

Super product highlights value of referral partners



Craig Morgan

Key points

- New super product funded by ING Direct
- Allows SMSFs to invest in residential property
- Referral arrangements with accountants and planners key
- Upfront and trail commissions up for grabs

Brokers who have strong referral arrangements with accountants and financial planners may be in a good position to tap into a new client base, namely, trustees and members of self managed superannuation funds (SMSF).

This follows the launch of a new SMSF warrant product called PowerSuper, funded through bank funds from ING DIRECT.

The product allows SMSFs to invest in Australian residential property. Brokers can earn upfront (0.7%) and trail commissions (0.25%) by facilitation of the lending transaction.

However, they cannot sell it themselves. The warrant, which is issued under an Australian Financial Services Licence, is only available to SMSFs through professional advisors such as accountants, financial planners, lawyers and other suitably qualified SMSF advisors.

Jo Parkinson from PowerSuper said it was imperative that every customer is referred by an accountant or financial planner.

"This is because we don't provide advice ourselves but rely on suitably qualified people to explain the Information Memorandum to their clients, ensure that their SMSF is capable of the strategies involved, and generally assist them with their application for a warrant," he said.

PowerSuper pays a referral fee to the accountant or planner for these services, leaving the broker to arrange the financing requirements. Cremorne-based I-Financial Group has formed a specialist entity called SMSF Loans,

set up to tap into this market. Craig Morgan, director of SMSF Loans, said the reason it had set up the business was due to the belief that borrowing through SMSFs would have, potentially, the biggest impact on real estate since negative gearing.

Morgan said brokers looking to work in this space needed to have "appropriate technical knowledge" to be able to assist the borrower and their advisors.

"However, the considerations are far more robust and can have much more significant consequences than a simple home loan or even commercial mortgage," he said.

"The client needs to have an accountant and/or financial planner to provide taxation and financial advice. Our role is to provide the specific finance advice and have a sound understanding of the accountant's input."

Morgan said it was essential that the various advisors worked together.

Any broker wanting to operate in this area would benefit from an accounting or financial planning background, he added.

Alternatively, they could consider a referral arrangement with SMSF Loans. "We can assist the broker to utilise this area of lending to develop referrals from accountants and financial planners across the full spectrum of lending, without the need for them to become a specialist in the SMSF area," he said.

Interested brokers can download an advisor registration form from the PowerSuper website. They must be MFAA- or FBAA-accredited with PI insurance. ■

Horizon offers brokers chance to dip toes in commercial

Horizon Financial has launched a new commercial referral program for residential specialists with the aim of offering brokers the opportunity to break their teeth in commercial finance without taking on board any associated risks.

MPA's top commercial broker, Mark Turnbull said this new initiative was a natural progression for his Cairns-based business.

Explaining the reason behind the program, Turnbull said: "We've found that most residential brokers have tried commercial finance, but after spending an enormous amount of time and effort have been unable to convert the deal and subsequently have lost residential income that they could have been earning instead."

Key points of Horizon referral scheme

- The referring residential broker always owns the client
- Horizon guarantees never to market to the client
- The referring broker receives an upfront and trail income for the life of the loan
- All residential inquiries from these clients are directed back to the referring broker
- A legal agreement is signed by both parties to ensure all these conditions are met

With the launch of this new referral program, Turnbull hopes to share his knowledge and expertise with smaller, residential brokers who have the opportunity to do commercial broking, but are often frightened by the risks in doing so.

"With the launch of this program, our team will offer residential brokers the chance to retain their clients, while offering them the benefit of commercial finance," Turnbull said.

Brokers will sign a legal referral agreement with Horizon Financial which will pay upfront and trail fees monthly for the life of the loan.

Turnbull said that residential specialists will have the security to offer a value-added service to their client without the risk of losing it altogether to a larger broker who covers both residential and commercial loans.

"There are no catches, no agendas, and is all about a win-win-win for all parties involved," he said. ■

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