manager has the authority and discretion to make investment decisions on the client’s behalf.

Jones believes that clients need around \$1 million in investable assets to make it economically viable to have a high touch MDA service.

Affinity Wealth Services’ clients are primarily professionals, business owners and high net worth families with over \$1 million in investable assets.

The firm provides a holistic service, managing all aspects of a client’s financial life including superannuation and investments, risk insurance, accounting and tax, retirement planning and estate planning.

The group’s research and portfolio management team has developed a proprietary investment model, which underpins the MDA strategy. It is designed to maximise growth and income while minimising downside risk. The model has a “go to cash mandate” and it uses momentum analysis combined with disciplined fundamental investment and macro analysis to determine risk levels across global markets. The team also references money flows to determine whether it’s appropriate to increase or decrease exposure to any given asset class.

Affinity’s research team works with the group’s investment committee. There are two independent members on the investment committee as well as the group’s five advisers. It meets formerly once a month and oversees the development, implementation and monitoring of portfolio strategy.

“It’s very difficult to provide this high standard of service to 1,000 clients with \$50,000 each,” Jones said.

“We have a relatively small number of clients and the average client we look after has around \$1 million under advice. This allows us to deliver the high level of service we want to and the type of service and results our sophisticated clients demand.”

Affinity Wealth Services aims to slowly transition the majority of clients to the new MDA over the next 12-18 months. Jones estimates around \$180 million of assets under advice and administration will move.

“It’s such a big job because the strategy must be clearly explained to the client and the client has to be completely comfortable with it,” he said.

“You have to be able to articulate the value that will be added by moving and make sure clients know that you will stick to the agreed framework. That security is essential.”

“Our clients trust us completely but they like knowing that [managedaccounts.com.au](https://managedaccounts.com.au) provides an additional layer of compliance and third-party oversight to the custodian.”

Affinity Wealth Services currently runs around 16 model portfolios. Portfolios are “tweaked” according to a client’s personal financial and lifestyle objectives, Jones said.

“For our clients, we focus on objectives-based advice. It’s not about putting them all in one big bucket or even a handful of buckets. We still have a number of core portfolios but we tailor them.”

“Objectives-based advice costs more to deliver because it requires a closer relationship with the client. It’s not all about delivering a higher rate of return but rather preserving and protecting capital and passing on intergenerational wealth,” he said.

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#### **About [managedaccounts.com.au](https://managedaccounts.com.au)**

Established in 2004, [managedaccounts.com.au](https://managedaccounts.com.au) is a specialist managed account provider. It creates, operates and administers bespoke managed account solutions for a growing number of Australia’s top financial adviser firms, dealer groups and fund managers using global sourced state-of-the-art technology and industry leading knowledge and expertise. Managed Accounts Holdings Limited, the holding company of [managedaccounts.com.au](https://managedaccounts.com.au) was previously known as Investment Administration Services.

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