

# BRAMWELL BROWN LTD

## INVESTMENT ADVISERS – BROKERS

Director: Brett Dymond – AFA, BBS, GradDipBusStud (Personal Financial Planning)

### **Bramwell Brown Limited – Newsletter – March 2017**

It's been a very busy February for my family, having hosted our son's New Zealand instalment of his German wedding. What a pleasure it was to show visitors from overseas what a great place we live in. Seeing their reaction to the sights of Castlepoint made us realise how easy it is to take for granted what we have here in the Wairarapa.

#### **Appointments**

I was out of the office at times through February, and if you called in to see me and I wasn't available I apologise. However if you need to see me I would encourage you to ring first and make an appointment. On any normal working day I can be out of the office at times. I'm often attending meetings in town and I regularly visit clients in their own homes. Don't hesitate to ring me at home if necessary (3703911) or on my cell phone (0274-523980).

#### **Fees**

I've had the opportunity over the last few months to review a number of portfolios administered by some of the large financial planning firms. The reliance on managed funds in contrast to direct investment is as I expected, however the level of fees charged is something that continues to amaze me. Their charging models are based on funds under management. The adviser will invest your money and charge a fee to have those investments under their control. I accept the need to be compensated for the service offered, however I question the value being added, particularly for those with large sums invested.

Here is a typical schedule of charges – some charge up to 2.00% per annum.

<b>Investment Amount</b>	<b>Adviser Fee</b>	<b>Administration Fee</b>	<b>Total Fee</b>
First \$500,000	1.10% per annum	0.35% per annum	1.45% per annum
\$500K to \$1million	1.00% per annum	0.30% per annum	1.30% per annum
\$1million and over	0.80% per annum	0.25% per annum	1.05% per annum

If you had \$500,000 invested you would pay \$7,250 per annum in fees, plus brokerage for the trades conducted throughout the year. These fees must come from tax-paid income; therefore the investor is giving up the first 1.80% to 2.40% of returns depending on their marginal tax rate. This level of fees is common amongst the major financial planning chains, and some justify the charges by providing twenty-page reports every quarter. I've spoken to a number of accountants about the financial reporting provided by these firms, and they all suggest the reports do not significantly reduce the accountants' end of year bill. Accountants tell me all they require as far as investments are concerned is the payment advice you receive from the company when they pay their interest or dividends, the registry statements showing your holdings, and your bank statements.

I am extremely cynical about the fees charged by the financial planning firms. In most cases there is very little management required once shares or bonds are bought. My philosophy is to buy good companies and hold them for long periods, and in most cases bonds are bought and held until maturity. Therefore we shouldn't need to be managing client portfolios on a daily or weekly basis. Furthermore the level of fees charged on large portfolios is hard to justify in my view. An investor with \$2 million in their portfolio will pay \$21,500 per annum in fees based on the previous table. It does not cost advisers twice as much to administer \$2 million as opposed to \$1 million in my opinion.

At Bramwell Brown Ltd we offer a portfolio administration service where we handle all the paperwork relating to a client's investments. We receive all communications from individual companies including interest and dividend notices, annual reports, offers of securities, and voting papers. Interest and dividends can be banked to your own account or can be processed through our trust account to call accounts we hold at the ANZ Bank in your own name. We liaise with your accountant at balance date and we report on your portfolio twice a year. We have a very reasonable upper limit on fees charged, which is attractive for those with larger portfolios. This service is ideal for those people who are away from home for long periods of time, or those who simply don't want to attend to the paperwork that goes with the investments they hold. Call the office if you would like to discuss this service.

### **Fixed Interest**

We have a couple of bond offers coming to the market this month, with details due shortly. Transpower and Meridian Energy have both indicated a desire to raise money, although if the recent Contact Energy bond is a yardstick don't expect the interest rates to be above 4.00% to 4.50%. Investors will also be expected to pay brokerage of 1%. Call the office if you are interested in any new bond offers.

**DISCLOSURE STATEMENT AVAILABLE ON REQUEST AND FREE OF CHARGE**