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PRIVATE BANKING

Best entry-level offerings
 *Available to Citi Private Bank clients.

Best choices if you have \$1mormore to invest
 * Customer suitability is a considered approach, based on whether ANZ can add value via wealth creation, accumulation or protection.
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Local and international banks are getting serious about attracting high-net-worth customers in Australia. Jackie Pearson examines what's on offer and what ambitious investors need to look for when choosing a private bank.

Gaining access to private banking services used to be as challenging as securing entry to the Qantas Chairman's Lounge. Private banking was the exclusive domain of the "established" end of town. If you didn't have millions to invest or a "C" in your title (CEO, CIO, CFO), you were not likely to receive an invitation to join the elite ranks of private banking clientele.

The results of AFR Smart Investor's second annual survey of private banking indicate the elite end of banking in Australia is changing. Some institutions have lowered the entry bar in recent years, while others have raised their admission criteria within the past 12 months.

Overall, as the personal worth of Australian individuals and families grows, so too does the private banker's desire to compete for your business. Our major **commercial** banks, some of their smaller competitors and foreign investment banks are all positioning to get a bigger slice of your personal wealth. If you're serious about growing your net worth, private banking gives you access to top-notch advice, world-class research and tailored investment opportunities that are not available to the average Joe.

This year's results also show substantial differences between the private client offerings of the various institutions. If you're at the beginning of your wealth accumulation journey, entry criteria may be your first concern. If your wealth is established and your main concerns are maximising access to advice, information and opportunity, your main consideration is more likely to be the comprehensive nature of the services provided and achieving a "cultural" match.

We've included 12 private banking services in our tables (pages 28 and 30), which we believe give the best combination of access and opportunity.

Foot in the door

For the second year, the private bank offering the fewest barriers to entry has no barriers at all. Mark Bartholomeusz, national manager BOQ Private, says there are no set entry requirements in relation to income, investable assets or loans held with the bank.

"We don't have a rigid set of selection criteria in place, it is about working with individuals where we believe we can establish a long-term relationship as a trusted adviser," Bartholomeusz says.

No barrier in terms of income, investable assets or loans doesn't mean it's easy to join BOQ's private client base. It's all about quality not quantity, which means BOQ keeps its private banking client numbers low. "We are one of the few Australian banks that employs a relationship-based model," he says. "This is an approach that works particularly well in private banking, so we maintain a select number of clients to ensure they receive the highest of service levels."

Citibank is another institution with a relatively low entry bar for its Australian high-net-worth banking offering, Citigold. Deirdre Wroth, Citi's head of banking and wealth management products, explains that the global organisation's private bank is run offshore by the **group's** institutional arm.

Customers must have \$US25 million in investable assets to become a client, which makes the \$100,000 in investable assets required for Citigold sound humble. Some Australians are clients of the \$US25 million service but many more have the globally recognised Citigold status.

"We don't require clients to have income levels or an amount of debt with us or any other criteria and we include superannuation in the \$100,000 for Citigold," says Wroth.

HSBC Premier is the third private client offering to have comparatively low eligibility requirements. To get a foot in the door, you need a minimum of \$200,000 in savings and investments, or at least \$500,000 in loans, or a \$500,000 combined total of loans, savings and investments with HSBC Australia.

Beyond \$1 million

Once you have more than \$1 million to invest, a different style of service provider will begin to take you seriously. As UBS head of wealth management for Australia Mike Chisholm explains: "We target high-net-worth and ultra-high-net-worth clients with investable assets of at least \$1 million."

NAB Private Wealth executive general manager Christine Yates says NAB's clients also range from affluent to ultra high net worth. They earn more than \$250,000 and have investable assets of more than \$2 million.

BT Financial **Group's** Private Wealth division incorporates three private banks: Westpac Private Bank, St George Private Clients and Bank of Melbourne Private. Jane Watts, general manager of private wealth BTFG, says to qualify for a private service offering across the three banks, individuals need \$2.5 million in "footings" (combined assets and liabilities), or \$400,000 income for two years running, or \$1.5 million in investable assets outside the family home.

Further up the ladder, Commonwealth Private has raised its entry bar since our last survey from \$250,000 annual income to \$400,000 household income. Adrian Hondros, executive general manager for Commonwealth Private, says: "We felt \$400,000 annual income per household was a more contemporary way of describing Australian earnings."

"The other entry criteria is the intent of the client to invest or borrow, or have existing investments or borrowings of \$2.5 million, including superannuation."

Chris Selby, Deutsche Bank Australia and New Zealand head of wealth management, says the bank finds its best fit is with clients in the higher net worth range, hence its \$5 million in investable assets entry point. "We have fewer than 1000 clients and aim to maintain our focused, bespoke business at this scale. Our key metric is the value we bring to the specific client," Selby says.

Is it right for you?

So if you're wealthy enough to earn a ticket to the private banking game, do you stick with the brand you've always done business with or is it worth shopping around? Our survey results indicate the latter. We found significant differences in culture, objectives, access to product and investment opportunities.

Start by deciding what you are looking for in a private banker. If your main concern is to gain access to the best selection of off-the-shelf banking products, along with access to special deals, you'll be better off doing business with an Australian-owned bank.

BOQ, for example, is strong in traditional product areas of loans, accounts, credit cards and insurance but doesn't create bespoke global investment opportunities as do other institutions such as Citi, UBS, Deutsche or Credit Suisse.

In the middle of the ballpark are the home-grown majors – ANZ, CBA, NAB and BTFG – which can provide all your conventional banking needs and are getting better at tailoring bespoke opportunities.

Some private banks are going after special niches. Citi, for example, has significant numbers of Citigold customers with Asian ties, so as a result, Deirdre Wroth says, has hired staff with language capabilities across all services for Asian customers.

UBS takes a different approach by matching specialist advisers to clients with particular needs. "Some of our advisers manage clients from specific professional backgrounds and specialise in particular investment solutions; others specialise in particular advice needs such as developing strategies with clients that want to manage the transfer of wealth through the next generations," says Mike Chisholm.

Big or small, global or local?

Think about whether you'll be happier as a member of a small client base or if you'd rather have the broad expertise of a larger organisation, which is likely to have more of a mass offering. NAB Private Wealth has almost 18,000 what it calls "relationship groups". In spite of that rather large client base, executive general manager Christine Yates says it's all about service.

"We are bespoke and take the time to gain a deep understanding of the client's needs, to partner with our clients along every stage of their financial journey," she says.

Credit Suisse Private Banking Australia has a different approach to specialisation and service provision, says managing director Shane Galligan. "Our business is made up of a team of relationship managers who work according to specialties in certain segments, whether that be a team for endowments, family office executors or retirees," he says.

"We have noted a growing trend where our clients, and particularly entrepreneurs, increasingly require services beyond private wealth advice, such as introductions to acquisition opportunities, structured lending, foreign exchange and concentrated equity risk hedging, and advice on monetising their private assets."

Galligan argues that large, global private banks are best positioned to respond to those needs. "If we have a private banking client who needs to sell a business, then manage the distribution of the wealth through the family, and possibly even teach the next generation about how to invest and protect that wealth, we can manage and advise on the process every step of the way."

Naturally, our home-grown banks argue that they are just as well equipped to deliver such benefits. "We service a number of different high-net-worth segments such as business owners, executives, professionals and retirees," says BTFG's Jane Watts.

"There are sub-segments, such as medical professionals, sports and entertainment. Some clients differ noticeably from the general population and look to our extensive network of expertise, or seek out exclusive insights and access to the universe of investment opportunities.

"For instance, multiple legal entities, specialised protection needs for unique art and jewellery, and overseas interests would be more pronounced among high-net-worth [clients] than the general population and all result in greater complexity."

Commonwealth Private, which traditionally focused on recruiting executives from major institutions as its clients, is branching out into new areas, according to Adrian Hondros.

"Australia has a strong SME [small- to medium-enterprise] community, so one of the things that is going to happen is the people who established those businesses are now starting to look at their succession planning," he says. "They will move from hard-working business people to wealthy individuals. A lot of our current and future opportunity will be to talk to business bank clients about how they are going to monetise the equity in their business."

Assessing the benefits

Global private banking evolved out of the needs of sophisticated clients to access discreet, tailored investment opportunities that were more the domain of the institutional investor than the average mum or dad. Australia's domestic private banking scene grew from a different direction – that of delivering a higher level of service for the everyday banking needs of the wealthy.

Most Australian clients are now looking for a combination of those two offerings: access to superior service and advice for their everyday banking and borrowing needs, combined with access to global

research and highly discreet, tailored investment opportunities. Use our tables to gain insight into which end of that spectrum each bank's strengths lie.

For example, BOQ Private Bank clients receive a high-service core banking offering, with experienced professionals on call to provide advice, as well as manage day-to-day needs and new retail and business banking **transactions**. Citigold, on the other hand, is more adept at tailoring specific investment opportunities for globally minded clients.

"Quite often we get asked for exposure to particular shares or markets and we will then tailor an investment in that particular market and quite often we allow the investor to add something to it, like protection," Wroth says. "Because Citi is a global brand and we leverage our global research, it is a little bit different to the domestic providers.

"Often, our customers will have quite a large exposure in another currency and we can provide investments for them in that currency."

The other advantage of doing business with a global banking brand is that you can use the services anywhere. As one example, HSBC's list of benefits for its Premier offering, is substantial and impressive:

Exclusive level of service through a personalised relationship manager.

International recognition, worldwide assistance, investment expertise, rewards and privileges and international banking.

Preferential rates and rewards on day-to-day banking.

Investment and financial advice with a global perspective.

Global view and global transfers, free international account opening, 275 HSBC Premier centres worldwide and connection to their home country relationship manager.

Emergency encashments.

Live FX rates for encashments.

The list of benefits from each of the global banks is similar, each has their competitive enhancements. UBS trumpets it has a Chief Investment Office and investment process that involves more than 900 experts and analysts. Shane Galligan says Credit Suisse clients have access to any asset, in any currency, anywhere in the world.

Chris Selby, from Deutsche Bank, adds that for clients looking for income, the world has lots of alternatives that may not be easy for some to deliver in Australia.

"Financing a **hotel** in Europe, storing gold in Singapore or buying an IPO in the US all require significant platforms that only a few global firms can really deliver in a simple and efficient format to an Australian resident," he says.

Domestic private banks, particularly the big ones, are not fussed by the size of their global competitors' networks, believing they have a better handle on the needs of the local market and a better capacity to service both everyday banking needs and high-end investment design and delivery.

"The suite of products we offer is the most comprehensive of any Australian private bank. This allows us to satisfy all our clients' requirements, as well as tailor our offer to suit different needs," says NAB's Yates. "Our private clients gain access to private banking services, exclusive investment opportunities and trading advice, as well as access to personalised **estate** planning and philanthropy services. We also work closely with JBWere and other areas of NAB to ensure the breadth of capabilities across the **group** can be accessed by our clients."

Research looms large in the service offerings from the domestic private banking sector. BTFG's Jane Watts says its Chief Investment Director model ensures delivery of "thought leadership focusing on global and local investment themes". This is delivered via white papers, monthly perspectives, biannual client publications, seminars and special interest sessions for the like-minded.

Adviser or product flogger?

The private bankers' sales spin, domestic or foreign, speaks in the rounded notes of a well-matured red wine when compared with the boxed chardonnay available over the counter at the branch. But let's not forget that, as a private client, you are one of their best propositions for ongoing profitability.

Not surprisingly, all the banks say the same things about their bankers. They have "the experience to understand the complexities of clients' structures and the ability to manage their current and future requirements across the full spectrum of banking". They are all better than anyone else at building long-term relationships. So who do you believe?

It comes down to personal preference but there are several models to choose from. Some providers, such as BOQ, UBS, NAB and Deutsche Bank use the trusted adviser model, where the private banker or relationship manager is the main contact point.

The other model, preferred by Citigold, the BTFG banks and Commonwealth Private, is for the relationship manager to be the go-between for a broader team of experts. Citigold does have one other competitive advantage when it comes to the purity of its advice. "We don't manufacture our own products, we don't have a funds management arm," Wroth says.

"We understand what the customer is looking for and we go to market and look specifically for them."

The other question to ask a prospective private bank, particularly those with funds management businesses, is whether their relationship managers earn commission for business placed. "At Credit Suisse, private banking is in our DNA, not just a 'red-carpet' add-on designed for product distribution," Shane Galligan says. "One philosophy which we believe ... sets us apart from our competitors, is our non-commission fee structure. It is something that is crucial, as it ensures the interests of ourselves and our clients are very closely aligned."

Deutsche Bank's Chris Selby also says its structure is not based on commissions: "So the outcome for the client is clearly a priority."

An eye to the future

Several private banks are enhancing their offerings. BOQ says it has significantly strengthened its service proposition by recruiting highly experienced bankers in markets outside its traditional hunting ground.

UBS launched a Global Family Office last year. "For UBS Wealth Management Australia, our focus looking ahead is to continue to drive the UBS Chief Investment Office process, leveraging the expertise of more than 900 investment experts from around the globe, covering all key markets and asset classes," Mike Chisholm says.

NAB Private Wealth has continued its expansion into Asia, with offices in Singapore, **Hong Kong** and Japan. It is also partnering with international investors looking to participate in the Australian Government's Significant Investor visa program, which requires high-net-worth investors and their families to invest a minimum of \$5 million in Australia.

According to Shane Galligan, from Credit Suisse Private Banking Australia, its Solutions Partner **group** has grown significantly in the past 12 months. It comprises a team of experienced specialists spanning corporate advisory, investment solutions and structuring.

BTFG's Private Wealth division has implemented the BT Private Wealth Markets desk as a single point of contact for access to listed and unlisted investment opportunities. BTFG also launched a service under the Significant Investor Visa program.

Finally, Deutsche Bank's Chris Selby says the focus has been to bring Deutsche's asset and wealth management businesses together to bring products designed for institutions to a broader audience.

As a private client, you are one of the banks' best propositions for ongoing profitability.

So how wealthy are we?

Make no mistake, Australians' personal wealth is impressive – our median wealth is \$US219,505 per adult, according to the latest Credit Suisse World Wealth Report. A high Australian dollar against the \$US helps, of course, but by comparison, Singapore's wealth is \$US90,466 per adult and New Zealand's \$US76,607.

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