

# FINANCIAL PLANNERS MARKET RESEARCH

(QUANTITATIVE PROJECT)

KEY HIGHLIGHTS

Final  
March 2005



# Background

The Australian Stock Exchange (ASX) participated in ACNielsen Consult's annual research into the financial planner market. ACNielsen Consult is an independent market research company that specialises in online market research. The involvement of ASX was specifically to understand the extent to which Financial Planners are recommending listed investments to clients, to gauge the industry's current understanding of listed investments and appetite for learning more and to determine their perceptions towards brokers.

This research will assist ASX in identifying areas to support the role of financial planners in servicing their clients in relation to listed investments, as well as provide brokers with a better understanding of the financial planning market.

This study was undertaken as an online/web-based survey in late January/early February 2005 to which 791 people in the financial planning industry participated.

## Key Findings

The key findings from this research are divided into:

- ⇒ Respondent Profile
- ⇒ Use of Approved or Recommended Lists
- ⇒ Listed Investments
- ⇒ Brokers
- ⇒ In Brief - Information and Research, Dealer Groups, Platform Services, Desktop Financial Planning Software & Fees

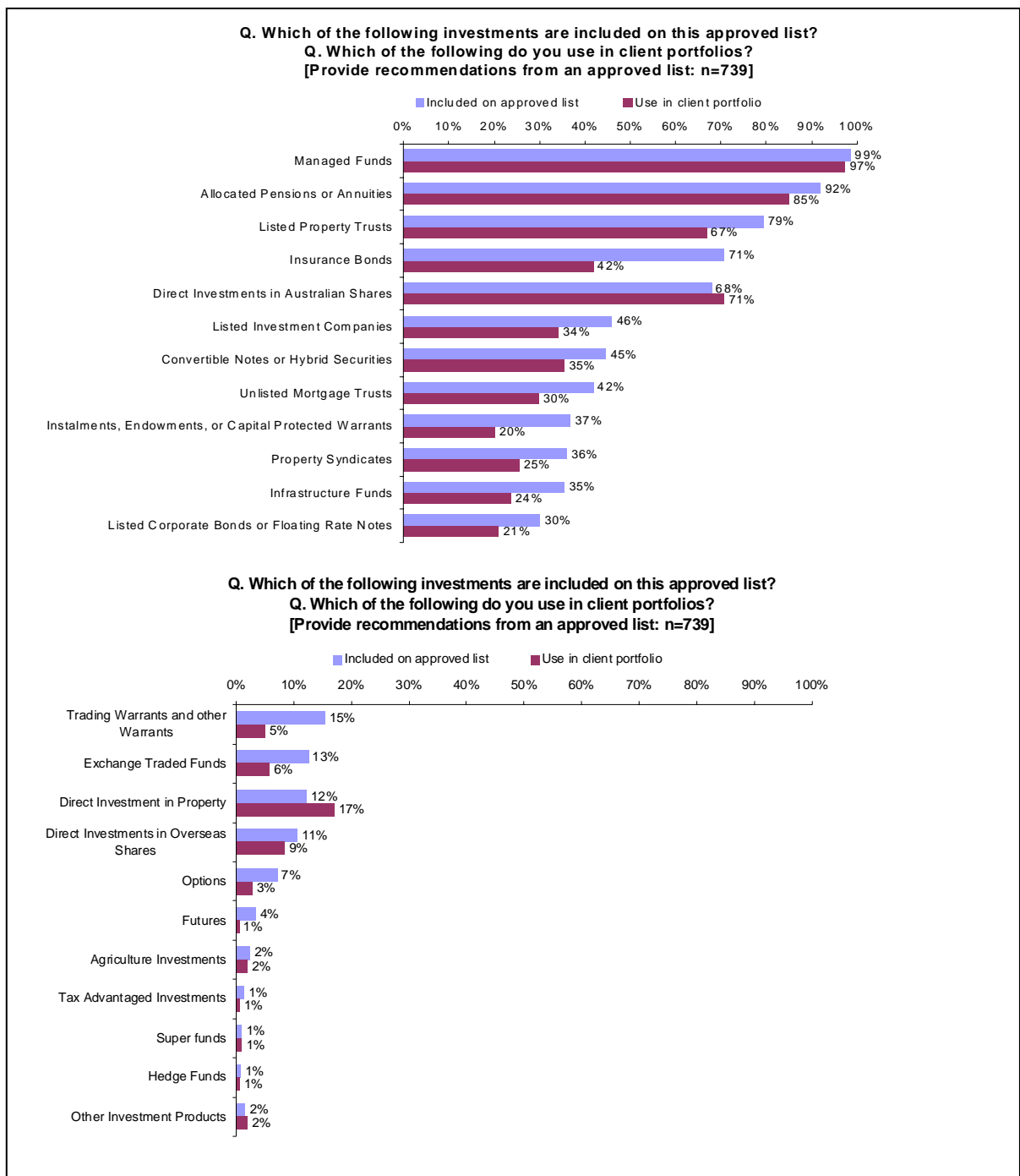
### Respondent Profile

- Of respondents, 72% were financial planners, 10% were general managers/business owners, 5% para-planners, 4% dealer group heads with 10% other (ie research, compliance, product etc).
- A quarter of respondents manage between 101 to 200 clients each, while 19% manage between 201 to 500 clients. The average number of clients is 183. Just over half (54%) work for organisations that have more than 500 clients. Such clients are diverse (58%) covering retirees, pre-retirees wealth accumulators etc.
- Two in five (37%) have at least 25% of their clients with \$500,000 or more managed by them. For 54% of planners this was less than 25% of clients.
- One in five respondents (20%) have at least 30% of their clients operating a self managed superannuation fund. For half (49%) this was less than 10% of clients.

## Use of Approved or Recommended Lists

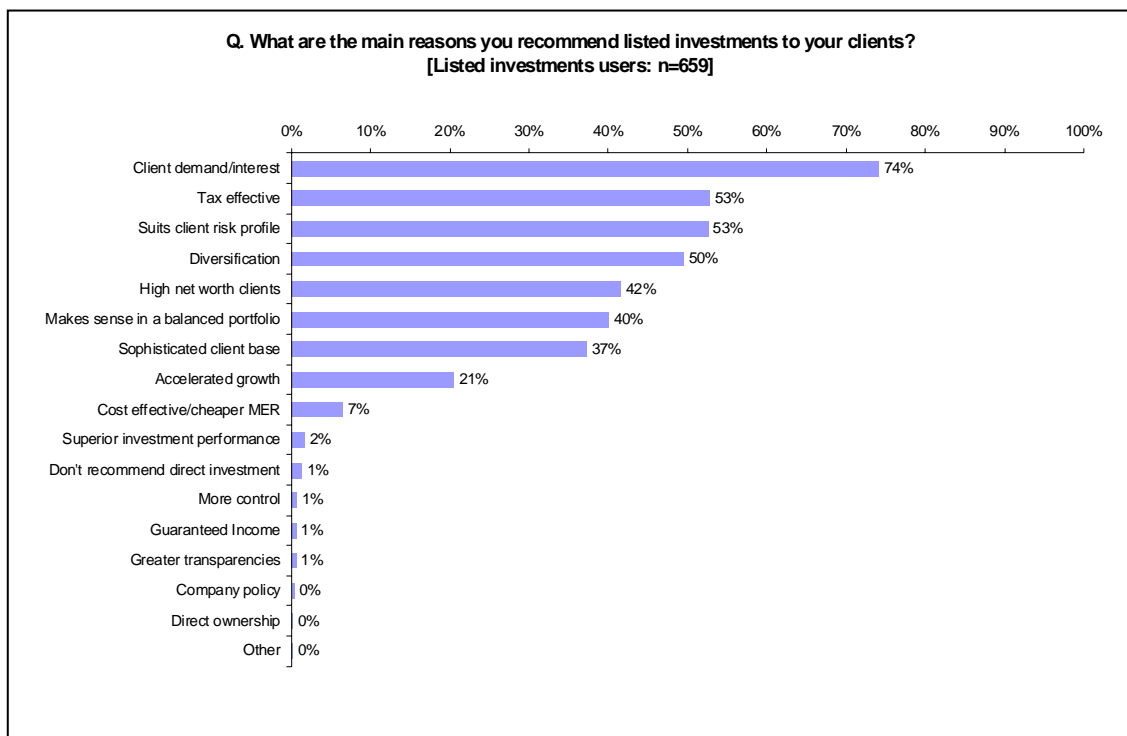
- Nine in ten respondents (91%) provide recommendations from an approved list, which for 81% their dealer group is responsible for compiling.
- The graphs below show the percentage of respondents that have each product on the approved list and those who use them in client portfolios. As expected this shows a high percentage of use of managed funds and allocated pensions/annuities. For listed investments the most popular are Listed Property Trusts and Australian shares. There is good penetration of Listed Investment Companies, Listed Property Trusts and Infrastructure Funds on recommended lists, yet (in comparison) adviser recommendations in these areas are quite low.

The challenge is two fold - to educate dealer groups to have other listed investments included on the approved list and to educate financial planners in how to use them in clients' portfolios.

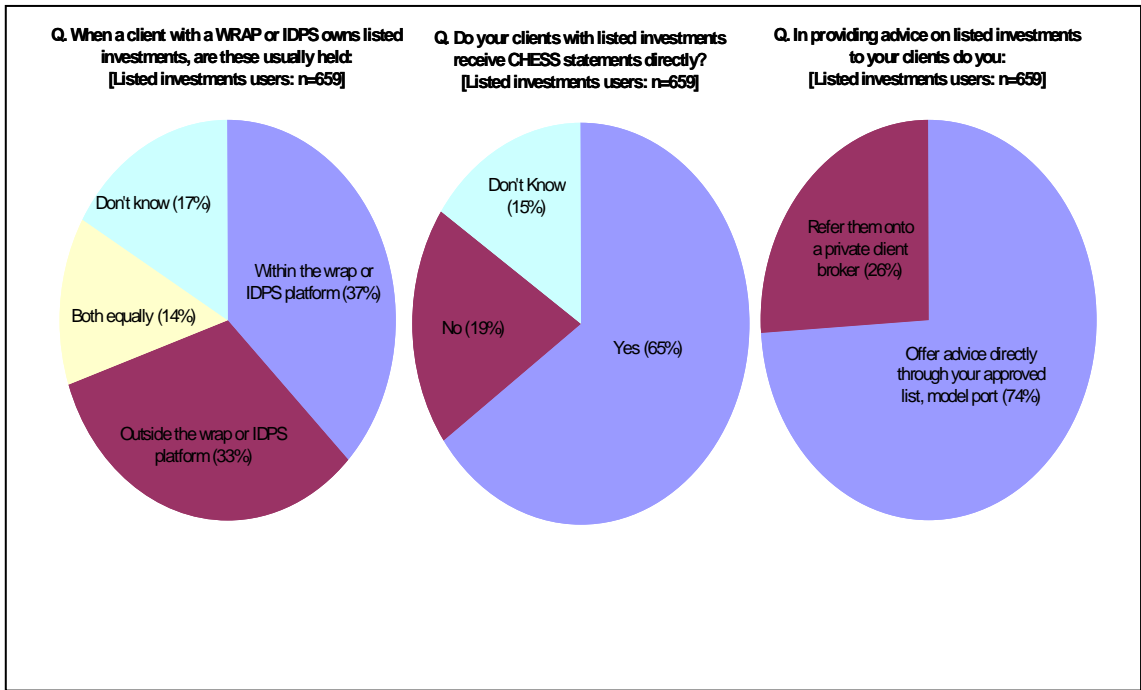


## Listed Investments

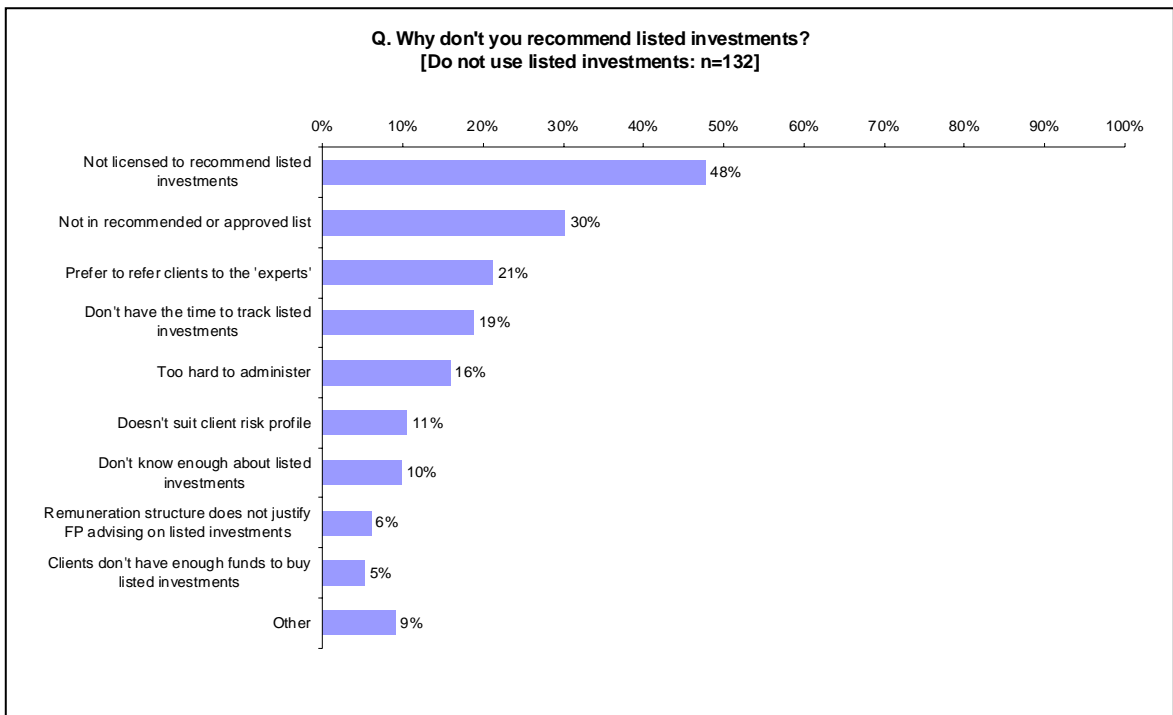
- Of the 83% of respondents that use listed investments, 56% claimed that in the past 12 months the proportion of assets managed by them and invested in direct investments increased. For a third it stayed the same, while only 4% cited a decrease.
- The graph below highlights the key reasons respondents recommend listed investments to their clients. By far 'client demand/interest' is the main reason, followed at a margin by 'tax effective', 'suit client risk profile' and 'diversification'. This suggests that it is to the financial planners' best interest to be knowledgeable about listed investments and how they best fit within clients' investment portfolios.



- While a third (35%) who recommend listed investments cited that a client must have at least \$200,000 in funds under management before they recommend listed investment, 41% said that there was no minimum amount.
- For listed investments users, when a client with a wrap or IDS owns direct shares, this is usually (37%) managed within the platform. Two thirds have clients who receive CHESSE statements directly.
- In providing advice on listed investment to clients, a quarter refer them onto a private client broker while the majority (74%) off advice directly through an approved list, model portfolio or wholesale broker relationship



- Among those who do not recommend listed investments, the most common reasons were 'not licensed to recommend listed investment' and 'not on the approved list'.



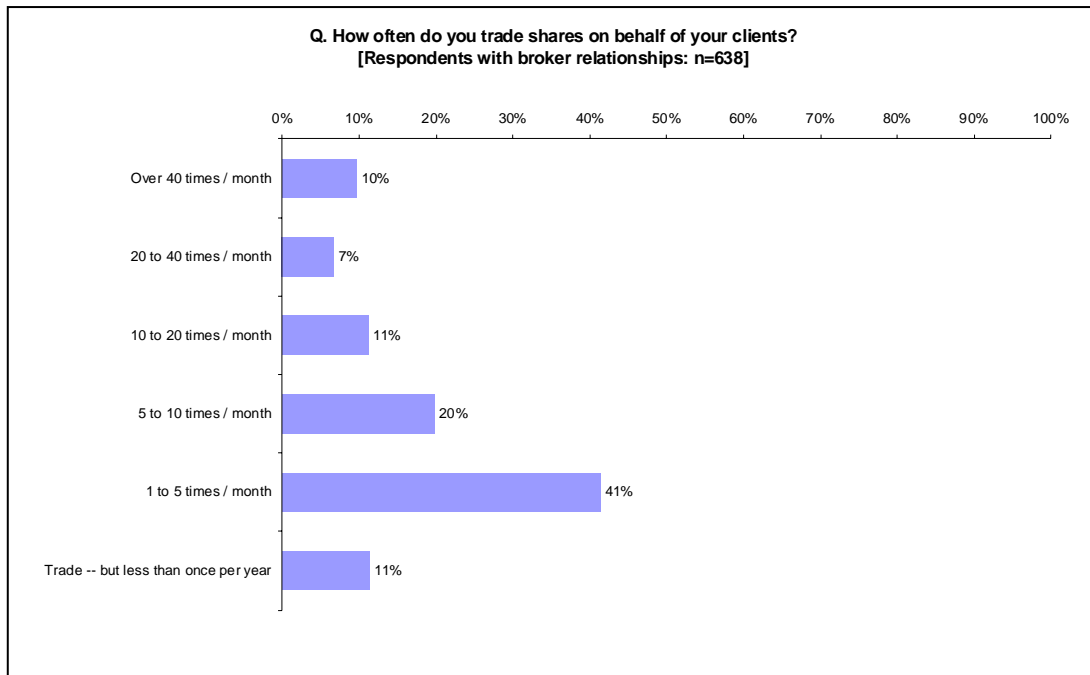
- The three main drivers for those that do not currently recommend listed investments to do so in the future were 'client demand/interest' (54%), 'listed investments included on the approved list' (38%) and 'adding value to client service/advice' (36%).

- Australian shares and listed property trusts are the two listed products respondents have a good understanding of. The products attracting the greatest interest in learning more about are Australian shares and infrastructure funds in particular, as well as listed property trusts, listed investment companies, overseas shares and convertible notes or hybrid securities. There is very little understanding and strong demand for direct overseas investments.

	Listed Investments have a good understanding of	Interested in learning about
Australian shares	88%	81% (44% very interested)
Listed property trusts	81%	73%
Listed investment companies	54%	73%
Convertible notes or hybrid securities	36%	70%
Infrastructure funds	32%	74% (32% very interested)
Listed corporate bonds or floating rate notes	29%	67%
Instalments, endowments or capital protected warrants	28%	68%
Overseas shares	21%	71%
Options	21%	60%
Trading warrants & other warrants	17%	62%
Exchange traded funds	15%	62%
Futures	15%	56%

### Brokers

- Four in five respondents claim to have a relationship with a broker, which is made up of 44% who only have a relationship with a single broking firm and 37% who have a panel of brokers.
- The most frequently cited brokers were SSB and GSJB Were at 14% and 13% respectively, all others received less than a 10% mentioning, as shown below. Overall 74% of respondents are very/somewhat satisfied their main broker.
- Main services provided by brokers which respondents use are research (73%) and execution and advice (65%). Followed by execution only (48%) and model portfolios (38%).
- Financial planners are infrequent share traders for their clients with two in five trading less than 5 times per month. One in five trade 5 to 10 times per month, while 10% are frequent traders trading over 40 times per month.



- In examining financial planner attitudes to brokers – 59% believe that they are too dependent on transacting to be able to give good advice and 46% believe that brokers do compete directly with financial planners. In addition the attitudes towards their main broker is much more positive:
  - 72% believe their broker provides quality research
  - 70% have no complaints about their broker
  - 67% believe their broker provides a fee structure that suits them
  - 63% trust the recommendations by their broker
  - 50% have brokers which give rebates/discounts on brokerage
  - 10% believe their broker does not understand their needs
  - However only 39% are happy for their clients to deal directly with their broker.

### In Brief

#### Information and Research

- Four in five respondents use research providers or specialist magazines for information and research on investments overall. Followed by newspapers (50%), broker research (42%) and internal research department (35%).
- In terms of listed investments, the main source is broker research (49%) followed by internal research department (26%).

#### Dealer Groups

- Of respondents, 74% are a member of a dealer group with the most cited being RetireInvest, AMP Financial Planning, Associated Planners and Professional Investment Services. One in two are also able to recommend products not issued or provided by their dealer group.

### Platform Services

- Nine in ten respondents use a platform service. Colonial First Choice Rollover and Superannuation, and Investment Funds are the most frequently cited superannuation and non-superannuation platforms.

### Desktop Financial Planning Software

- The most popular desktop financial planning modelling tools or software used to help construct client portfolios is Visiplan. For those with desktop financial planning modelling tools or software (90%), it includes shares (72%), listed property trusts (68%), listed investment companies (48%), infrastructure funds (18%) and exchange traded funds (11%).

### Fees

- Within the Financial Planning industry, the most frequently cited fee methods were trail commissions (70%), initial consultation fees (58%), fee based on funds under management (55%) and entry fee from managed funds (53%). Fee based on funds under management (31%) and trail commissions (30%) were the main sources of fees.

## **Final Comments**

- With 83% of respondents using Listed Investments and 56% citing increased use over the past 12 months, highlights the need for ASX to continue to build confidence and activity in this industry by:-
  - Focusing on strategies that target the dealer group. Increased awareness of listed investments, education solutions and practice management solutions for the dealer group
  - Encourage further research on the range of listed investments to aid in their inclusion on recommended lists
  - Continue to educate the financial planning industry especially on how investments like infrastructure funds, convertible notes, overseas shares and listed investment companies can be used in clients' portfolio and raising the awareness of less known products such as options, trading warrants, exchange traded funds and futures, especially since listed investments are largely being requested by clients
  - Educate financial planners direct via ASX website and newsletter, and via the brokers
  - Communications to financial planners need to identify how listed investment suit different clients, and their diversification and tax effectiveness benefits
  - Possible communication mediums include specialist Financial Planner magazines, newspapers as well as broker research
  - Encouraging brokers to offer appropriate services to access overseas share, eg ASX World Link due to interest of this investment
  - Encourage brokers to ascertain potential business opportunities by partnering with software and platform providers to offer research and trading.