

# Term deposit management for self-managed super funds

*According to research, close to a third of today's self-managed super fund assets are in cash and term deposits.*

*How can advisers add value in managing this critical portion of an SMSF? Financial Standard interviews*

*STEPHEN JEWELL, founder of online term deposit management business Australian Money Market (AMM).*



**AMM manages more than \$2.7 billion in funds under management across 17,000 accounts. That's a huge achievement considering it was just you and a dream back in 2008. What inspired you to start AMM?**

Prior to starting up AMM, I spent eight years in London working in systems for investment banks. Upon my arrival back in Brisbane I met my now fellow director, Tony Hartley who had conceived the idea. I spent eight months developing the system and then alongside fellow directors, Ugo Di Girolamo (DDH Graham Limited) and Tony (Pharos), launched the service in February 2008.

The vision was to create portability of term deposits between financial institutions. The platform was built purely to automate all facets of running a book of term deposits where the funds remain in the client's name.

The concept has advanced over time and we continue to work towards developing AMM to become a real time deposit exchange where advisers can choose and accept a deposit on behalf of their clients and be accepted immediately with centralised administration, AML compliance and real time links into bank systems.

**Why do you think advisers with Self-Managed Super Fund (SMSFs) clients are drawn to your services?**

Our advisers use the platform to better manage their SMSF clients' cash and term deposit holdings over the medium to long term. The demand for capital security remains high despite lower rates and some movement of "excess cash" back into the sharemarket.

As one of our advisers, Laura Menschik, Director, CFP®, SMSF Specialist Advisor™ at WLM Financial Services says "We have found AMM a most useful and innovative addition to the services we are able to offer our clients. Besides being able to help manage our clients' term deposits in an efficient and timely manner, we are able to increase our contact points with clients in a helpful and easy way which has led to very positive feedback."

**Can you share examples of instances where you believe providing more term deposit choices can enable an adviser to deliver better net investment returns?**

Let's consider the example of an adviser John Smith (not his real name) who, on behalf of one of his clients, placed a \$250,000 term deposit for 3 months on 1 November 2013. He then gave instructions at maturity to reinvest the funds plus interest for a further 3 months in February, May and August 2014.

Assuming John selected the highest rate available at the initial placement and at each subsequent rollover over the 12 month period, his client would have earned \$38,685.70 interest on the investment. So how does that compare had John reinvested the term deposit automatically with the same institution over the same period?

If we take the average 3 month rate across the top ten banks at the initial placement and reinvestment dates and compare that to selecting the highest rate available, John's client would have earned \$36,575.34. That is \$2,110.36 less interest over the same 12 month period.

The other issue for advisers is the time required to search all the different providers at rollover for multiple clients over different calendar dates. Having access to view rates and place deals through a single portal helps to ensure they are getting the best rates available for their clients.

Advisers also have the option to spread the funds across institutions to maximise the benefits of the Government Guarantee up to \$250,000 and are able to check their clients' allocations online.

**Is it difficult for a financial adviser to transition into a term deposit broking platform? Why? Why not?**

Registering to use the AMM platform for licensed financial advisers is straightforward. The first step is for the adviser to set up a broker code, login username and password. This will provide access to the system to view current investments and transact on their clients' behalf.

The next step is to login to the platform and complete the online application form to set up their client accounts. The AMM platform requires just one initial application form to be completed. When the initial account is created, a choice of cash management account (CMA) is required to facilitate the settlement of term deposit deals. Our CMA account providers include ANZ, Bankwest, BOQ, Commonwealth Bank and Macquarie Bank. Where a client already has an existing cash management account, this can be linked.

**Some investors see term deposits as a short-term solution but advisers see them more as a medium to long term solution. What feedback do you get from advisers on this?**

The majority of AMM accounts are SMSFs and our experience from these is that term deposits are definitely a long term asset allocation of a client's portfolio.

**If you can only name three key benefits of using an online term deposit platform, what would they be?**

- Access to competitive TD rates through a single portal across more than 20 Australian financial institutions (all of which are ADIs covered by the Government Guarantee)
- Ability to transact online 24/7 and switch funds easily between institutions upon rollover
- Automatic completion of all application forms and contract notes (after the initial account with AMM is opened)

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