

# Growing pains of the fee only approach

*Paul Gambles, Managing Partner, MBMG Group, talks about the bold step of moving to a fee only wealth management practice and their experience so far.*

**A** FEE ONLY APPROACH TO CLIENTS IS NOT ENTIRELY NEW in the wealth management industry, but it is certainly not the most widely implemented approach to date in Asia. MBMG flies in the face of the “normal” in having set up a fee only service practice back in 2012. “Perhaps because we were used to operating on a charge for time basis, we

went into this with our eyes wide open, although there are always unexpected challenges,” says Gambles. He notes that a key driver was the SEC in Thailand, a regulator at the forefront of the global move towards fee-based advisory at that stage, who was very supportive.

Despite this, Gambles recalls his first review with the Thai regulator where questions such as “So, how do you manage to make money from this model?” were on the agenda. Not entirely surprising as he accepts that it is difficult in Asia or anywhere else to get people to start paying upfront before they have tried the service. So how actually have they managed to make money? “It was the biggest challenge but with six years of track record behind us now, we have a of queue of clients waiting to get on board and start utilising our service.”

Looking at the industry take-up rate in Asia, Gambles is a firm believer that a big push from the regulators. In Singapore and Hong Kong, which have much more established businesses focussed more on up-front fees and commissions, “it’s going to take a brave regulator to force the current practises to change and start from scratch.” He also notes that many banks and IFAs, even if they have a fee-based advisory model, mostly promote their own products.

As a fee only firm, can Gambles actually make a difference when delivering long term performance to his clients? “We all like to think we’re independent, but it’s a lot easier when that conflict of interest does not exist. When you’re paid only to produce a professional and independent analysis - it is much easier to be independent.” Whilst the work level is consistently higher, if you get it right, the fees continue on an ongoing basis.

Gambles team are committed to the model; “there has been more cultural buy-in from employees, so it’s a happier, more satisfied team. They take more pride in what they do for the client.” ■



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