

LIFEPLAN ICFS FINANCIAL ADVICE SATISFACTION INDEX – OCTOBER 2012



About the Lifeplan ICFS Financial Advice Satisfaction Index October 2012

The Lifeplan ICFS Financial Advice Satisfaction Index (FASI) is a tool for financial advisers that want to improve their levels of client service. It is based on academic research that models the factors that explain a client's willingness to recommend their financial adviser to a friend or acquaintance.

The three attributes that have the greatest impact on advocacy include:

1. The trustworthiness of the financial planner
2. The client's perception of how their investments have performed
3. The financial adviser's technical ability

The research also analyses how investors' age, levels of investment and length of their relationship with their adviser impacts these attributes.

The research is sponsored by Lifeplan Funds Management a part of the Australian Unity Group.

It is conducted every six months by the University of Adelaide's International Centre for Financial Services.

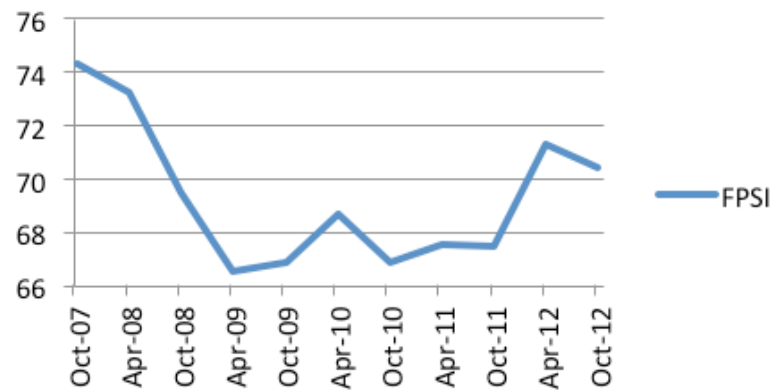


INTERNATIONAL CENTRE FOR FINANCIAL SERVICES

Lifepan ICFS Financial Advice Satisfaction Index October 2012

This survey of 406 respondents, conducted during the month of October, showed a drop in the satisfaction investors have with their financial advisers. The index decreased to 70.44% (see figure 1). The October 2012 survey saw an overall decrease of 1.2% over the April 2012 survey. This change was largely impacted by the 6.2% decrease in perception of trust and reliability, while other drivers – perception of performance – marginally decreased by 0.07%, conversely the perception of technical ability increased by 3.4%.

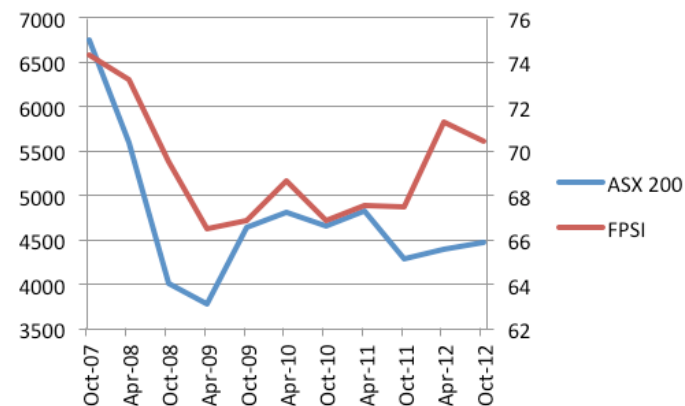
Graph 1: Financial Planning Satisfaction Index (FPSI)



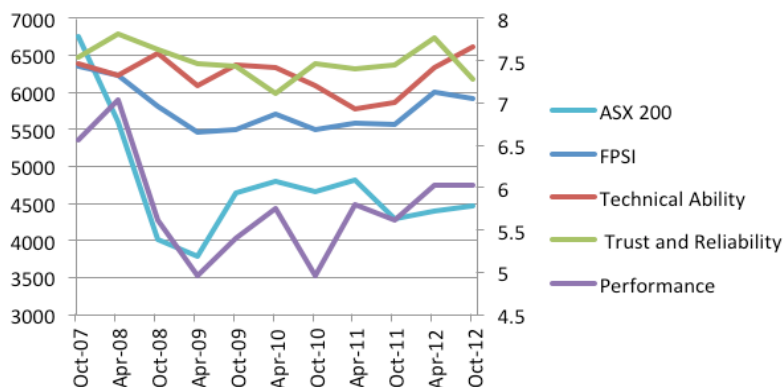
Graphs 2-5

The following four graphs show the relationship between the index, and each of its drivers, and the equity markets (ASX 200 is used as a proxy of the equity market).

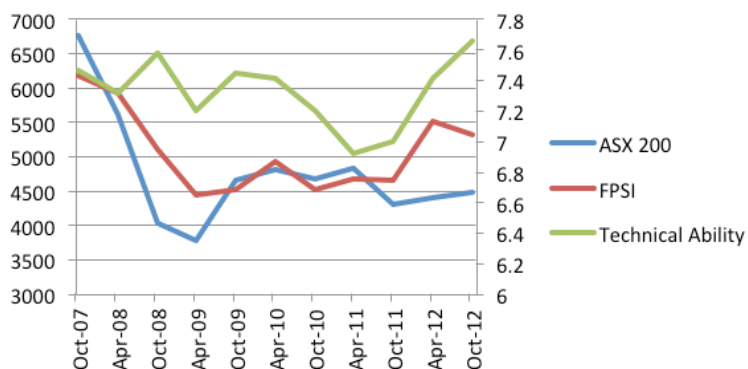
Graph 2: The Financial Planning Satisfaction Index and the ASX 200



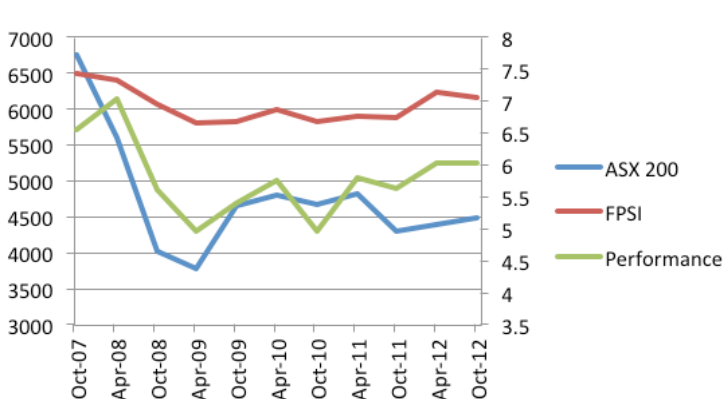
Graph 3: Drivers of Advocacy, the FPSI (scaled by 0.10) and the ASX 200



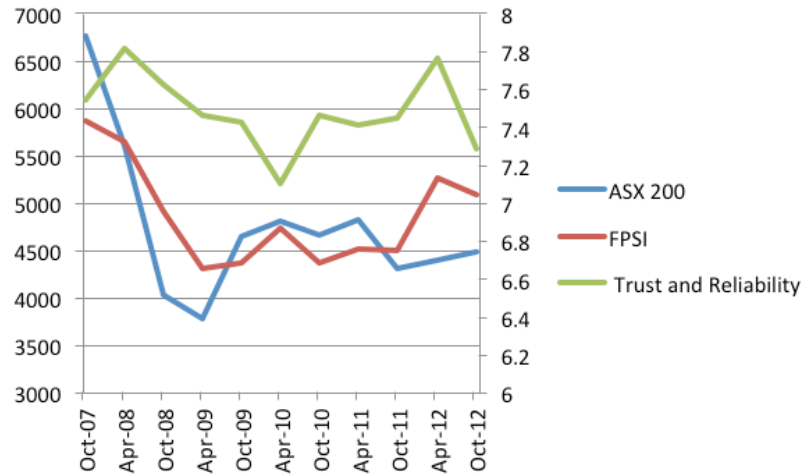
Graph 4: Perception of Technical Abilities, FPSI (scaled by 0.10) and the ASX 200



Graph 5: Perception of Performance, FPSI (scaled by 0.10) and the ASX 200



Graph 6: Perception of Trust and Reliability and the ASX 200



Highlights of the survey:

1. There is statistical difference in genders regarding their perceptions of Trust and Reliability, and Technical Ability, with females having higher perceptions than their male counterparts. However, with regards to their perception of performance, this survey notes no statistical differences between the genders. In terms of other demographical issues, the female cohort is younger, with lower levels of wealth and a lower period getting advice, though they have remained with their adviser longer than their male counterparts.
2. This study reveals that duration of advice has significant impact on the drivers of advocacy. Higher period of taking advice improves the perception of trust and reliability, and technical abilities of an advisor. However, the period of taking advice did not impact the perceptions of performance. We do note that investors with longer than 10 years of taking financial advice did have a higher perception of performance which was statistically significant. This evidence is consistent when evaluating investors on the basis of taking advice with the same advisor. It should be noted there was no statistical difference between genders with regards to their perceptions conditioned on the duration of advice.
3. Investors with lower wealth levels are typically younger, higher proportion of female investors, and have been taking advice for a shorter period of time. This cohort had a statistically significant lower perception of technical abilities of their adviser. The cohort with the highest levels of investment is not dominated by any one gender group, but they are older. This cohort of investors is sensitive to their advisor's technical abilities, as well as their perceptions of trust and reliability towards their advisers.
4. The oldest investors were the most sensitive to perception of performance, though this was not statistically significant. Since the last survey, the equity market index (ASX 200), has trended upwards with little or no negative shocks. It is somewhat surprising that the survey did not reveal any substantial improvement in their perception towards performance as they have in previous surveys.

Important information

This information has been prepared as general information only and it is not intended to take the place of professional financial advice. While every care has been taken in the preparation of this information, we reserve the right to make corrections.

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Additional Analysis

This investigation was carried out on the differences between the genders in terms of their attitude towards the services provided by their financial advisers as well as investors' satisfaction towards the service and advice quality. We considered two demographic aspects (wealth levels and age groups) as a further refinement to understand subtle differences between the investor groups.

Attitude towards financial advisory products and services are broken in the following four groups:

1. Wealth Management Services
 - a. Retirement plans
 - b. Financial risk
 - c. Wealth transfer
2. Market Related Advice
 - a. Access to international investments
 - b. Access to alternate investments
 - c. Fund manager and fund selection
3. Regulatory Advice
 - a. Advice on existing regulations and changes to them
 - b. Advice on tax strategies
4. Fees
 - a. Explicit fees
 - b. Negotiate fees

A summary of findings are presented below:

Age Groups

1. Younger investors are least concerned about wealth management services. However older investors are most concerned about retirement plans and financial risk, especially males. Different age groups put equal importance on wealth transfer services.
2. Older investors were also more interested to access international markets as well as seeking help in selecting quality fund managers and funds. Only older males put more importance on alternate investments, while older female investors put more emphasis on accessing international markets.
3. Generally the mid-aged male investors put more emphasis on advice on tax minimisation strategies while older female investors rated advice on investment related regulations as more important than tax minimisation strategies.
4. Older female investors were more interested in the fees they paid and their ability to negotiate the fees they will eventually pay. However, male investors preferred their ability to negotiate fees in all age groups, except for the mid-aged investors who put much higher importance on being provided explicit details on the fees they pay.

Wealth Levels

1. Wealthier investors are most concerned about advice on retirement plans and how to manage financial risk. The wealthiest investors are most concerned about financial risk management, for both genders. Different wealth groups put equal importance on wealth transfer services.
2. All investors were very interested to access international markets and alternate investments, but we note that wealthier male investors put more importance on selecting quality fund managers and funds.
3. This analysis finds that the wealthier the investor the higher the emphasis is on investment regulations, while equal importance is given to tax strategies. We note there are differences between genders in that wealthier male investors put more importance on investment regulations, and the wealthiest female investor group desire advice on tax minimisation strategies.
4. Investors from all wealth levels and gender put equal importance on fees and their ability to negotiate them.

Satisfaction towards financial advice service quality is broken in the following three groups:

1. Satisfaction with Fees
 - a. Appropriateness for benefits
 - b. Structure of fees
 - c. Overall satisfaction with fees
2. Satisfaction with Market Related Services
 - a. Investment plan
 - b. Investment products
3. Overall Experience
 - a. Satisfaction with quality of service
 - b. Satisfaction with service experience

We note female investors are generally more satisfied than their male counterparts on all aspects, except satisfaction with choice of investment products and fee structure which shows no difference between genders.

Age Groups

1. Oldest investors in our survey were most satisfied with fees in terms of appropriateness for services rendered, how it is structured and the amount paid. The level of satisfaction with fees decreases with age. Female investors are more satisfied with fees (all aspects) than their male counterparts. We also note there was very little difference with regards to satisfaction with fees in terms of appropriateness to benefits received as well as the amount paid among the youngest and the mid-aged investors. Finally, we also note that mid-aged investors (both genders) are more dissatisfied with the amount of fees paid.
2. Female investors are more satisfied with market related services than their male counterparts. However, we note similar behaviour between the two genders regarding the two aspects of market related service satisfaction. Older investors show significantly higher levels of satisfaction than younger investors.

3. Satisfaction with the service experience and quality of service was also higher for older investors. We found there was an interesting difference between male and female investors and their satisfaction levels. There was a distinct satisfaction level difference between the age groups for male investors. However, the oldest female cohort was much more satisfied with the service quality and experience, but this distinction was not significant as we consider younger female investors.

Wealth Levels

1. Higher levels of wealth are also associated with higher levels of satisfaction with fees; a trend that is observed for both genders. The aspect that stands out is that female investors, with lowest levels of wealth, have a significantly higher level of satisfaction with regards to fees and its appropriateness for benefits received.
2. Higher level of wealth was also associated with higher satisfaction with market related services. However, we find there is no significant difference in satisfaction levels among female investors towards this aspect. Male investors are distinct with their satisfaction towards market related services and we note statistically significant increase in their satisfaction as the level of investment increases.
3. Satisfaction with the *service experience* and *quality of service* was higher for wealthier investors, though this trend is most pronounced for *quality of service* for the highest wealth levels. Among male investors both aspects of overall experience are significant and distinct over the three wealth levels.

Chart 1a: Relationship between Gender and Drivers of Advocacy

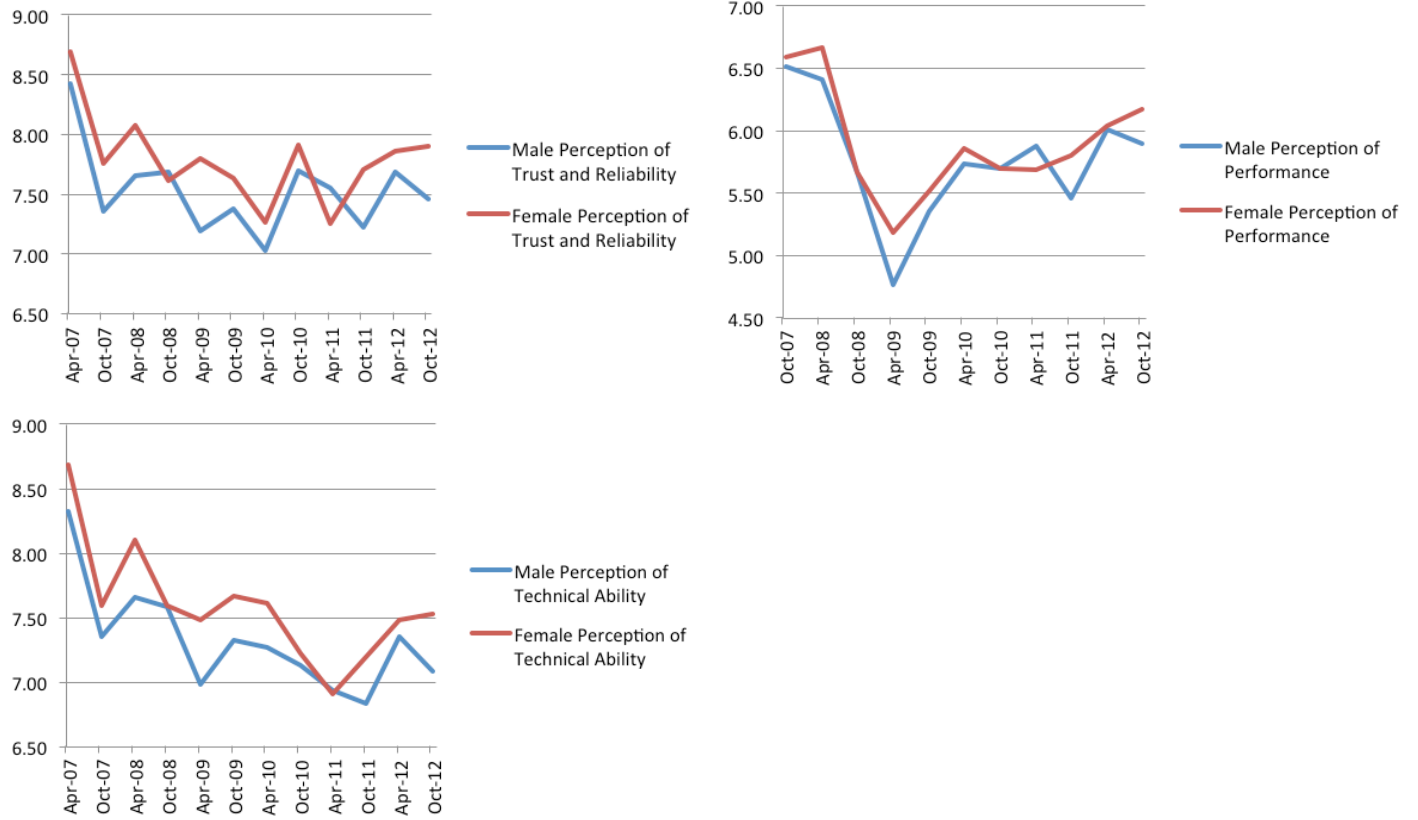
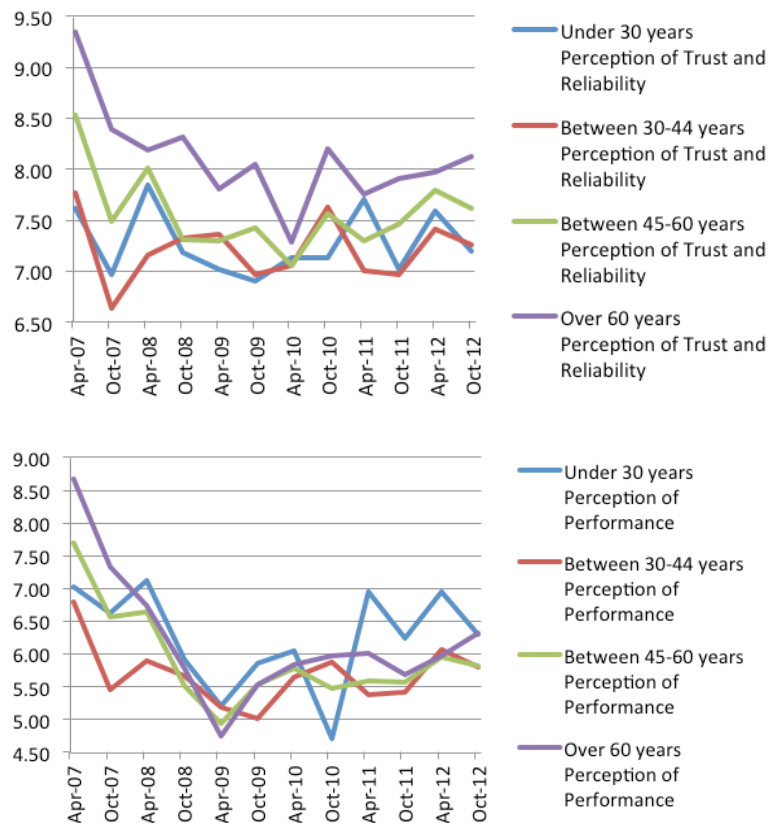


Chart 1b: Relationship between Age and Drivers of Advocacy



Appendix 1: Historical Relationship Between Demographic Variables and Drivers of Advocacy

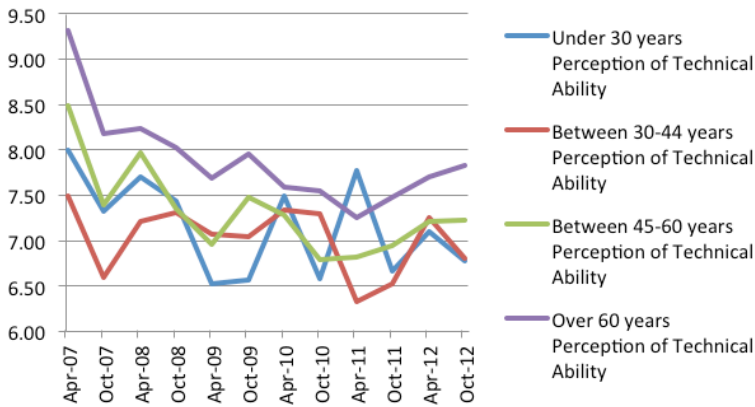


Chart 1c: Relationship between Duration of Advice and Drivers of Advocacy

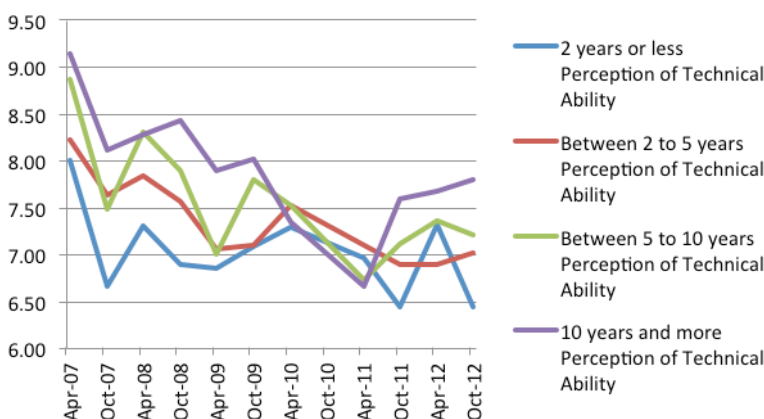
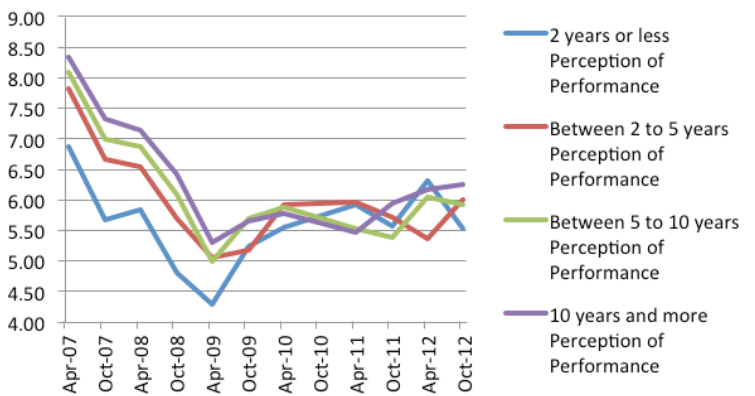
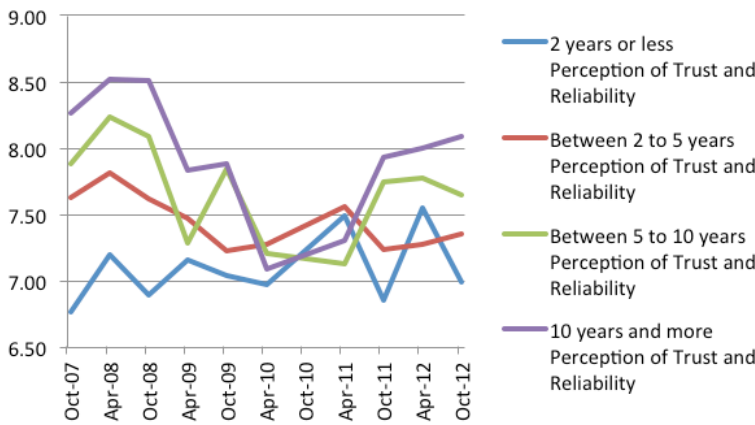


Chart 1d: Relationship between Duration of Advice with Same Advisor and Drivers of Advocacy

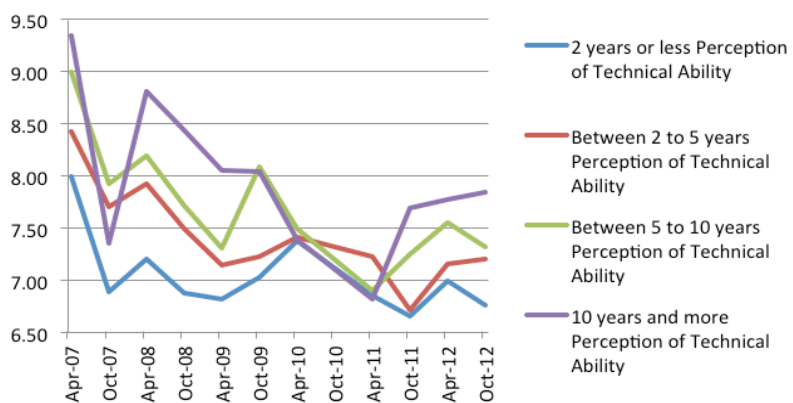
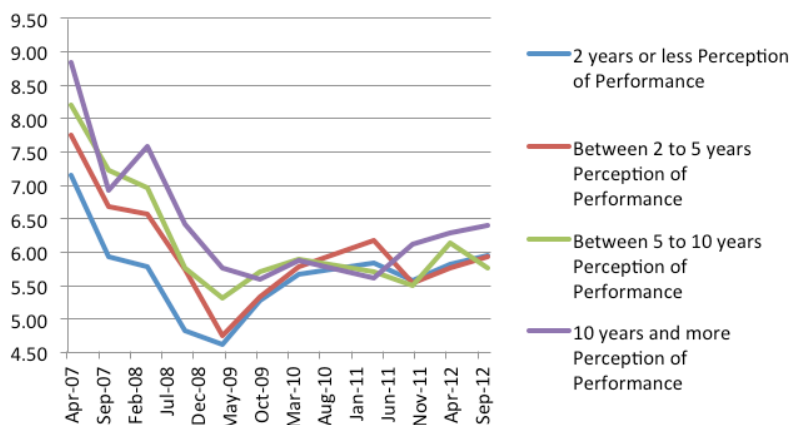
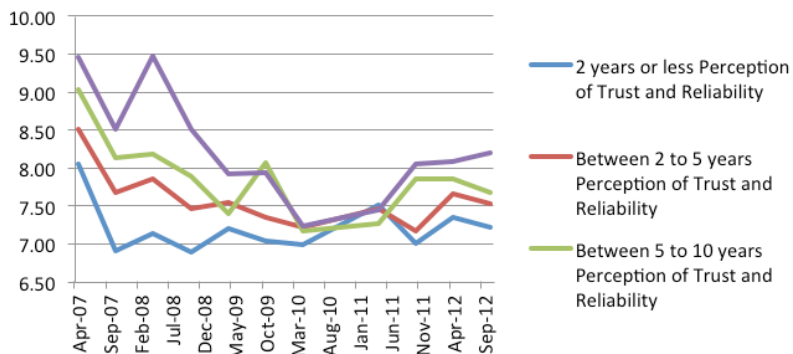


Chart 1e: Relationship between Investment Levels and Drivers of Advocacy

