



ICFS Index November 2009 with MATT WALSH

Lifeplan satisfaction index indicates segmentation important for advisers

The latest Lifeplan Financial Advice Satisfaction Index suggests that financial advisers who have focussed on creating long-term relationships with clients are in a strong position to cope with the changes planned for the industry.

The Index, undertaken for Lifeplan Funds Management by the University of Adelaide's International Centre for Financial Services (ICFS), looks at the satisfaction levels of clients in three areas – performance due to financial advice; adviser's technical ability; and trustworthiness and reliability of their adviser.

Mr Matt Walsh, head of Lifeplan, says that, overall, the perception of portfolio performance due to financial advice has increased significantly over the last six months, by nine percent.

"This is a positive outcome that would probably surprise many, suggesting that most clients attribute recent good performance in their portfolio, at least in part, to the advice they have received rather than just the recovery in markets.

"This indicates that advisers have done a good job in getting clients to stick with their investment strategy and not panic.

"However, the Satisfaction Index shows a different story for wealth accumulators compared to those close to or in retirement. With the wealth accumulator age group (those aged between 30 and 44), the perception of performance has declined, possibly because they do not have the same long-term relationship with their adviser and are more willing to blame them for poor performance.

"Interestingly, the youngest group of clients – those aged under 30 – are not as critical of performance as the wealth accumulators.

"But both younger age groups are more difficult to satisfy in the areas of technical ability, trust and reliability, than older clients," he said.

The study also indicates there are benefits for advisers that focus on client retention and developing a long-term relationship with their clients, as the longer the relationship, the greater the level of trust.

"Those who have been with their adviser for five or more years have particularly high levels of satisfaction with their technical ability, trust and reliability – this is true for both male and female clients.



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"The indications are that the longer people are with an adviser, the more trust they have in them but there is the issue of complacency – some investors feel that their advisers take them for granted.

"So there are three stages in creating strong adviser-client relations – gaining trust, building performance, and ensuring clients still feel valued.

"These latest results indicate that, if advisers wish to grow their younger client base, extra effort is required to satisfy their particular needs and demands. There is still a gap between what is delivered and what is expected by wealth accumulators, which provides an opportunity for planners to improve the services they provide these clients," Mr Walsh said.

"It seems that advisers would benefit by showing their expertise and reliability in the early stages of a relationship, rather than just performance. This means a greater level of involvement with smaller-value, younger clients, which runs somewhat counter to how many advisers operate."

Mr Walsh added that for people aged over 45, satisfaction with both the technical ability and reliability of their advisers has improved over the last six months after declining over the previous two quarters.

"Worryingly, in the area of trust and reliability, there has been a continued decline amongst younger clients since April 2008.

"Conversely, the Index shows that the older people get, the more likely they are to believe in the reliability and technical ability of their adviser, although performance still lags.

"As far as gender-specific attributes go, more women than men are willing to attribute the good performance of their investments to their adviser.

"The Index indicates 30 to 44 year old male clients in particular need special relationship strategies as they are the most confident (perhaps overconfident) in their own ability and judgement, and also the most critical of others.

"The survey suggests that in a demanding market, where the operating regime for financial advisers is likely to change significantly, the emphasis is on the ability to build strong client relationships as well as displaying technical proficiency. Clearly the longer the relationship, the stronger the perception.

"Overall, the results indicate that greater market segmentation by advisers is becoming critical for their future success, and knowing what will appeal to different genders, age groups and wealth levels, and targeting services accordingly, could well become essential," Mr Walsh said.

Lifeplan Funds Management is a specialist business of Australian Unity Investments. It is the market leader in investment and funeral bonds, and education investment funds. Lifeplan also offers loans and term deposits through its building society. It has over \$1.57 billion in funds under management (as at 31 October 2009).