



01:
Craig Swanger
non-executive director
Cashwerkz

How fintech is streamlining cash investing

Innovation in cash management platform technology provides a new way to research, manage, transact and switch investments for investors and wealth managers. It can create a new journey for investors and wealth managers. It also enables advisers to deliver core cash investing services that are more accurate and efficient, leading to positive impacts for their brand and clients alike.

Keeping risk in check

In a global financial marketplace where risks are rising and trade wars and slowing economies are becoming the norm, defensive assets such as corporate bonds may be overpriced and not be as safe as they once were.

With interest rates at an all-time low, investors could also be forgiven for questioning the value of cash investing, especially if they are transitioning to or are in retirement. However, for individuals considering retirement or in the post retirement phase two major benefits of cash is its liquidity availability. And because it's already in the form of cash, there is little impact on its value when an investor moves in or out of the asset class. Investors can take advantage of other investment opportunities quickly because they're not waiting for assets to be realised before they can invest. On a more practical level, having access to cash can also help investors deal with unexpected expenses.

For all investors cash remains a low-risk defensive asset offering downside protection, making it an important allocation in any portfolio.

Additionally, in a post-Royal Commission world, and a world rapidly moving towards the introduction and embracing of Open Banking next year, there's more emphasis than ever on ensuring investment products support investors' best interests. The need exists to detail how advisers are helping ensure investors are able to help look after their own interests, typically by making available an easy to review range of investment options within an asset class.

With the Reserve Bank of Australia dropping the cash rate to an unprecedented level, there certainly remains the opportunity that rates may decline further. This poses challenges for fixed interest investments such as term deposits that traditionally comprise the defensive component of an investor's portfolio.

Nobody today is expecting terms deposits to deliver the relatively higher returns of equities

– the risks are different. As interest rates have dropped, it has become incredibly important to look for term deposits that deliver the highest possible return. In a low yield environment, there's a danger investors will allocate funds to higher-risk fixed interest investments in an attempt to meet their investment goals. However, this heightens the chance of capital loss and may not produce additional returns.

Achieving good returns will always remain a focus for investors and advisers, but it may be prudent for some investors to accept a lower yield to protect the defensive component of their portfolio, rather than expose it to heightened risk.

Achieving income balance and security

This is an especially critical consideration for self-funded retirees who need to generate an income in retirement to fund their lifestyle and at the same time, protect their capital. It's key for this group of investors to be conscious of achieving the right balance between ensuring their funds are protected to the extent required and generating a sufficient return in retirement.

While yields will always be a focus when choosing defensive investments, so too is ensuring they are safe and secure. The federal government guarantees depositor funds in APRA-approved banks to the value of \$250,000, which gives investors' confidence these funds are safe. For investors that have a larger volume of funds to place, it's an idea to split up this allocation across a number of banks to ensure these funds still enjoy the government guarantee.

How fintech delivers new insights

Whether you are a direct investor or an adviser, it's an idea to explore technologies that can simplify this process and, at the same time, offer a range of options in terms of where to invest funds. When it comes time to roll over term deposits, it's important to have access to a full suite of different options. But, while there is \$2 trillion invested in cash and term deposits in Australia, in the past, investors and their advisers have only had limited options when selecting term deposits in which to invest. Time limitations also restricted the overall strategy of how these funds would be placed. Often, funds would be invested with one institution rather than diversify the cash

Investment fads come and go but cash investing will never go out of style.

In this edition, we look at the latest developments in the world of cash. While rate movements are outside the financial adviser's control, they can help their clients pick cash investment products with the most attractive rates in record time thanks to technology.

Cash management expert Craig Swanger from Cashwerkz, lives and breathes this model in his role at the online cash management marketplace business. He believes that their platform can offer a more accurate picture of what's on offer at the market, making cash investing less of an admin and research burden for financial advisers when it's time to review their clients' cash portfolios.

Michelle Baltazar

Michelle Baltazar
Director of Media & Publishing



The quote

While yields will always be a focus when choosing defensive investments, so too is ensuring they are safe and secure.

allocation across a number of different financial products and institutions.

In the past it was also time-consuming to manually roll over funds held in term deposits. As a result, it was all too easy for investors not to roll over these funds or re-invest the money into an investment producing a below-market return. But in an extremely low-rate environment this may mean investors are missing out on gaining access to term deposits that offer the highest possible rate.

Facilitating long-term investment goals

A better approach is for investors and advisers is to research investment products that help achieve long-term investment goals. Historically, this has also been difficult to achieve when allocating funds to investments such as term deposits. Technology is changing all of that and today investors and advisers should be asking whether their current approach is supporting the hunt for superior yield. Does the system or technology being offered easily research, manage, transact and switch between different term deposit and defensive asset investments in the hunt for a better yield?

More and more, investors and advisers require transparency and a convenient way to invest. They are increasingly looking for technology that can assist them to buy and sell fixed interest investments with ease and give them confidence they understand exactly what they are investing in directly or on behalf of a client. This is fast becoming a high priority, a dynamic that is only expected to increase over time. **FS**

For assistance with streamlining your cash investing and administration needs please contact Cashwerkz on 1300 721 005.

Cashwerkz Group (Cashwerkz) | Cashwerkz Limited ABN 42 010 653 862 AFSL 260033, Cashwerkz Technologies Pty Ltd ABN 70 164 806 357 AFSL 459645, RIM Securities Ltd ABN 86 111 273 048 AFSL 283119 and Trustees Australia Limited ABN 63 010 579 058 AFSL 260038. The information in this feature is for general information purposes only and does not purport to contain all matters relevant to any particular or financial instrument. It is not intended to be a recommendation, offer or invitation to purchase, sell or otherwise deal in securities or other investments. Before making any decision in respect to a financial product, you should read the relevant Financial Services Guide and Product Disclosure Statement available from <http://www.cashwerkz.com.au> and seek independent and specific advice from an appropriately qualified professional. Cashwerkz shall not be liable for any errors, omissions, defects or misrepresentations in the information or for any loss or damage (whether direct or indirect) suffered by persons who use or rely on the information contained here.



Watch the video
on www.fsitv.com

Brought to you by

Cashwerkz.