

Doctors embrace new MDA service

According to accountant and financial adviser Ravi Agarwal, managed discretionary accounts are ideally-suited to busy medical professionals who don't have the time, knowledge or desire to manage their own investments. David Heather writes.

Melbourne-based MEDIQ Financial Services is smashing perceptions that only self-licensed financial advisory firms can effectively implement a managed discretionary account solution.

The accounting and financial planning practice, which is licensed through Synchron and currently has a team of 22, was established by former investment banker Ravi Agarwal in 2010. The boutique advisory firm has a specialist focus on doctors and medical professionals. In mid-2014 Agarwal partnered with MDA operator managedaccounts.com.au to launch a new MDA solution.

MEDIQ Financial Services had trialed a variety of different investment and administration solutions including direct broker accounts and wrap platforms. These options did not deliver the flexibility and efficiency Agarwal and his clients needed.

"Medical professionals are time poor. Many of our clients have a self-managed super fund and want to invest directly in broad range of investments without the paperwork burden and time sensitivity of responding to a Record of Advice when there are changes to their portfolio. They want us to manage their financial affairs effectively and efficiently," he said.

"The new MDA solution will dramatically lift efficiency and help us provide significant value for our clients. This will ultimately help our business grow."

It took MEDIQ Financial Services around six months to set up the MDA solution, learn how to use it and begin rolling it out. The plan is to transition suitable client portfolios off-platform and onto the MDA service in the next 12-18 months. The process will involve Agarwal meeting with each client to determine an appropriate investment mandate and set parameters. Once they agree on a mandate, MEDIQ will have the freedom and flexibility to operate within the confines of that mandate for a defined period of time, after which the mandate will be reviewed and re-established.

With an MDA, MEDIQ can be nimble and act quickly to capture timely investment opportunities due to more streamlined compliance documents. Administration costs will also gradually fall because there's no need to pay hefty platform fees. The only parties involved will effectively be the adviser, client, custodian and broker.

"We reached out to managedaccounts.com.au at the start of 2014 because our clients were asking us for a better solution. Their view was that they had appointed us and trusted us to manage their portfolios and they didn't want ROAs," Agarwal said.

As a multi-disciplinary firm which provided advice on tax, credit, super, investments, insurance and estate planning, MEDIQ needed an efficient system that enabled it to manage clients' affairs with discretion and also improve the client experience.

According to Agarwal, an MDA solution is ideally-suited for clients with over \$300,000 under management. Having said that, it may also be suitable for clients with around \$200,000 in investable assets if they're able and committed to making super contributions.

"Industry funds are a great place to start for investors in accumulation phase but at some point most clients request an SMSF," he said.

"As their super balance grows and becomes more substantial, an SMSF is a logical choice especially because our clients prefer direct ownership of assets. For an MDA, investors generally need \$200,000-\$300,000 as a minimum."

Agarwal rejects the perception that MDAs are only a viable option for self-licensed firms who deal with ultra-high net worth individuals and families. He adds that Synchron has been extremely supportive throughout the process.

"We are committed to delivering the best service possible to our clients. Our decision to implement an MDA solution was purely about improving the client experience and, if in the future, there's a newer, better option available, we will consider it," he said.

"Once we explain the benefits of moving and the potential cost savings, our clients are excited by the prospect.

"We have invested in a new system that is more suitable for our clients and we believe the industry is moving in the same direction."

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About Managed Accounts Holdings Limited

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