

# Media release

## Surging demand for conflict-free financial advice spurs growth for Paragem

- Paragem Dealer Services virtual IFA network exceeds 200 licenses
- Paragem Wholesale AFSL business expands to \$1.2 billion FUA
- Ex- AMP Hillross practice, FMD Group, selects Paragem Wholesale AFSL

20 JANUARY 2011, SYDNEY – Independent service provider Paragem today announced its Dealer Services and Wholesale AFSL businesses have recorded strong growth as demand from financial planners for genuine conflict-free dealer services accelerates to meet the surging consumer demand for independent advice.

### Paragem Dealer Services virtual IFA network exceeds 200 licences

Paragem Dealer Services has announced a record increase of new clients in 2010 with over 200 AFSLs now operating within the groups shared service model.

Paragem Dealer Services is a virtual network of over 1,000 independently minded advisers and is the largest independent provider of dealer services to the IFA market. Paragem provides a broad range of back office dealer services to retail advice businesses to enable them to access scale benefits in professional areas such as compliance, software planning support, professional indemnity (PI) insurance, professional development (PD) days and product research. Over 90% of the client base is boutique style planning practices with typically more than \$50 million under advice per AFSL. The remaining 20% is mid tiered dealer networks looking to outsource selected dealer functions.

ACT's leading planning practice Aset Wealth Management is the latest to join the network and has come from BT's inhouse Licensee Select. Aset looks after over \$350 million in funds under advice has 11 staff and uses Paragem for all back office service including strategy support on industry matters affecting planning businesses.

As the Future of Financial Advice (FoFA) reforms are implemented, Paragem managing director Ian Knox said learning how to operate profitably and independently from product manufacturers was one of a number of key challenges ahead for many IFAs and that Paragem is committed to supporting this cause through its professional services support

"IFAs will always stand up for the value of their advice, their business and their clients – this leaves them well positioned to champion non conflicted advice." He pointed out that the market was transitioning quickly to a new paradigm such that while many advisers are still grappling with how to gain a share of the product margin, product manufacturers and private equity firms are

reversing this and are now seeking to gain a share of the advice margin by investing in advice businesses. This positions IFAs really well as volume bonuses are eroded and advice fees increase he said.

“In our opinion the FoFA outcome will provide added stimulus for advisers to become independent – either by being self-licenced or under a conflict free licensing arrangement. We’ve been operating on this basis since Paragem was established in 2005 and are the only group able to support and champion advisers under either model,” he said.

### **Paragem Wholesale AFSL grows to \$1.2 billion in FUA**

Reflecting the growing desire among financial planners to provide conflict free advice, Paragem’s Wholesale AFSL service has grown from three to 13 practices over the last 18 months, delivering an increase in funds under advice (FUA) to \$1.2 billion.

The service selectively wholesales its non-aligned AFSL to successful, independently minded practices which are striving for excellence in advice. Advisers have the freedom to run their own business, promote their brand and select the best platform and products for their clients’ needs in contrast to being part of an aligned dealership seeking to develop a large distribution network to promote funds into a given platform. Full licensing support and governance is part of the service benefit.

The Paragem Wholesale AFSL proposition has attracted the attention of some of the best practice heads in the country who are looking for leadership and support to build consumer confidence in planning. The most recent example joining the Wholesale AFSL is a collective group of four practices known as the FMD Group, formerly one of AMP Hillross’s largest and most successful practices with over \$700million under advice.

FMD Group practice head Greg Fagan, said: “We looked for a strong governance based licensing arrangement that gave us full flexibility in the platform support we require, access to changing market developments such as IMA’s and access to a product suite unhindered by ownership politics. The wholesale licence provides this under Paragem’s custody and enables us to focus on offering the best advice to our clients and growing our practices profitably.”

Mr Knox said the changing regulatory landscape had contributed to the growing demand from practices wanting to join Paragem Wholesale AFSL and that the licence would continue to focus on high quality practices with cultural compatibility and like minded integrity.

“As FoFA unfolds we expect interest in our Wholesale AFSL business to grow as quality planning practices recognise the importance of removing perceived or real conflicts of interest with product promoters,” he said.

Despite the rise in expressions of interest for the AFSL, Mr Knox said Paragem has continued to screen practices for firms that demonstrate putting client interests first and that the licence had no intention on focussing on increased adviser numbers for the sake of size.

“There’s no correlation between good advice and large numbers of authorised representatives and yet the industry boasts about headcount as if to demonstrate success.

“Our strong compliance culture enables careful due diligence when we meet new practices and we take months to engage properly, this includes examining file histories and new practices being screened by other practices within the model. I don’t know how a dealer group can grow by hundreds and claim quality screening and quality assessment” he said. “Yet one bad apple contaminates a brand.”

**ENDS**

#### **ABOUT PARAGEM**

Paragem Dealer Services is Australia’s largest independent supplier of Dealer Services assisting advice businesses to operate within the AFSL regulatory environment. Services include compliance and risk management, Software management and packaging, strategy consulting, professional development days, para-planning, practice improvement, funds research packaging and full licence support in a single package – all critical to a well-managed advice business.

#### **MEDIA ENQUIRIES:**

Susie Lambert  
Honner Media  
Ph: (02) 8248-3747  
Mob: 0420 949 852  
[susie@honnermedia.com.au](mailto:susie@honnermedia.com.au)