# IMAP Webinar: Giving Advice on Managed Accounts – Best Interest and other considerations Q&A

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| With managed accounts and DDO Regime are there any traps to avoid with recommending a managed account. | DDO should make managed accounts more compelling as the adviser will only need to have regard to the TMD for the managed account portfolio, not to each underlying investment, as they would if they were making individual product recommendations. A client can be in the target market for a managed account portfolio, but outside the target market for individual funds included in the portfolio |
| If the investment management fee the firm receives from the inhouse managed account is a "client directed and acknowledged advice fee" does this change or lessen the conflict issues? | It doesn't lessen the conflict, and client best interest considerations remain paramount. However, client directed fees are the most robust approach to fee charging for managed account portfolios. |
| If there is no additional benefit to the adviser or licensee, e.g. no additional fees for the inhouse MDA you are recommending, is there any conflict of recommending an inhouse product? | Removal of the fee consideration removes a good deal of the perceived conflict. However, the managed account has to be demonstrably in the client's best interest and likely to convey benefits for them compared to their current position or other alternatives the adviser considers |
| Do the alternatives considered only need to be on file not in the SOA? | The SoA should clearly set out the alternatives considered and why the recommendation is superior to these. The alternatives can be divided into two components:<br>• Alternative strategies e.g. current industry fund, multi sector fund, managed account, and<br>• Alternative products, having settled on a strategy e.g. growth portfolio, balanced portfolio, passive vs active portfolios |
| Some licensee-managed portfolios include performance fees, transaction fees, management fees as well as advice fees. Which fees need to be included in the FDS? | Where the fees listed are clearly attributable to the managed account, for example described in an SMA PDS or in an MDA Agreement, they are classified as product fees. Product fees do not need to be included in a FDS. The FDS sets out the ongoing fees |

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| Can you explain the main differences in process requirements between suggesting MAs though general advise vs personal advise | SMAs, because they are generally structured as managed investment schemes can be issued under general advice – however a caution is that some TMDs under the new DDO regime might require personal advice. MDA's for retail clients however must be issued with personal advice and this advice must be reviewed and confirmed on a 13 month basis. |
| If you have an in house managed account that is active (includes managed funds and rebalancing), should you be comparing the managed account to another active MA or could you compare it to an index MA like Vanguard, ishares etc? | Alternatives considered, once the issue of strategy has been addressed, should be those which are reasonable in light of the client's goals, constraints and objectives.<br>It is reasonable to have discussed the issue of active vs passive with the client and to have confirmed the result of that discussion in the SoA. It is reasonable also to have established that, where the portfolio manager is selecting active managers that the client wants to have their portfolio managed through an approach in which they and the adviser have confidence. |



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