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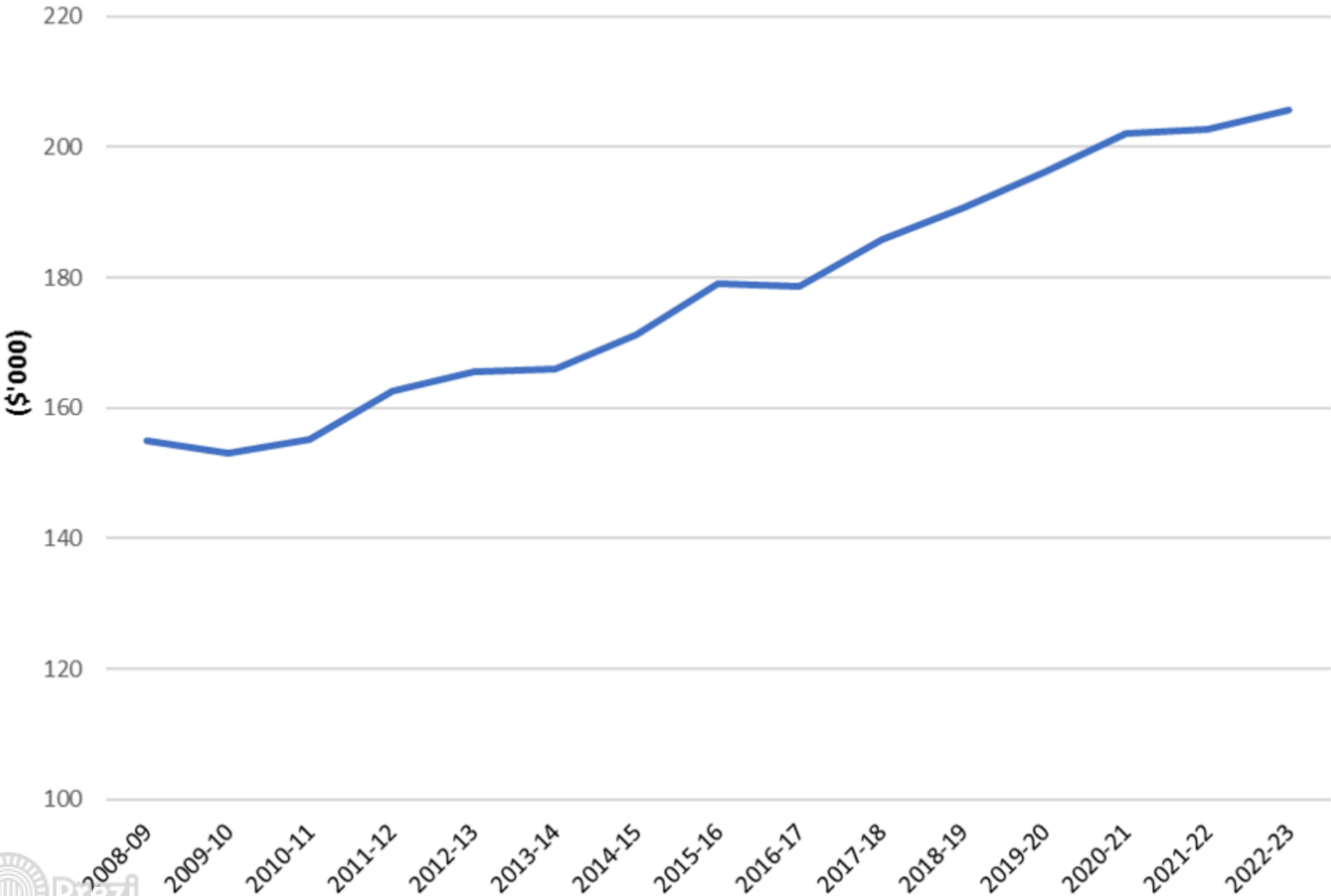
The Future of Financial Advice

Arnie Selvarajah

Significant
pressure on this
industry at the
moment.

Downward
pressure on fees

Average revenue per employee



Regulators & the court of public opinion



Super Trustees are alone in the dark 'with our money'

4:51

Supplied video obtained August 6, 2018 of the financial services royal commission. Senior Counsel Assisting Mr Michael Hodge said Australia's \$2.6 trillion superannuation industry is operating in darkness with no dedicated regulator watching the trustees running the funds, a royal commission has heard. Both APRA and ASIC have regulatory overlap and have yet to formalise their understanding of each other's oversight duties. Superannuation trustees self administer their legal duties to act in their members best interests without regulatory oversight. "What happens when we leave these trustees alone in the dark with our money?" Mr Hodge said. (AAP Video/Supplied/Banking Royal Commission NO ARCHIVING, EDITORIAL USE ONLY

AUGUST 6TH 2018

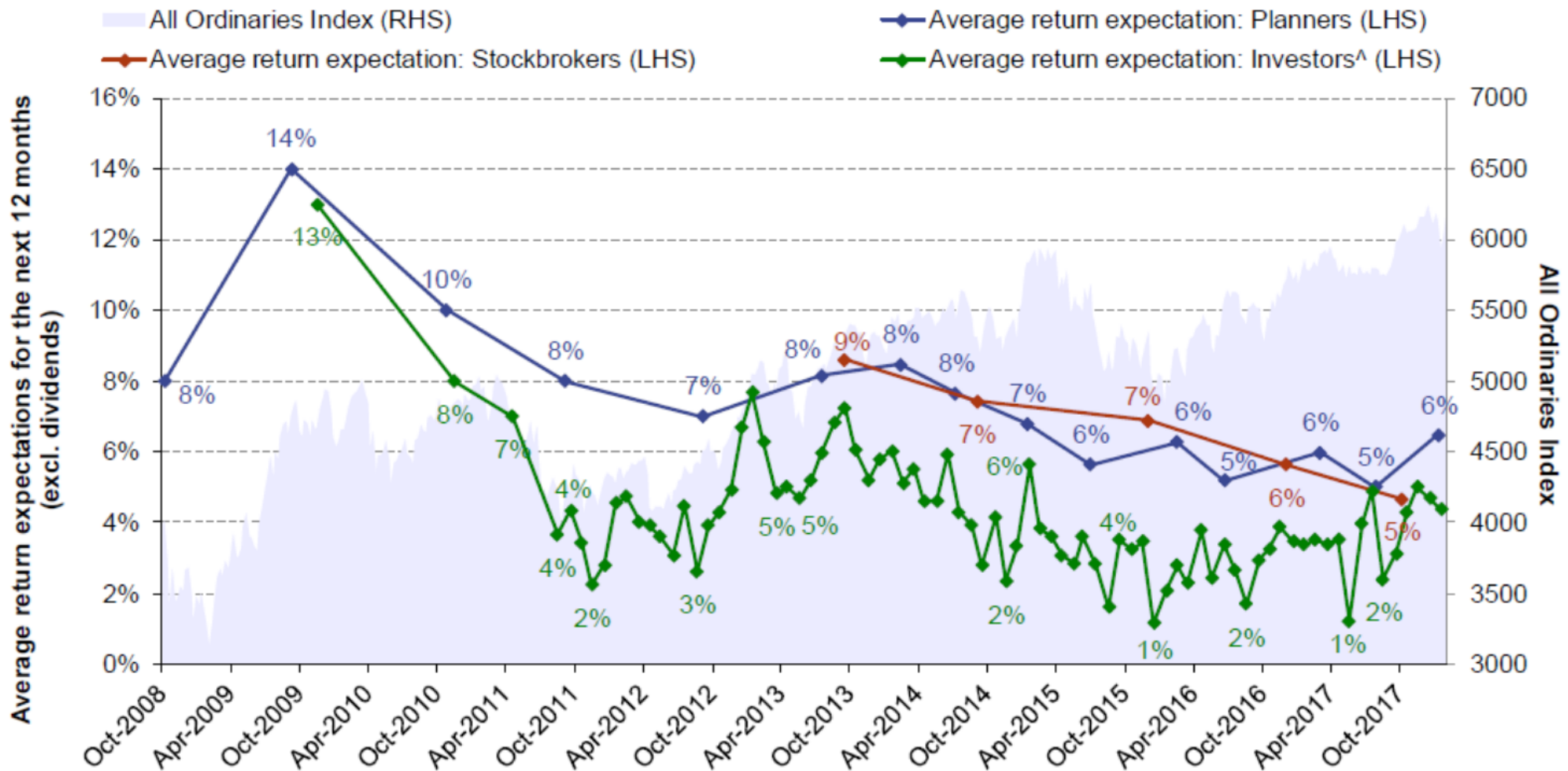


Prezi

Investment headwinds

While still subdued, planners' capital gain expectations from the Australian stock market are at the highest level since October 2014

Average stockmarket expectations for the next 12 months (excluding dividends) vs All Ordinaries Index



Source: Investment Trends Monthly Investor Intentions Index

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New competition

Schwab Intelligent Portfolios®

Investing made easier.

It's a Simpler, Smarter Way to Invest:

- Our robo-advisor builds, monitors and automatically rebalances a portfolio of low cost exchange-traded funds
- Pay \$0 advisory fees, account service fees or commissions—and you can get started with as little as \$5,000
- You can get help from a Schwab investment professional any time, 24/7

⊕ [View important information about how we make money](#)

Get Your Portfolio Recommendation

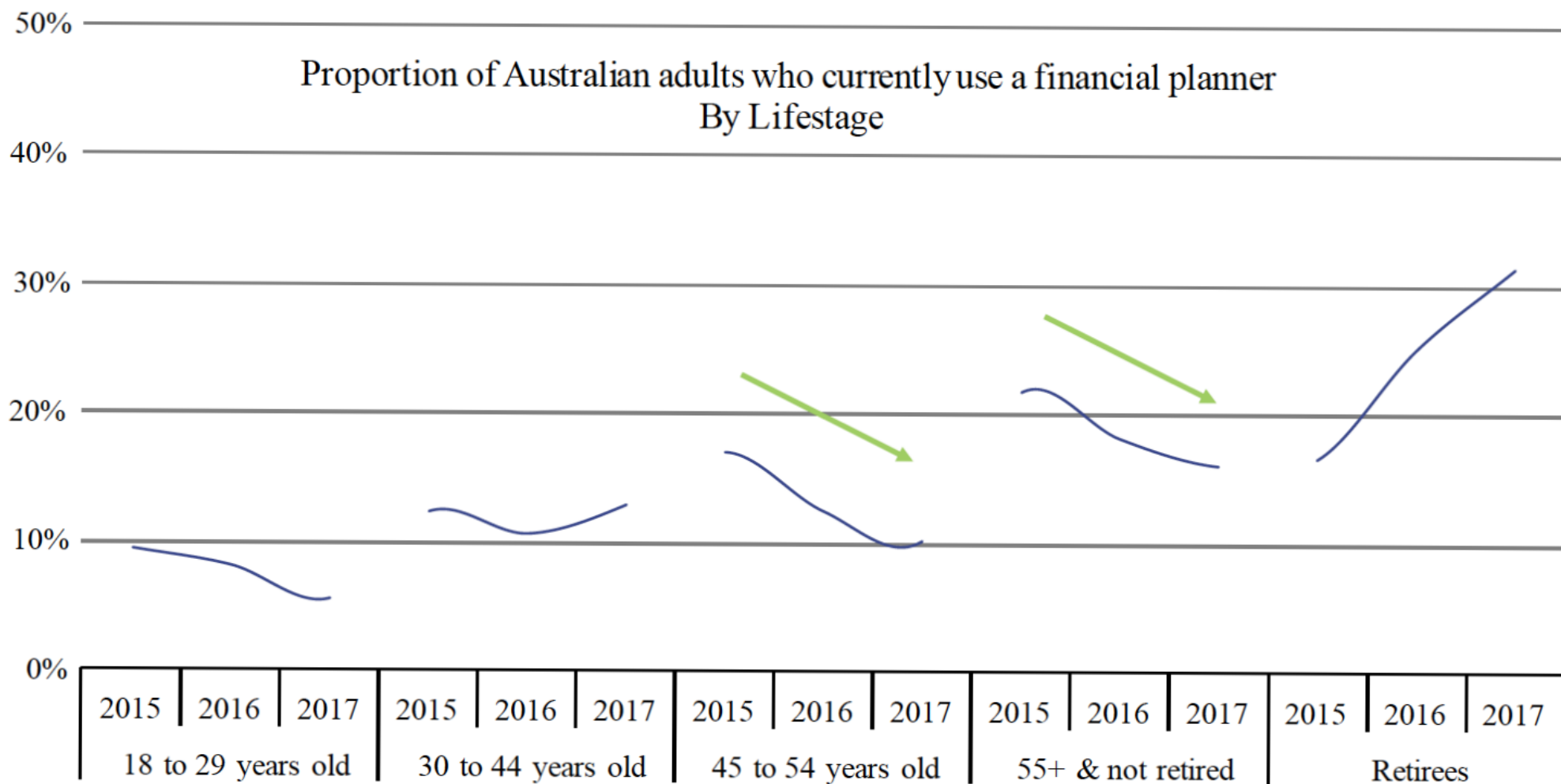
➤ [Open an Account](#)

Robo-advisors: What are they? How do they work? And should you consider one?

[Get answers >](#)

Changing consumer

Financial planners are finding it especially difficult to retain clients in the accumulation and pre-retirement life stages



Focus on the customer

How do you respond?

How do you
respond?

What do you
do today

What do you
do today



KYC



Prezi

- What are you looking for?

- What are you looking for?
- Financial & non-financial objectives

Customer Engagement



Prezi Winning clients

- Winning clients
- Customer service
- Keeping clients engaged

Non-Investment Advice

- Budgeting

Prezi

How much do I need?



- Budgeting
- How much do I need?
- Structures

Investment Advice



- SAA vs. objectives
- Investment selection
- Administer investments

Reporting

Reporting

- Report against their objectives
- Help clients get 'peace of mind'



Prezi

- How have my investments

- How have my investments been performing?



KYC



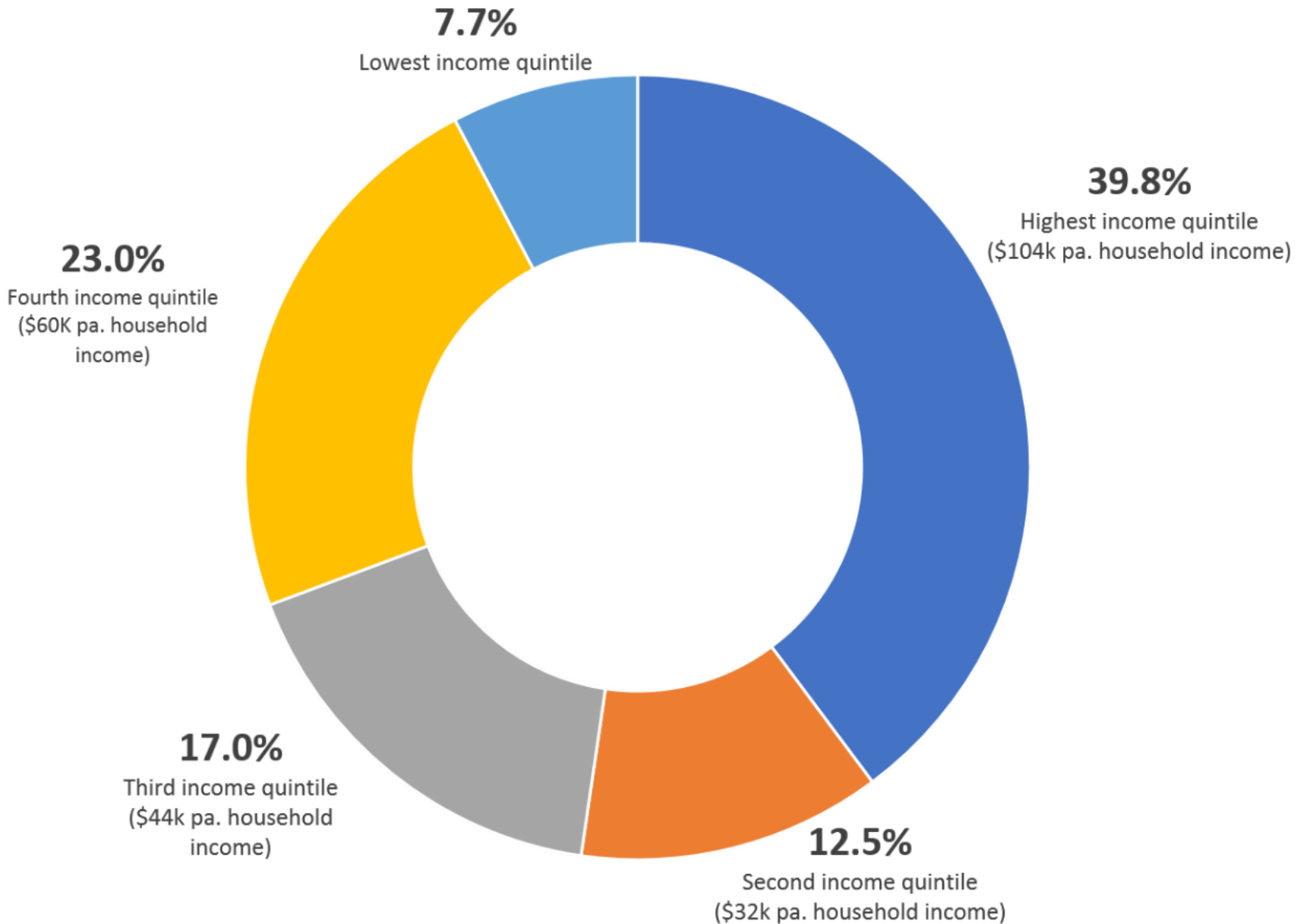
Prezi

- What are you looking for?

Triage

- Help clients articulate their objectives

Major market segmentation (2017-18)



Total \$4.7bn

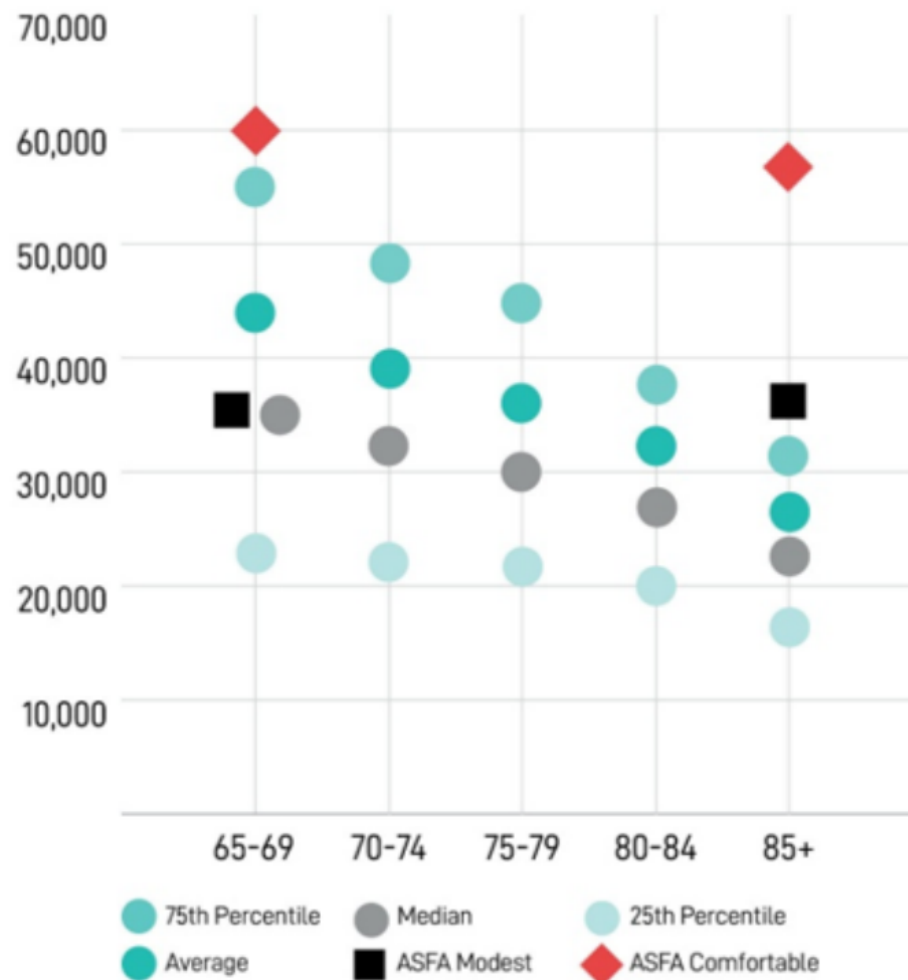
SOURCE: WWW.IBISWORLD.COM.AU



What do retirees need?

Reality vs benchmark

Couples annual spend by wealth and age band



Source: Millman Retirement ESP 2017-Q2, ASFA September 2017

Customer Engagement

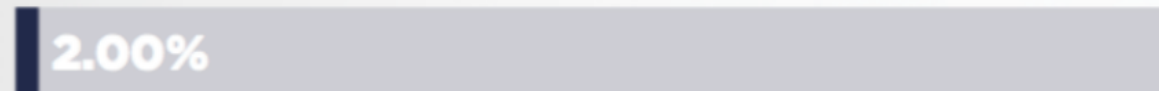


Prezi Winning clients

Customer Engagement

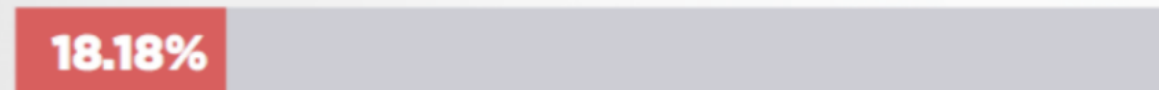
- Access to advice
- Stay the course

"I FEEL THAT FINANCIAL SERVICES COMPANIES UNDERSTAND MY NEEDS"



Customers

"WE'RE COMPLETELY CUSTOMER-CENTRIC - THE CUSTOMER IS AT THE HEART OF EVERYTHING WE DO"



Marketers

Source: Roy Morgan - Australian Financial Attitudes & Behaviour Tracker Key Findings Report 2017

In reality, the dominant model of the advice industry (and of the regulator) doesn't match the preferences of ordinary Australians

Australians who prefer a face to face comprehensive advice model

8%

Australians who prefer a piece by piece advice model

30%



77% are willing to transition to a face to face comprehensive advice model later

Fees, price transparency and value are already drags on the planning industry, even before accounting for trust issues

Reasons Australians stopped using a financial planner in the last 12 months



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Financial Advice for Millennials



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Non-Investment Advice

- Budgeting

Prezi

How much do I need?



Non-Investment Advice

- Understand their own cashflows
- Understand risk v return

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The right advice



Cash back



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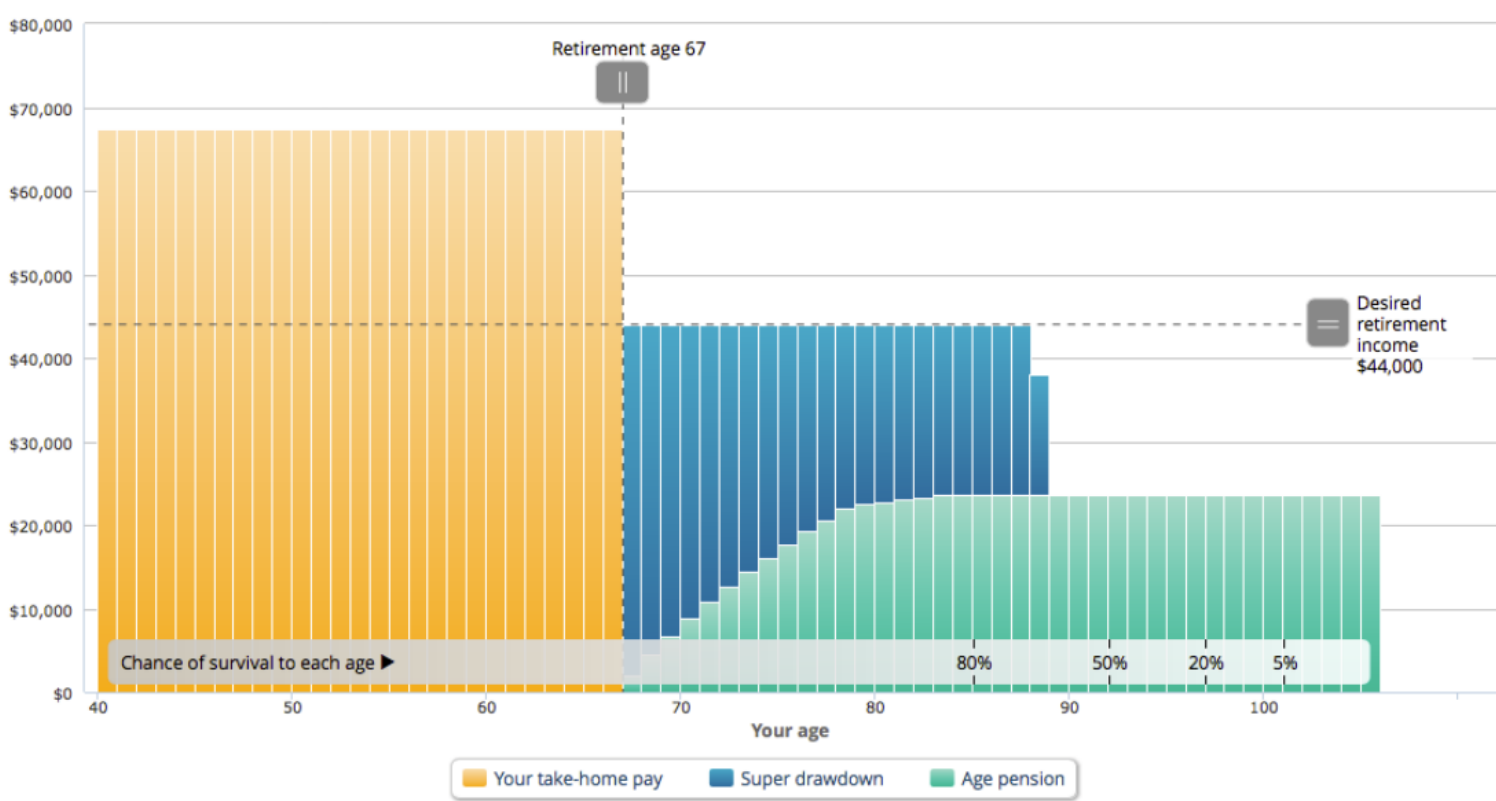


Free for 30 days

Summary Your income Your balance

Your details

Projected retirement income (in today's dollars)



Current age 40

Are you already retired?
No Yes

Current annual salary \$90,000

Current super balance \$100,000

Gender
M F

NEXT

Chart controls Hide Show Chance of survival Hide Show



Investment Advice



Investment Advice

- Focus on what we do well & outsource to experts
- Where are you creating most marginal value

SuperEd

*solutions for a
better retirement*



2012

26%

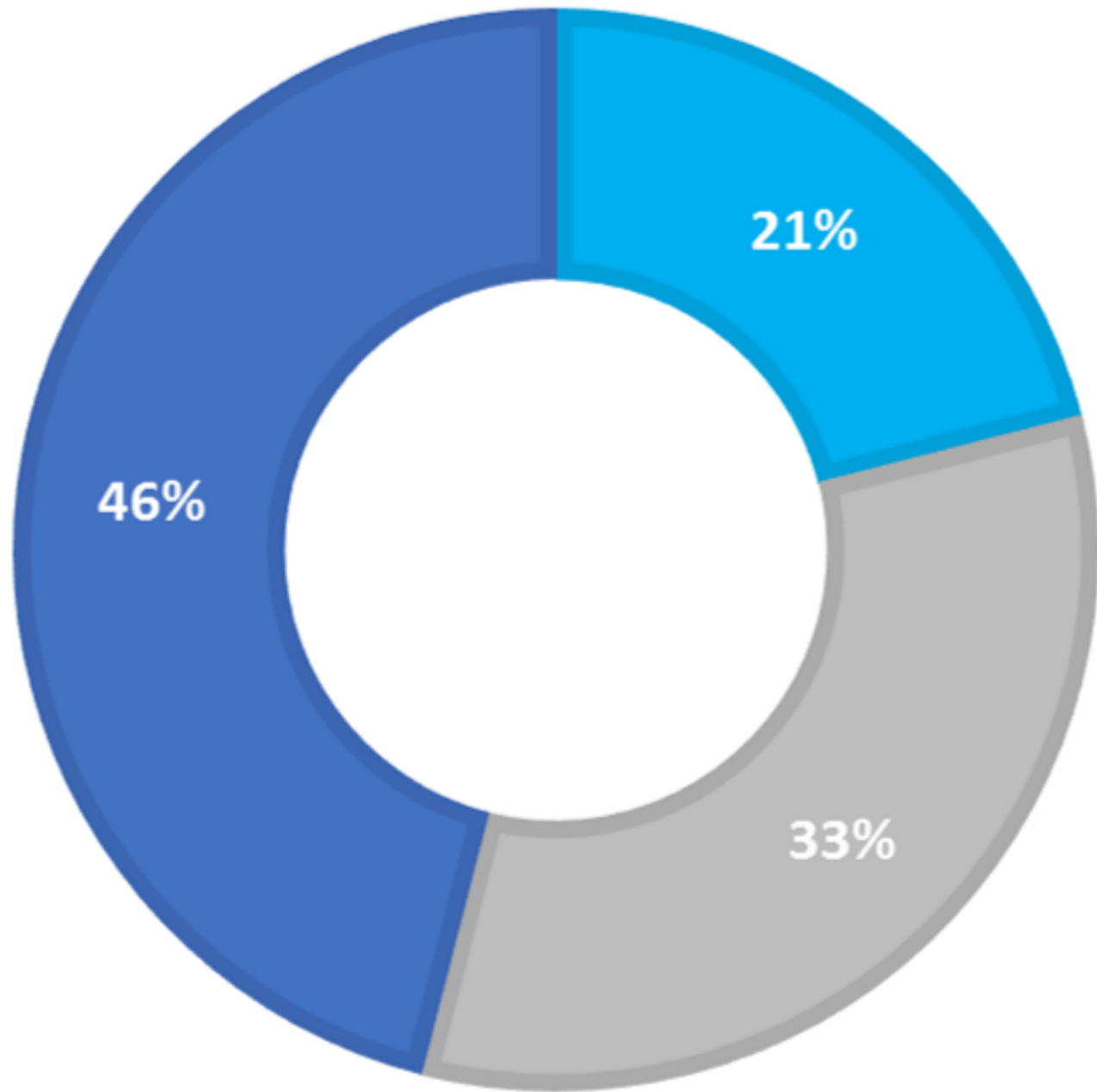


2017

33%

Percentage of advisers that exclusively outsource Investment Management

Source: Cerulli Associates, Adviser Metrics, 2012-2017



Source: Cerulli Association
Advisor Metrics 2017

■ Build Portfolios ■ Outsource Portfolios ■ Both

Reporting

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Prezi

- How have my investments

Reporting

- Report against their objectives
- Help clients get "peace of mind"

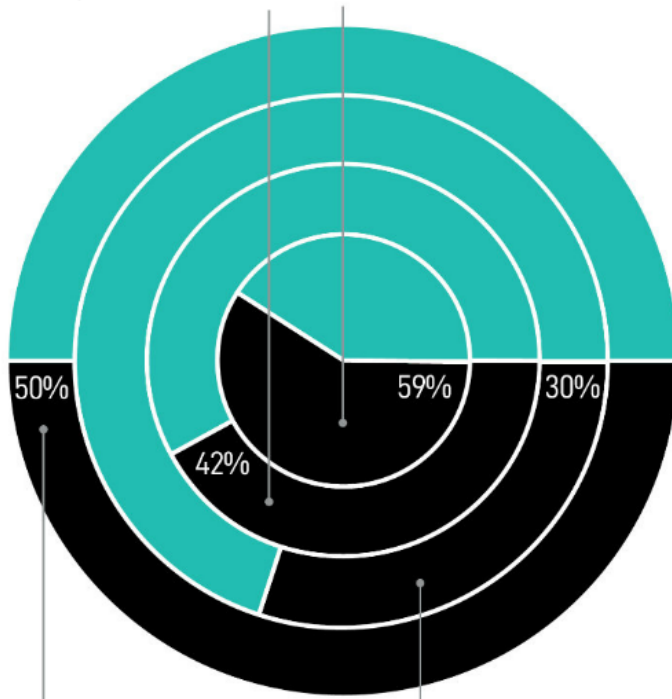
Stressed Thin Stressed Out

A 2017 survey revealed that we're really stressed about money.

2017 PricewaterhouseCoopers Workplace survey

42% said it was difficult to cover monthly household expenses

59% said they carried consistent balances on their credit cards



50% were concerned about not having enough savings to pay for unexpected expenses

30% were worried about not making monthly expenses on time

These findings persisted even for people with incomes of \$100,000 or more.

Source: PricewaterhouseCoopers

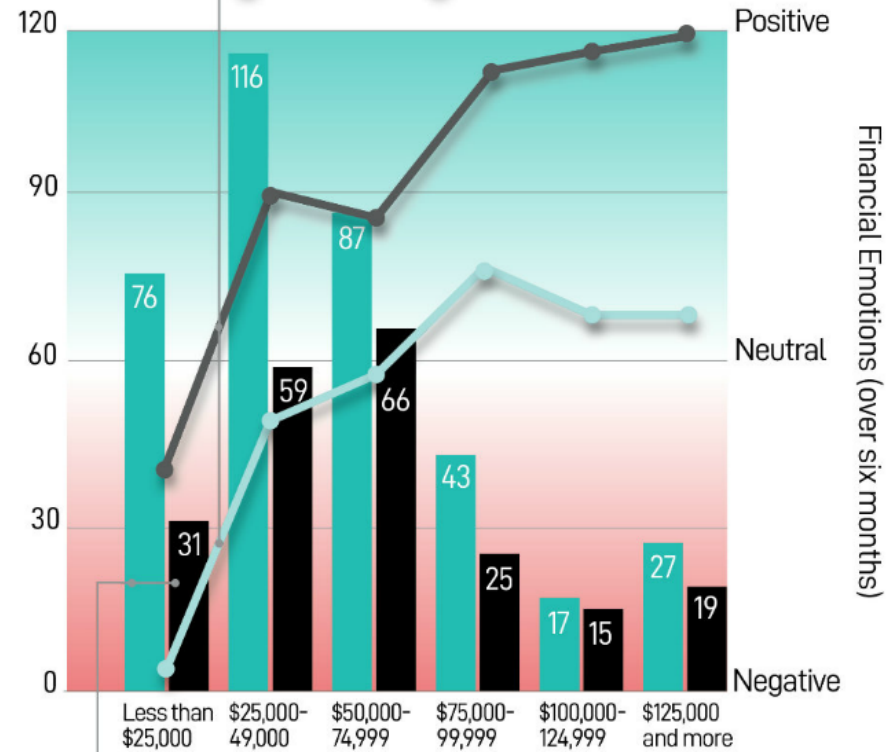
Looking up, Feeling down

Our study showed that the direction of social comparisons had a strong association with how people felt about their finances.

Financial Emotions by Income group

Upward comparisons were strongly associated with more negative financial emotions.

Looking up ● Looking down



Social Comparisons by Income group
For every income group we studied, **more people** reported comparing themselves with others who they considered to be more well off.

Upward ● Downward

Source: Morningstar

50% were concerned about not having enough savings to pay for unexpected expenses

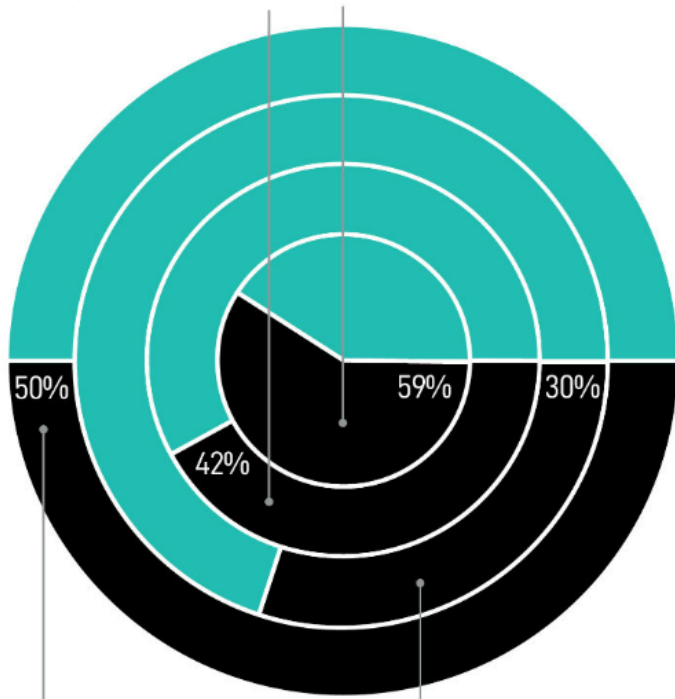
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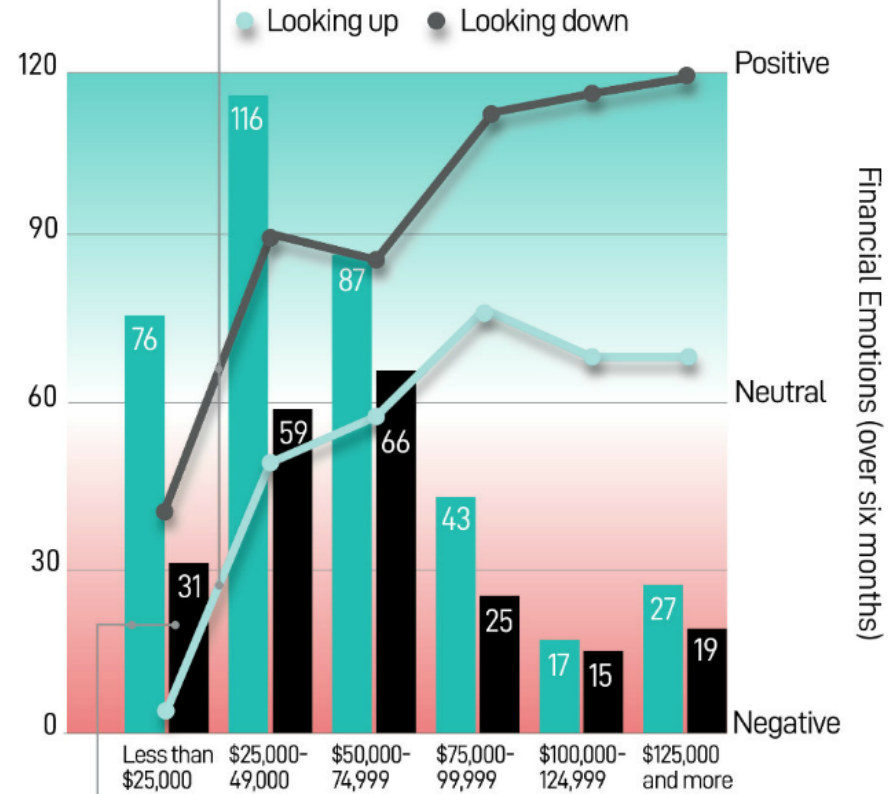
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Looking up (teal) Looking down (black)

Source: Morningstar



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difficult to cover
monthly household
expenses

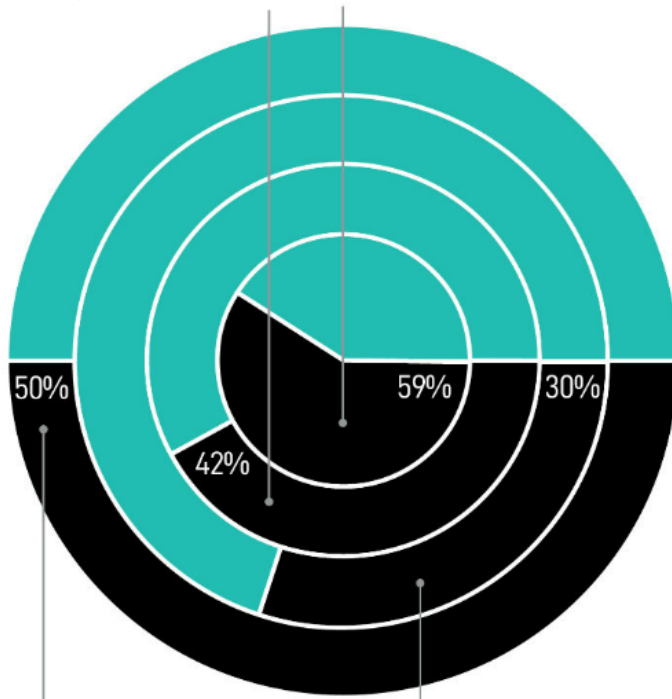
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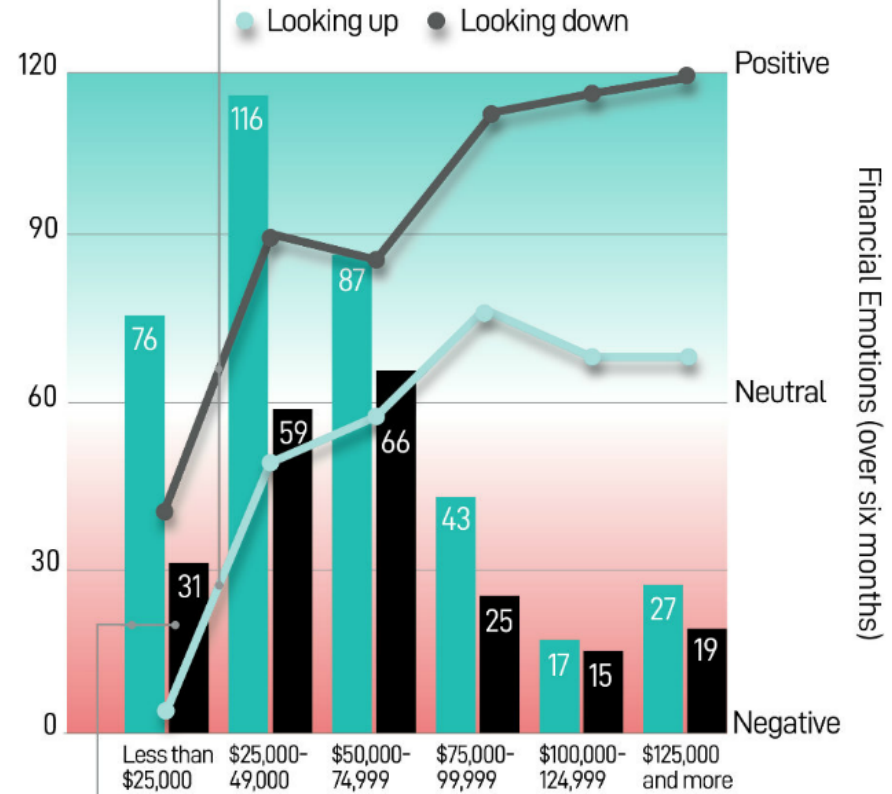
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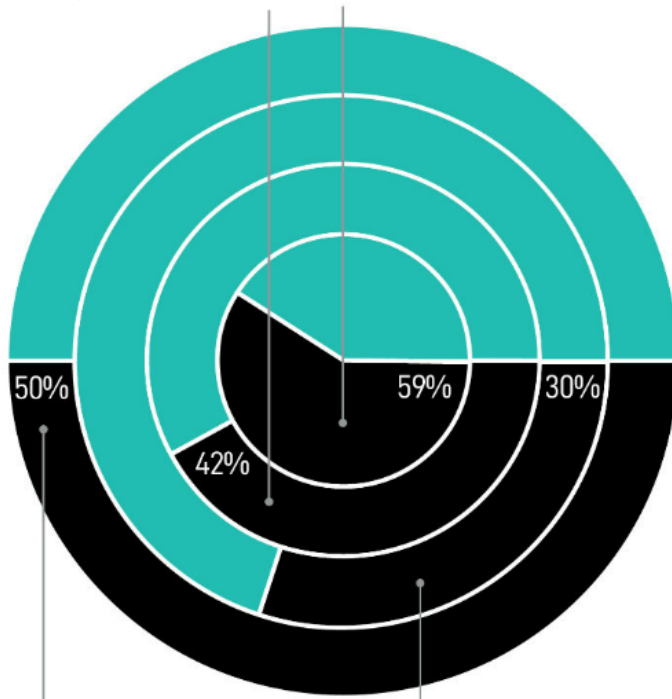
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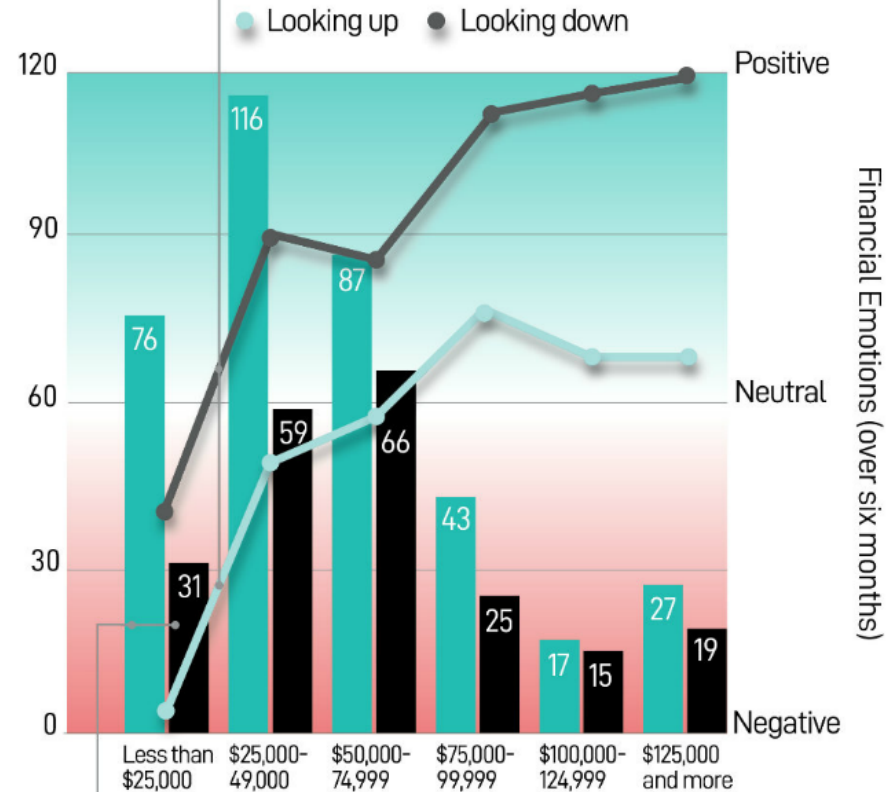
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Looking up (teal bar) Looking down (black bar)

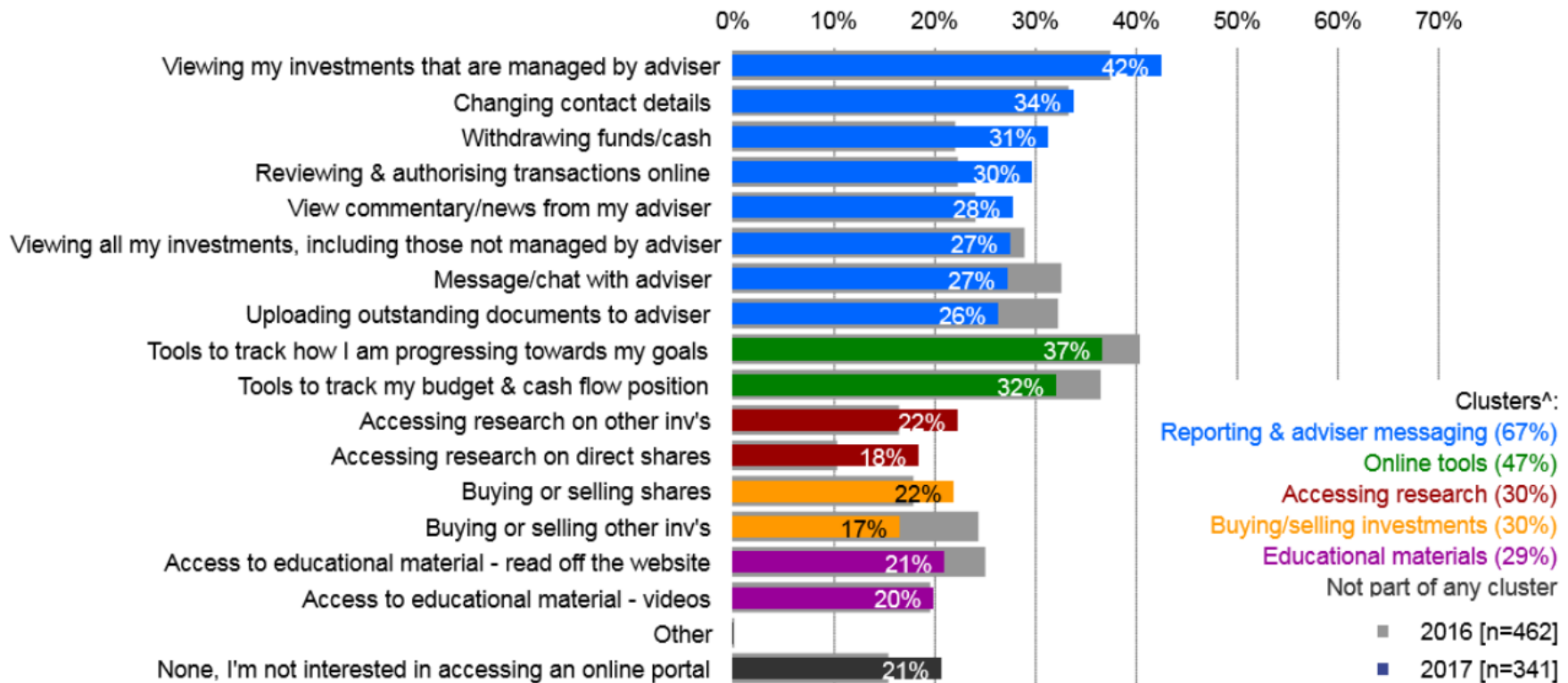
Source: Morningstar



While the point of it all – the planner client and the potential planner client – also wants transparency and a convenient, feature-rich solution

Q96 What are the minimum features you require from an online portal your planner gives you access to?

Among potential planner clients



[^]Percentages account for overlaps

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Who wins:

The Advisers who:

- Seek to fully understand their clients financial and non-financial objectives
- Help your clients understand:
 - cashflow and savings
 - risk v return
 - staying the course
- Embrace technology
- Focus on where you add value, outsource where you don't
- Give your clients 'peace of mind'.

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The Future of Financial Advice

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