

Technical Guide: Cash Management

July 2024

Managing Your Cash Account

When creating a new Portfolio, the cash preferences are set to the minimum default as per the PDS – 1% or \$2,000. The platform will **use the lesser of the two when calculating the cash minimum** for the Portfolio.

This cash preference setting has two functions:

1. **Invest Excess Cash** – as part of this process, the platform will look at the cash preferences and automatically invest any funds above the cash minimum where the minimum buy requirements are met; and
2. **Disinvestment** – once the cash account has been depleted, a sell will occur to top the cash back up to the cash preference set.

This guide will articulate how both of these cash management functions operate and how best to utilise the current functionality to achieve your desired outcome. Worked examples of common scenarios and Frequently Asked Questions (FAQs) can be found at the end of this guide.

Invest Excess Cash

This functionality allows funds to be automatically invested and the parameters to achieve this are as follows:

- There are excess funds above the cash preference minimum set; and
- The minimum buy requirements are met:
 - Minimum buy amount can be increased or decreased within the Invest Excess Cash set up (\$50 default); and
 - Where Portfolios are newly funded, there will have to be sufficient funds to meet any investment specific initial buy amounts ie. managed accounts.
- The **Invest Excess Cash** preferences will not apply to any funds in the Cash account as a result of an adviser directed **Sell** down. The system will assume the adviser has requested these funds for a specific purpose and this amount will be excluded from being automatically invested via the **Invest Excess Cash** option. If you require these funds to be invested this will need to be completed with a manual **Buy** order.

There are two approaches you can take when setting up the Invest Excess Cash in relation to the Portfolio cash account:

1. Allocate a percentage (%) to remain in cash; or
2. Allocate the total amount of the excess cash to buy into selected investments.

Considerations:

- How much cash does your client require in their cash account to meet outgoing payments (regular withdrawals, pension payments, enduring rollovers and adviser fees)?
- When the Portfolio is disinvested, to what amount do you want the cash account to be topped back up to?
- Will the **initial** investment allocations be the same for **ongoing** automatic investments?

Disinvestment (Automatic and Assisted)

Certain transactions on the platform will trigger either automatic or assisted disinvestment instructions in order to restore the minimum cash preferences set above. It is also important to understand the differences between Super and IDPS-Like Portfolios.

Where a disinvestment is required for a withdrawal, the funds will be protected in that no other transactions (ie. fees) will be drawn from this amount.

General Disinvestment Rules

The below triggers will create disinvestment instructions back to the minimum cash preference.

Trigger	Disinvestment Instruction
Fees (including adviser fees)	<p>Automatic. Where there is insufficient cash available, automatic disinvestment occurs and once the sell-down has settled, the request will be processed.</p>
Rollover Out	
Lump Sum Commutation	
Accumulation Withdrawal	
Enduring Rollover	
Release Authority	
Pension Payments (Regular and Ad-Hoc)	<p>Automatic. Payment is honoured regardless if there is sufficient cash.</p> <p>Cash can go into a negative balance and the automatic disinvestment is triggered to restore to the minimum cash preference.</p>
Minimum Cash Breach	<p>Automatic.</p> <p>Where the cash balance is negative, the disinvestment will occur immediately.</p> <p>Where the cash balance falls below the minimum threshold for six (6) business days, the disinvestment will occur and restore cash to the minimum preference set.</p>
IDPS Withdrawal	<p>Assisted. Where there is insufficient cash to honor the withdrawal, a manual sell-down of assets must be placed and settled in advance.</p> <p><i>A notification is sent to advisers two (2) weeks before a regular withdrawal is due where the transaction will fail based on current available cash.</i></p>

Worked Example 1 - Increased Cash Preference

Scenario 1.1

- Portfolio Valuation = \$200,000
- Cash Preferences have been set to 10% or \$20,000 (lesser will be used)
- Invest Excess Cash has been set up, as follows:

Process	Investment Option	Allocation - \$200,000
Cash Preference	Platform cash	10% or \$20,000
Invest Excess Cash	Fund A	45%
	Fund B	45%
	Cash	10%

What will occur:

Process	Investment Option	Allocation - \$200,000
Cash Preference	Platform cash	\$20,000
Invest Excess Cash (\$180,000)	Fund A	\$81,000
	Fund B	\$81,000
	Cash	\$18,000

Overall Outcome:

- Total cash = \$38,000
- Fund A = \$81,000
- Fund B \$81,000

Scenario 1.2

- Portfolio Valuation = \$200,000
- Cash Preferences have been set to 10% or \$20,000 (lesser will be used)
- Invest Excess Cash has been set up, as follows:

Process	Investment Option	Allocation - \$200,000
Cash Preference	Platform cash	10% or \$20,000
Invest Excess Cash	Fund A	50%
	Fund B	50%
	Cash	0%

What will occur:

Process	Investment Option	Allocation - \$200,000
Cash Preference	Platform cash	\$20,000
Invest Excess Cash (\$180,000)	Fund A	\$90,000
	Fund B	\$90,000
	Cash	\$0

Overall Outcome:

- Total cash = \$20,000
- Fund A = \$90,000
- Fund B \$90,000

Worked Example 2 - Default Cash Preference

Scenario 2.1

- Portfolio Valuation = \$200,000
- Cash Preferences have been set to 1% or \$2,000 (lesser will be used)
- Invest Excess Cash has been set up, as follows:

Process	Investment Option	Allocation - \$200,000
Cash Preference	Platform cash	1% or \$2,000
Invest Excess Cash	Fund A	45%
	Fund B	45%
	Cash	10%

What will occur:

Process	Investment Option	Allocation - \$200,000
Cash Preference	Platform cash	\$2,000
Invest Excess Cash (\$198,000)	Fund A	\$89,100
	Fund B	\$89,100
	Cash	\$19,800

Overall Outcome:

- Total cash = \$21,800
- Fund A = \$89,100
- Fund B \$89,100

Scenario 2.2

- Portfolio Valuation = \$200,000
- Cash Preferences have been set to 1% or \$2,000 (lesser will be used)
- Invest Excess Cash has been set up, as follows:

Process	Investment Option	Allocation - \$200,000
Cash Preference	Platform cash	1% or \$2,000
Invest Excess Cash	Fund A	50%
	Fund B	50%
	Cash	0%

What will occur:

Process	Investment Option	Allocation - \$200,000
Cash Preference	Platform cash	\$2,000
Invest Excess Cash (\$198,000)	Fund A	\$99,000
	Fund B	\$99,000
	Cash	\$0

Overall Outcome:

- Cash \$2,000
- Fund A \$99,000
- Fund B \$99,000

FAQs

For ad hoc withdrawals from an Accumulation account, if there are insufficient funds in the cash account, does an auto-disinvest occur or do I need to place a manual sell down?

The disinvestment should be immediately triggered in order to make the payment and restore cash to the minimum balance.

Sequence of events is as follows:

- Attempt withdrawal
- If there is insufficient cash to cover outgoing payment it will fail
- Disinvestment of assets is automatically triggered to cover the outgoing payment and restore cash balance up to minimum cash preference set
- Once there is sufficient "available cash" in the Account, withdrawal is attempted again

Are ongoing adviser fees included in the "fee" that will be deducted even if there's insufficient available cash?

Yes. This is defined as a fee, hence automatic disinvestment would occur to re-coupe this amount paid.

When does the automatic disinvestment occur to restore cash minimum preference? Once the cash account drops below the cash minimum preference or when the cash account is in the negative?

When the cash account is negative, automatic disinvestment occurs immediately.

When the cash account drops below 15% of the minimum cash preference set for 6 business days, it will automatically disinvest assets to restore cash to the minimum.

I've elected to not opt-in my client to a DRP and retain any distributions/dividends as cash. I do have the invest excess cash turned ON.

Will this functionality automatically sweep up the DRP received and invest it or exclude these funds in the same way that any manual sell-down of investments are?

Initially the dividends/distributions will be retained in cash until the next deposit/contribution comes in. At this point, all will be automatically invested.

The below deposits/contributions trigger the Invest Excess Cash functionality if over the amount defined:

- Contributions
- Rollover In
- Contribution - EFT
- Direct debit
- Conversion
- Transfer other account (IDPS only)
- Deposit