

Making the AAM Advisory-Old Mutual Wealth tie-up a win-win

Following its acquisition by Old Mutual Wealth, AAM Advisory plans to capitalise on its new-found connectivity to its parent's insurance, asset management and wealth arms. This includes incentivising advisers to bring their business to its door, says Matthew Dabbs.

Only six weeks after Old Mutual Wealth announced its plans to buy the expatriate adviser business AAM Advisory in Singapore, the deal was signed and sealed, in mid-March 2016.

This highlights the ambition of both organisations to make the most of this partnership in building a stronger and more extensive regional presence, to the benefit of all stakeholders.

Further, following a relationship between the two firms stretching back to 2009, it is testament to the way the businesses are aligned.

Plans are already underway to meet a variety of key objectives, including: expanding the business of both firms within Asia; furthering Old Mutual Wealth's distribution strategy of developing a multi-channel advice business, with AAM leveraging its new parent's insurance and asset management solutions in particular; and growing the book

of business at AAM via an innovative incentive scheme.

Matthew Dabbs, chief executive officer of AAM, says the firm was looking for such a partner to help it grow. "Together we will continue to build a strong advisory business focused on providing positive solutions for our clients."

One of the component parts of the model which he says Old Mutual Wealth especially likes is the support AAM gives its advisers, from the foundations up.

"Old Mutual Wealth bought us because they like the AAM model and the way it is with advisers and clients at the forefront." This refers to the centralisation of the investment research team, compliance function and report writing service, along with other administrative tasks. "AAM has always been focused on its advisers. We try to make the firm as easy a place as possible to conduct business," says Dabbs.



MATTHEW DABBS
AAM Advisory

Advisers at AAM continue to be able to advise on a full range of products and funds from the same institutions as before (including transferring clients

in). They now get the added bonus of access to Old Mutual Wealth's wide range of funds that provide excellent value/performance for the client.

REGIONAL PLANS

Post-acquisition, growth is front-and-centre of the strategic vision going forward, for both firms.

As a result, the next step is to pursue this goal more widely in the region. "As far as AAM is concerned, it is 'business as usual', just with a bigger mandate to start looking at regional opportunities," says Dabbs.

"We see great opportunity in exploring new countries in conjunction with the support of Old Mutual Wealth," he adds. "As a business, we will continue to focus on our core proposition, which will be to provide professional, competent and reliable advice with a focus mainly on expatriate clients and operating in well-regulated markets."

Against the backdrop of a rapidly-shifting landscape for providers of products and services across wealth management, nothing seems off limits.

"We also think a lot of advisers will increasingly look to Singapore as a base where they are more comfortable with the legislation and compliance requirements, from which they can run established books of business."

INCENTIVISING GROWTH

As a result, in striving for scale, AAM and Old Mutual Wealth are not just relying on expanding in the traditional way of acquiring other firms or opening new offices.

To attract advisers with an existing book of business to join AAM, a 'Prac-

tice Buy Out' (PBO) will be launched which gives advisers at other firms the opportunity to monetise that book at some point in the future by becoming part of the AAM team.

It works as an option, explains Dabbs.

"The advisers are not forced to do it, or locked in, and the company doesn't own the clients. If they wish, advisers can leave and join a competitor whenever they want to. But what's important about the scheme, is that if an adviser signs up to it, they have an option to sell the book of business to the firm."

If they then want to join another firm, they can still do so, but they don't get compensated for the clients they have brought in.

"We think it's a very fair incentive," says Dabbs. "The advisers already own their clients, so we see this as an add-on."

This is available from day one, assuming AAM is comfortable with the book in the first place, given that the firm's existing advisers will need to service it going forward. Being part of a large group, they are able to launch such initiatives.

There are obviously certain caveats.

"We want the majority of the book to stay with us, rather than the adviser selling us the book and then trying to re-contact clients from another firm," explains Dabbs. As a result, the scheme provides a guaranteed pay-out to the departing adviser.

By paying it over certain stages, this also ensures that the existing crop of AAM advisers who will end up looking after these clients are comfortable with the business and its likely 'stickiness'.

A book of the size of SGD50 million, for example, might get split between three advisers at AAM, who eventually need to pay for this business.

"They pay annually in arrears," says Dabbs. "So they build up the fees from day one, but then sacrifice some of those fees over the years ahead to cover the costs of taking on this new business."

He expects this to even out over a three-to five-year period.

CAPITALISING ON CONNECTIVITY

The upshot of the deal between Old Mutual Wealth and AAM is the fact that both firms can now take advantage in a more planned and strategic way of the alignment and goals they share.

AAM is already looking at ways to improve its proposition to benefit clients.

For example, the firm has identified an opportunity to help HNW clients looking for high-end life cover combined at the same time with the opportunity to achieve investment growth.

For the asset management side of Old Mutual, the firm can create funds for AAM within the regular savings platforms its clients already use, and then manage them too, in turn simplifying the administrative process and compliance burden.

"We don't have to worry about switching and/or the administration involved anymore," says Dabbs.

"We are looking forward to being part of Old Mutual Wealth and benefiting from its financial strength, experience in supporting advice and distribution, and in-house expertise in investment research," he adds. ■