



Taking control.

Putting independently owned advisers back in control.



Strategy that works for the independent sector and their clients



About the AIOFP

The 1998 founding objective of the AIOFP was to further the commercial interests of its members. The inaugural Directors felt the AIOFP needed to differentiate itself from other associations with a more commercial approach to improving the collective position of independent advisers and clients.

13 years later this objective has not changed. In fact, with the independent advice sector now representing less than 20% of the market, it is now of greater importance the independently owned advisers collaborate to protect their practices, deliver further benefits to their clients and differentiate themselves to consumers.

The AIOFP Board has identified 3 critical areas where independently owned advisers can take back control of their practices and clients from the Institutions and be presented in a new professional light with consumers. We would like to share them with you.

Please note that when developing new initiatives the primary objective of AIOFP is to ensure that both the advisers and clients best interests are foremost in mind.

AIOFP background information

1996 is a pivotal year in the history of our industry. It is the year the Federal Government allowed the Institutions to take the trustee role away from the independent trustee companies and control it in house. This is the year we lost ultimate control of our clients. The vast majority of advisers do not appreciate or understand the ramifications of this event. The AIOFP has developed a strategy to return control of our clients back to where it belongs.

Arguably, the source and quality of your research is the most important component of your practice. Get that wrong you lose your clients, your practice and your peace of mind. Our industry is dominated by Research Houses who are paid by the product manufacturers to rate their products, a profoundly conflicted culture that has presided over \$7 billion of product failures over the past 6 years. In over 95% of these product failures the manufacturers had paid to get a positive rating which they used as leverage to get inflows. No need to remind you of who gets the blame when failures occurs regardless of the circumstances.

The industry has suffered some severe brand damage during the course of the GFC. Numerous failed products, high profile bad advice events and relentless criticism from industry critics has steadily eroded our image. We need to re establish the value proposition of choosing an independently owned adviser over other options.

AIOFP has created an all encompassing designation that embodies all the elements consumers are looking for in an adviser. Independence, fee for service, non conflicted research, suitable experience/qualifications and education with Industry Fund and ASX options are the key qualities of a Certified Financial Strategist [CFS].

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Three critical areas to take back control

Taking control of our clients

Personal Choice Management Pty Ltd [PCM] is an AIOFP member owned AFSL holding Company that has been operating since 1998 with great success. AIOFP owns 2% on behalf of its members and members directly own the other 98% of the equity.

PCM has been designed to structure joint ventures with product manufacturers and platform operators where AIOFP members use their scale to negotiate group pricing and other benefits for clients and advisers.

AIOFP/PCM Directors believe that advisers need to receive a portion of the product manufacturing margin to survive. Considering Institutions and Industry Funds subsidise their advice arms out of platform profits, why can't the Independent sector also participate as long as the client benefits?

PCM latest venture is to build a Private Label platform joint venture with Asgard/Westpac. Personal Choice Private [PCP] has an independent trustee whilst still enjoying the security of Asgard/Westpac as their custodian and administrator. PCM has the relationship with the trustee, the importance of this feature cannot be over emphasised. PCP will generate attractive dividends to shareholders, institutional pricing for clients and has a viable exit strategy in place.

PCM has also established a Managed Discretionary Account [MDA] with Institutional pricing for member use that delivers real benefits to clients and advisers.

PCM's primary objective is to use the scale of the AIOFP network to deliver better pricing to clients, control of products/clients/revenue for advisers and an exit strategy for shareholders.



Taking control of the research process

AIOFP and its members own the Filtered Research Centre Pty Ltd [FRC] a company that facilitates a conflict free, peace of mind research service to members. FRC has contracted 4 well known Institutions to deliver advice, research and an approved product list to subscribers.

Global giant MERCER Consulting and well known local boutique MCGREGOR Asset Consulting cover the managed fund space whilst global player Morgan Stanley Smith Barney and local JB WERE ASX options and Research. Mercer Institutional Strength [IS] website is the medium to access the information.

Research has to be the most critical element to a practice but inexplicably most advisers accept the profoundly conflicted relationship most research houses have with product manufacturers.

For too long independently owned advisers and their clients have been caught with product failure where the Research House has been paid by the failed product manufacturer to rate them. Both Mercer and McGregor are subject to annual audits to ensure they do not take any payments of any description from product manufacturers to rate their products. FRC has extremely competitive pricing and holistic benefits for subscribers.

FOFA fails to address this conflict, it is about time the independently owned advisers took control of this critical process to protect their practice and their clients.



Taking control of consumer confidence with independently owned advisers

The industry's image has taken a severe battering over the last 5 years with product failures being blamed on conflicted commission payments, poor gearing advice and poorly educated advisers. To recover lost ground, the independent sector needs to re establish its credentials with consumers in a cost effective fashion. Experience tells us that consumers rarely value designations as they assume advisers have appropriate qualifications any way.

The AIOFP has taken the designation concept to a new level by including relevant criteria that differentiates the best advisers. For instance, what is the value of a designation if you work for an Institution [and only sell their product], work on commission, have little experience with Industry Funds/ASX Direct products or have flawed conflicted research sources?

The AIOFP Board identified 5 key features consumers should look for when seeking advice:

- Independence of Institutional ownership.
- Non – conflicted reliable research source.
- Fee for service
- Appropriate educational qualifications and experience.
- Education on ASX and Industry Fund products.

The AIOFP encourages advisers to become CFS designated and actively promote the features directly with consumers to differentiate themselves.



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Taking control.

The AIOFP has boldly encouraged its members to reject the traditional conventions of the industry by putting in place strategy that works for the independent sector and their clients. For too long we have been guided by Institutions of various character with actions and services that do not necessarily work for us. The AIOFP believes it has filled this vacuum with products and services that finally gives control of our clients, our practices and our future back to where it belongs.

The AIOFP was incorporated in 1998 to differentiate independently owned practices from the institutionally owned. To be a member, the practice must operate its own AFSL and no ownership by a Financial Institution. Currently the national network has over 150 member practices, 2500 advisers and over \$30 billion funds under administration. AIOFP is the largest for the independent sector in the Australian market place. From the beginning it was fruitless for the AIOFP to be another 'vanilla' Association offering similar services to the others. We are commercially focussed on delivering the best financial and strategic outcome for our members and their clients.

If you share our dream of taking control please contact the AIOFP on 1800 111203 or visit www.aiofp.net.au

