

# Planners enlist agents in DIY push

Ruth Liew

Financial advisers are ramping up their real estate advice services as a growing number of investors, particularly trustees in the \$430 billion DIY super fund sector, flag plans to purchase more property.

Financial planners have traditionally steered clear of providing real estate advice because direct property normally falls outside the approved list of investments they can recommend to clients.

But in recent years do-it-yourself fund trustees have been able to borrow money to purchase property, and a recent Tax Office ruling allows trustees to use money in the fund to renovate. It has made real estate more attractive to investors, particularly when sharemarkets have been volatile and has helped trigger a 25 per cent jump in the allocation of money within DIY funds to property assets over the past year.

The push into real estate also provides a new, and potentially attractive, revenue stream for planners.

Some planners have proposed to expand their services to include direct property advice, while others have forged relationships with real estate industry players, including developers willing to pay advisers lucrative commissions for referring clients.

Property developers will pay a commission to planners of up to 7 per cent of the purchase price of the property, insiders said, although the more usual fee is around 3 per cent. Developer Stockland has already formed relationships with four planning firms, including the country's largest independent group, Professional Investment Services.

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# Planners in DIY push

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Financial planners' traditional revenue model is under threat from reforms that will ban commissions paid by fund managers and other investment providers from July 2012. These reforms do not capture commissions from real estate developers.

Jordan Financial Solutions principal Damien Jordan believes more advisers will be drawn to the real estate sector, particularly if ongoing trail commissions dry up following the government's proposed commissions ban.

Mr Jordan's firm currently provides limited advice on direct property, but has referral arrangements in place with developers, including Premier Builders Group, to recommend real estate to investors if the properties fit clients' investment requirements.

"If I have a client that is really keen on making sure they have a property that's part of their overall investment, we can use some of our alliances to do that," he said.

For others such as MoneyTree Partners' Sanjay Subramaniam, whose firm is licensed to provide real estate advice, the ATO's ruling was hailed as a "welcome change". The firm received "overwhelming" response among trustees seeking to buy property after investors were contacted about the changes.

Mr Subramaniam's practice provides advice on direct property allocations, referring clients to buyers' agents or recommending new property developments.

Advisers in the firm are remunerated either through advice fees for the time a planner spends providing advice to the client, or receive a fee from the developer which is disclosed to the client before the sale, Mr Subramaniam said, adding he was "definitely" looking to forge new relationships with developers and advisers to expand this part of their business.

The trend of planners boosting their real estate advice services is already evident. Research from Investment Trends shows about 16 per cent of 1394 planners surveyed in the July 2011 *Planner Business Model Report* provide direct property advice, up from 14 per cent last year.

This coincides with a growing number of DIY funds that have



Property developers will pay a commission to planners of up to 7 per cent of the purchase price of the property. Photo: ARSINEH HOUSPIAN

## Developers ready to lap up deals

Property developers, like financial planners, are devising strategies to milk the DIY superannuation boom.

Melbourne-based Asian Pacific Group established a company in August called Your Super Future to encourage people to set up DIY funds and buy real estate.

Asian Pacific Group is run by the Deague family, well-known Victorian property developers, and the new venture is part of another business that sells the group's properties to the general public. It sells mostly commercial property to DIY funds that is worth \$170,000 to \$500,000. About 50 per cent of the properties are owned by its parent company, according to Jay Grant, strategic planning manager at Your Super Future.

Your Super Future's website says it "helps" clients set up a DIY fund and, according to Mr Grant, it

charges a \$5000 fee for that process and recommending a property. Clients pay an additional \$3000 to a solicitor used by the company for necessary legal work.

Clients might have only \$150,000 in a fund and a combined income of \$100,000 before buying a property. "A majority of clients have large cash reserves in their fund remaining after a property purchase through us that is a secondary asset securing the fund against volatility in the performance of the primary property asset," Mr Grant said.

Apartment developer Meriton began marketing off the plan properties directly to DIY funds in 2008. Developer Stockland has a "referral program" in place with financial planning groups, although it's not limited to DIY funds.

Alison Kahler and Ruth Liew

increased their allocations to direct property. SMSF administrator Multiport said it had seen a 25 per cent spike in funds borrowing to buy property in the past 12 months.

Financial Planning Association of Australia's head of policy, Dante De Gori, said the "logical step" for some planners was to provide advice on appropriate properties to purchase, particularly among advisers who already provide mortgage or lending advice.

"It's a growing area that most planners I think will... explore fur-

ther, especially when you look at those looking to give holistic financial planning advice," he said.

But the real estate industry is wary about the encroachment of planners into their territory. The Real Estate Institute of Australia said the main role of real estate agents is to manage the buying and selling process, and provide property advice. "REIA only see an issue arising if financial planners were moving into the territory of selling property," said Amanda Lynch, chief executive of the REIA.