

Lifeplan ICFS Financial Advice Satisfaction Index October 2014

About the Lifeplan ICFS Financial Advice Satisfaction Index

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 financial 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

Project sponsored by International Centre for Financial Services (ICFS) University of Adelaide, for Lifeplan Funds Management.

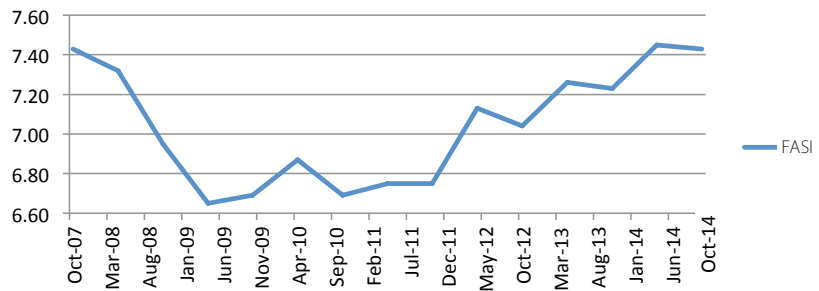
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Lifepan
Financial Advice
Satisfaction Index
October 2014

Over the past 12 months, the Financial Advice Satisfaction Index has increased by 2.8% 2013-2014.

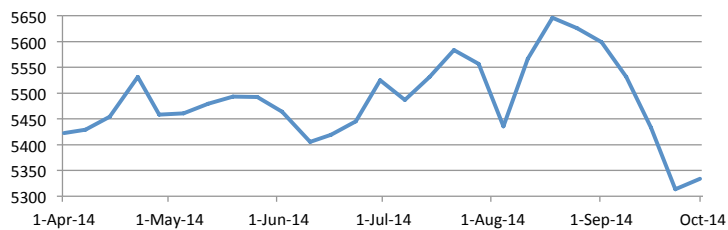
This survey of 407 respondents, conducted during the month of September 2014, for the October 2014 report, showed a slight decrease in the satisfaction investors have with their financial advisers. The index decreased to 7.43 (see figure 1) from April 2014.

Graph 1
Financial Advice Satisfaction Index (FASI) (scaled by 0.10)



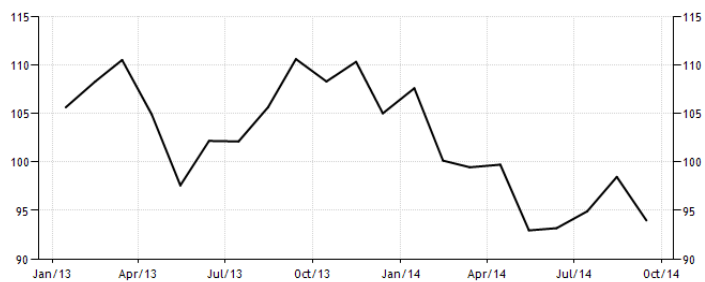
In a year on year comparison, the October 2014 survey saw an increase of 2.8% over October 2013. The largest increase amongst the three drivers of advocacy was for the perception of Performance, which increased by almost 1%. The perception of Trust and Reliability decreased by 0.75%, while the perception of Technical Abilities of the financial advisers increased by 0.37%. The equity market index S&P/ASX 200 showed gains for much of the period since the last survey (see graph 2 below) and then a very sharp decline over the last two weeks, which is the time the survey was conducted.

Graph 2
S&P/ASX 200 from April to October, 2014



The Australian consumer confidence index, a forward looking indicator for the Australian economy, is also presented below (see graph 3) and shows a decrease due to higher unemployment and lower future business prospects.

Graph 3
Australian Consumer Confidence Index from January, 2013 to September, 2014



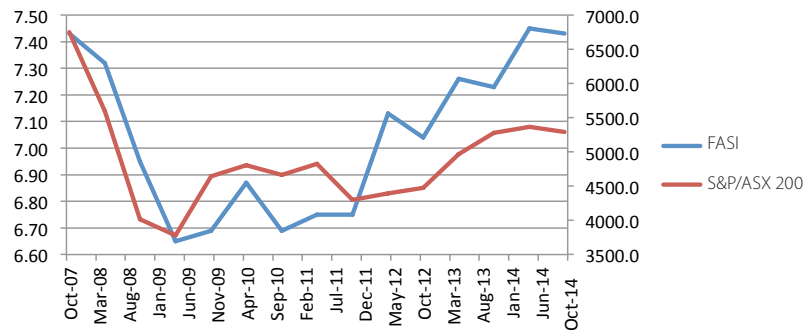
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Supporting research

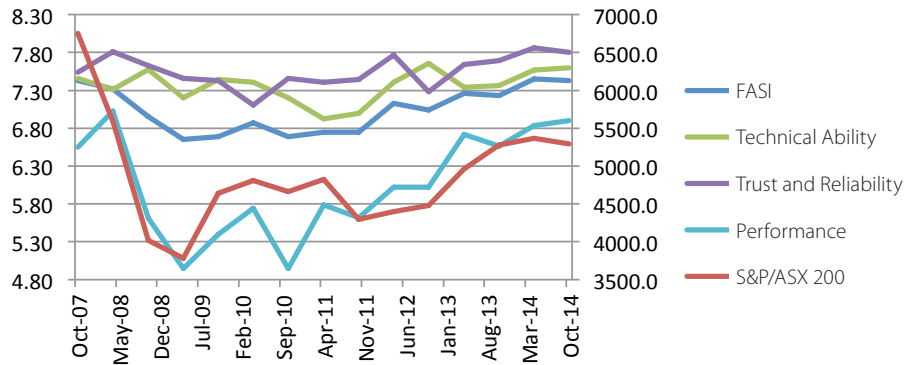
The survey of investors on financial advisory services was affected by not only the decreasing market conditions and consumer confidence, but also due to global uncertainty and market volatility. However, it was heartening to see that the Lifepan Financial Advice Satisfaction Index showed a very small decrease of 0.27% since the last survey (see graph 4 below) in comparison.

Graphs 4-8: The following four graphs show the relationship between the index, and each of its drivers, and the equity markets (S&P/ASX 200 is used as a proxy of the equity market).

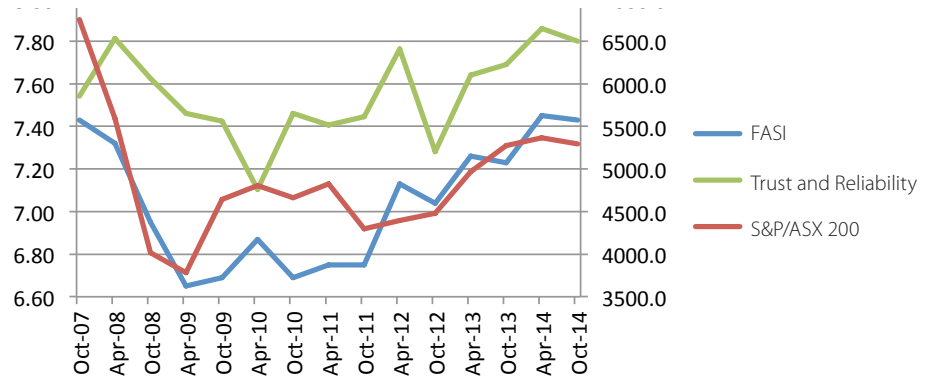
Graph 4
The Financial Advice Satisfaction Index (scaled by 0.10) and the S&P/ASX 200



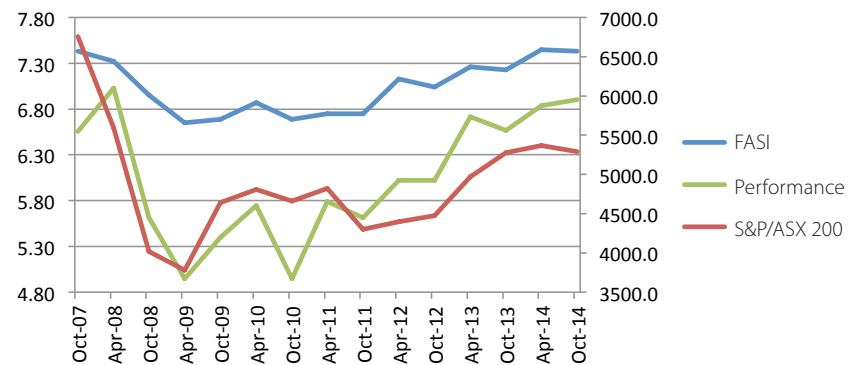
Graph 5
Drivers of Advocacy, the FASI (scaled by 0.10) and the S&P/ASX 200



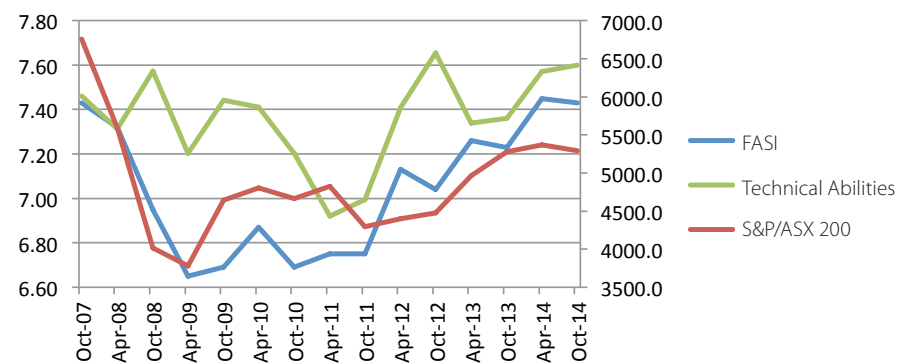
Graph 6
 Perception of Trust and Reliability, the FASI (scaled by 0.10) and the S&P/ASX 200



Graph 7
 Perception of Performance, FASI (scaled by 0.10) and the S&P/ASX 200



Graph 8
 Perception of Technical Abilities, FASI (scaled by 0.10) and the S&P/ASX 200



The authors note that the Technical Ability of financial advisers was given a high rating despite a decrease in consumer confidence more broadly.

Highlights of the survey

The differences between male and female investors has decreased over all three drivers.

The youngest and oldest investor cohorts have shown an increase in perceptions across all three drivers.

Investors who have been receiving advice for 2-5 years have an unusually high perception of financial advisers, which matches those in the 5-10 year cohort.

The authors note that Performance due to advice and Technical Abilities of financial advisers were given a high rating in the face of gloomy economic conditions, and may again show the decoupling of investment performance from market data. This may indicate emphasis on investment planning.

Other highlights of this survey include:

- The differences in perceptions between male and female investors have decreased and are statistically insignificant for all the three drivers of perceptions, though the female investors still lead their male counterparts in their perceptions of their financial adviser.
- Although age is positively correlated to the three drivers of performance, it is interesting to note that the youngest and the oldest group of investors have shown an increase in their perceptions across all three drivers. Investor's age is also positively correlated with duration of advice and wealth invested. Interestingly, this survey records that the youngest group of investors rank their own financial literacy as high and seem to be as satisfied with the performance of their financial adviser as the oldest set of investors.
- As in previous surveys, duration of advice, especially from the same financial adviser, is positively correlated with the levels of perception for all three drivers of advocacy. This survey notes that there seems to be at unusually high levels of perceptions of advisers for investors who have been taking advice (from the same financial adviser) between two and five years and their perception levels match (or exceed) those who have been taking advice for five to 10 years.
- Higher wealth levels are correlated with all the drivers of perception. Investors with higher levels of wealth have shown a slight decrease in their perceptions on Trust and Reliability regarding their financial advisers compared with the last survey. However, the perceptions on Technical Abilities of their financial advisers and the perception of their own investment performance has increased over the last survey. On the other hand, investors with the lowest levels of investments show a decrease in all three drivers of Advocacy.

This survey notes several interesting and important results:

First, the FASI seems to have moved away from the capital market performance over the last five years. This shows an improvement in the quality of advice generally with an emphasis on planning rather than return chasing and market timing.

Second, investors with larger wealth invested display increasing levels of perceptions over the last five years while those with low levels of investments are showing decreased levels of perceptions. This shows that although higher net-worth Individuals are getting very strong advisory support, the lowest wealth levels may not be getting the same level of advisory support.

Third, investors who have been taking advice from the same adviser over the last two to five years are showing higher levels of perceptions than those with longer duration of advice from the same financial adviser. This aspect was investigated further and it was revealed that the satisfaction level with current financial advisers over the two to five year period was independent of the level of wealth invested.

Fourth, the youngest group of investors seems to be positively impacted by their financial advisers over the last survey, and also seem to have the same levels of perception regarding the performance of their investments as do older investors. This aspect is a favourable outcome for financial advisers who seem to be focusing on a long term client relationship.

Appendix 1:

Historical Relationship between Demographic Variables and Drivers of Advocacy

Chart 1A
Relationship between Gender and Drivers of Advocacy

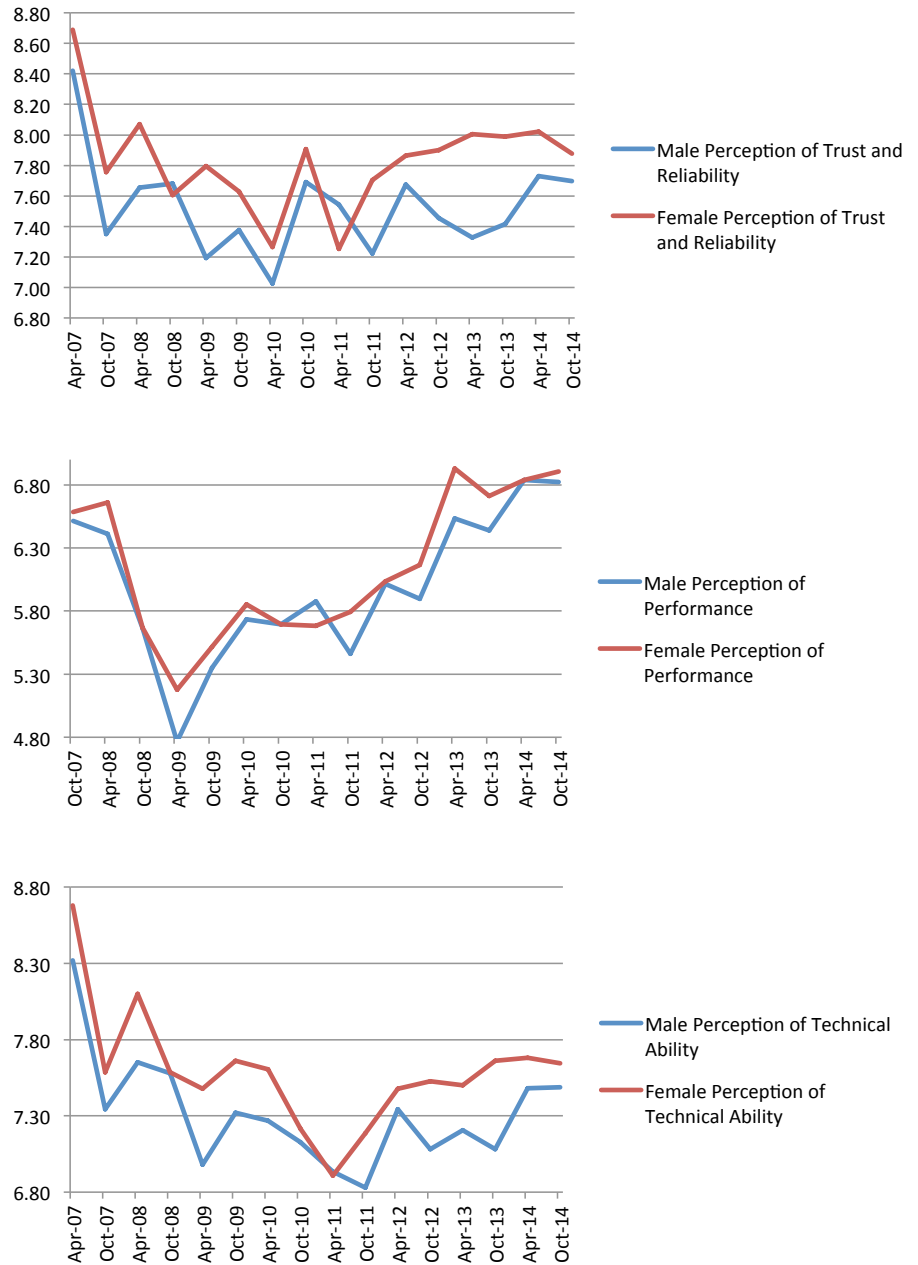


Chart 1B
Relationship between Age and Drivers of Advocacy

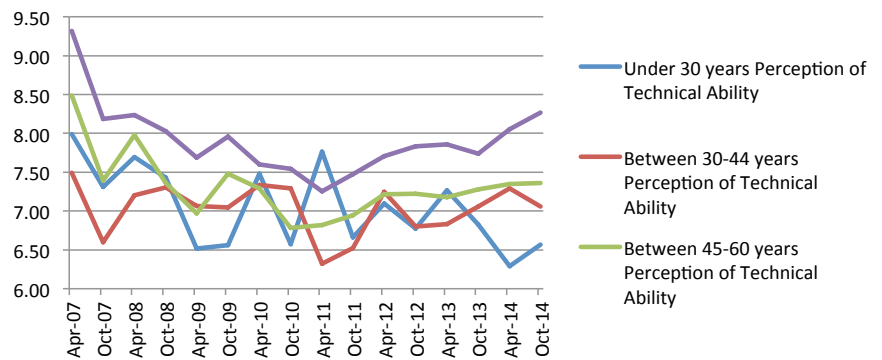
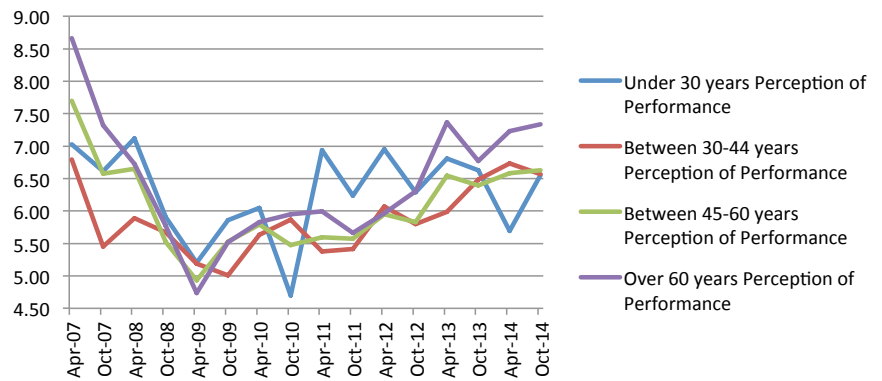
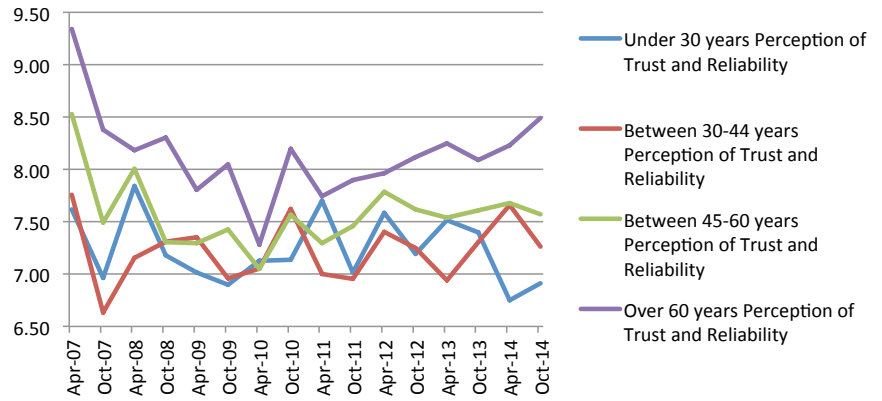


Chart 1C
Relationship between Duration of Advice and Drivers of Advocacy

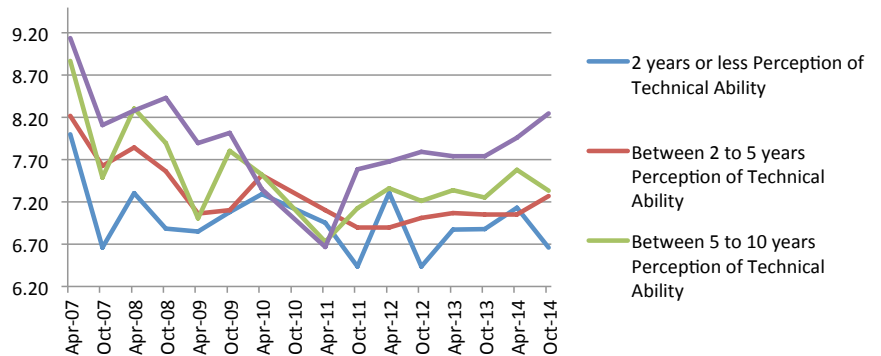
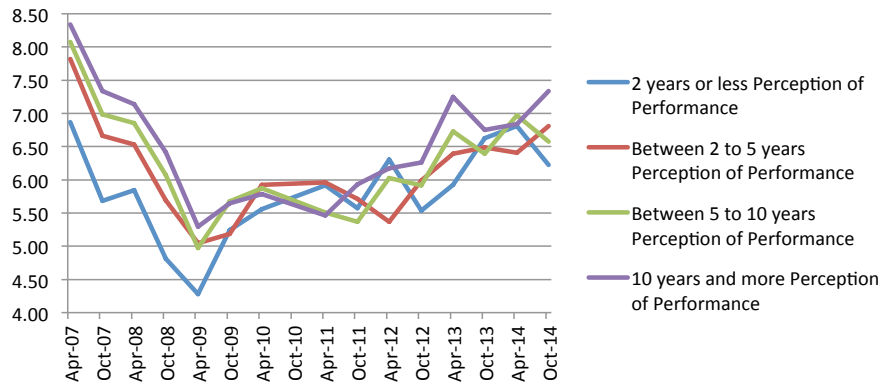
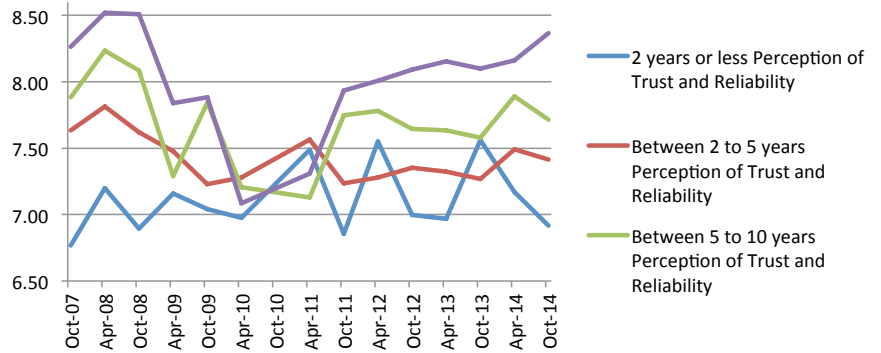


Chart 1D
 Relationship between Duration of Advice with Same Adviser and Drivers of Advocacy

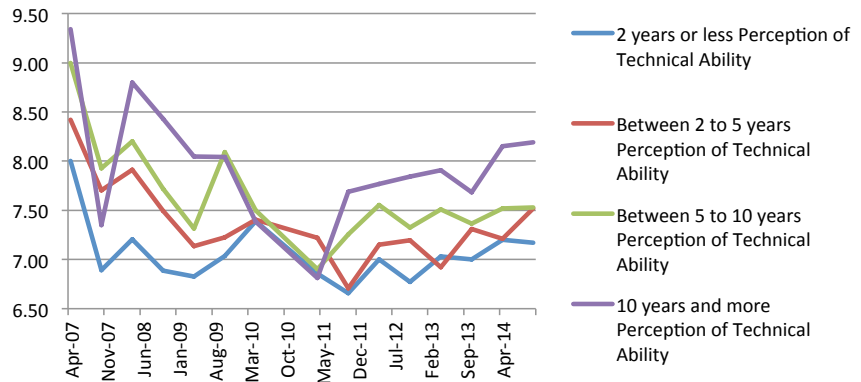
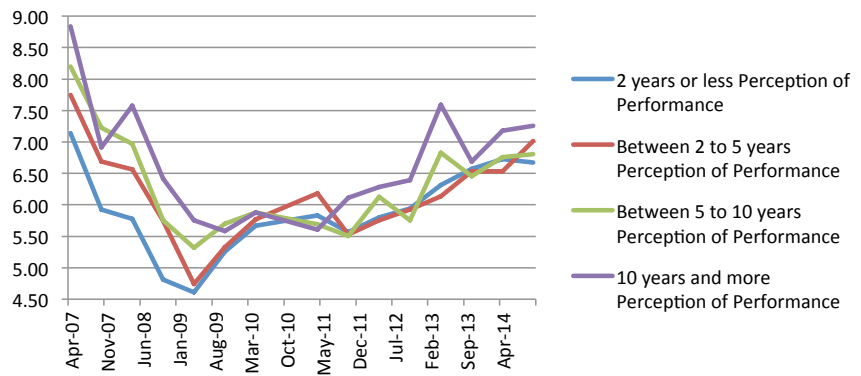
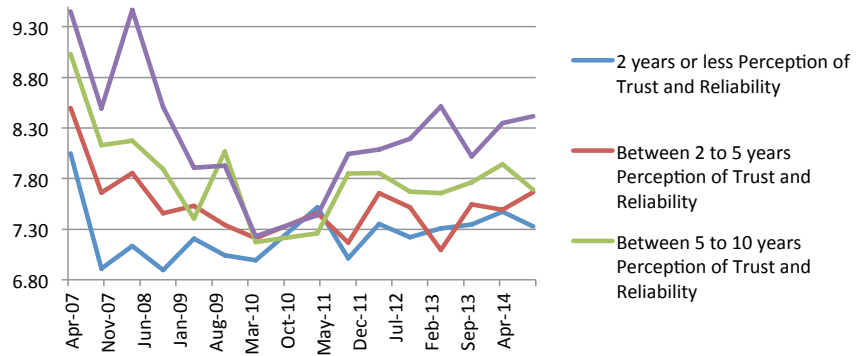


Chart 1E
Relationship between Investment Levels and Drivers of Advocacy

