

Value of advice

Consumer Research

Key findings 2024 – Australia



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About the Report

The descriptions and statistics in this report are based on insights from consumer research undertaken for Financial Advice Association Australia (FAAA) by independent research firm MYMAVINS. The quantitative study undertaken in August to September 2024 involved an online survey of 1,193 respondents from Australia, each of whom was over 25 years earning over \$90k p.a. or holding over \$50k in investable assets.

The sample included both advised and unadvised consumers. Advised consumers are those who are currently working with a financial adviser, those who seek financial advice as needed and those who have received financial advice in the past three years. Unadvised consumers, on the other hand, are those who have never received financial advice from a financial adviser or have received financial advice in the past over three years ago. The study also analysed those consumers who work with a CERTIFIED FINANCIAL PLANNER® professional. Financial advisers who attain CFP® certification have committed to rigorous standards of competency and ethics in financial advice.



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Introduction

Surrounded by the challenge of economic uncertainties in today's world, financial advice continues to provide great value to clients.

High interest rates, a rising cost of living, and the threat of recession have all contributed to money stress for people, for some even affecting their health and relationships.

However, those with a financial adviser reported an increase in their quality of life, financial confidence and financial satisfaction. Having an adviser also helped people feel more confident in managing any health issues they're facing. Compared to last year, there has been an increase of more than one-fifth reporting they are coping very well with any health issues they are facing.

Across the board, all age groups with advisers experienced an increased value in quality of life, confidence and financial satisfaction this year. For those without an adviser, quality of life decreased slightly. And financial confidence and satisfaction for those without an adviser moved at a fraction of those with an adviser.

The report revisited myths we've busted in the past which stopped people seeking advice. We found these myths remain busted. This included the idea of financial advice being only for the rich. We found that 91% of clients earning \$120,000 or less who

had financial advisers felt financially secure – higher than those who didn't have an adviser. Advantages included help in getting the most from their financial situation, reducing financial worries and stress and having a sounding board for financial decisions.

Another myth busted was that financial advice is only needed at retirement. The research showed that the great majority of Gen Ys working with an adviser were left better off financially.

For advised clients, trust and satisfaction in their adviser had increased with two-thirds of clients reporting their perceptions of the value received from their adviser had improved. It also found that an increasing number of clients reported their financial adviser supported them to make the best possible financial decisions (almost 12% more than last year).

Overall, this year we have found that in times of uncertainty and hardship, financial advice delivers perhaps even more value not only protecting finances but providing additional peace of mind and support in decision making.

Key findings



Clients who work with a financial adviser say they are better off

Nearly 2 in 3 clients of financial advisers are highly satisfied with their wealth versus 1 in 3 unadvised consumers.

They enjoy a higher quality of life, more financial confidence and experience less financial stress.

- More than 4 in 5 report living with a strong sense of purpose
- More than 4 in 5 say they are confident of solving most challenges
- 9 in 10 feel financially secure



Financial advice helps people fulfill unmet financial needs

Unadvised consumers report many unmet financial needs including:

- the ability to live their desired lifestyle (nearly 2 in 5)
- reducing financial worries and stress (nearly 2 in 5)
- a realistic plan for a more comfortable retirement (more than 1 in 3)

According to this study, these are the areas where financial advisers can help most. The top three ways financial advisers have helped the advised are:

- building a realistic plan for a comfortable retirement
- help to get the most out of a current financial situation
- reducing financial stress and worries



Clients of financial advisers experience financial peace of mind

- 9 in 10 feel financially secure
- 9 in 10 feel their finances are tangibly better off



Gen Y more likely to expect digital engagement

Gen Y utilises financial advice services differently than Baby Boomers:

- a flexible experience including a mix of digital and in-person interaction is twice as likely to be important to Gen Y than older generations
- Gen Y seek education as well as advice. Those with an adviser are significantly more likely than older generations to describe the advice relationship as a form of self-improvement

Busting the myths about financial advice



Myth #1

Financial advice is only for the rich

FACT: 9 in 10 clients earning \$120,000 or less per year who work with financial advisers feel financially secure which is higher than unadvised consumers on the same level of income.



Myth #2

Financial advice is only needed at retirement

FACT: More than 4 in 5 Gen Y who work with a financial adviser agree that financial advice has left them better off financially.



Myth #3

Financial advice costs more than it's worth

FACT: 9 in 10 clients of financial advisers say the benefits of financial advice outweigh the costs.



Myth #4

Financial advisers lack objectivity

FACT: More than 9 in 10 clients of financial advisers report they trust their financial adviser to act in the client's best interests.

FAAA Value of Advice Index

FAAA has developed the FAAA Value of Advice Index as a mechanism to measure the financial and nonfinancial impact of financial advice on the lives of clients. Scores range from 0 to 100 around the midpoint of 50; the higher the score the better.

The index shows the difference between those with and without a financial advice professional (i.e. Advised vs. Unadvised).

Clients of a financial adviser say they experience higher quality of life, financial confidence and financial satisfaction than those who are unadvised.

 Quality of Life	Unadvised 62	Advised 74	Advised Delta* +12
 Financial Confidence	Unadvised 57	Advised 73	Advised Delta* +16
 Financial Satisfaction	Unadvised 55	Advised 73	Advised Delta* +17
 Experience	Unadvised N/A	Advised 80	Advised Delta* N/A

*Advised Delta is calculated from the difference of Advised and Unadvised; numbers may not add up due to rounding

FAAA Value of Advice Index

The Index below shows the scores for those clients who work with a CFP professional (CFP Professional Advised), compared to those clients of other financial advice professionals (Advised - excluding CFP Professional advised). It also compares both against people who do not work with a financial adviser (unadvised).

The CFP Professional Delta shows the difference when working with a CFP professional compared to those who do not work with a financial adviser, except for the

'Experience' delta which compares those working with a CFP professional to those who work with another financial advice professional.

Financial advice clients experience a higher quality of life, greater financial confidence, and more financial satisfaction than those who are unadvised. The study also found that clients of CFP professionals rate their personal experience even higher than those who work with other financial advice professionals.

 Quality of Life	Unadvised 62	Advised* 71	CFP Professional Advised 77	Professional Delta** +14
 Financial Confidence	Unadvised 57	Advised* 70	CFP Professional Advised 75	Professional Delta** +18
 Financial Satisfaction	Unadvised 55	Advised* 69	CFP Professional Advised 75	Professional Delta** +20
 Experience	Unadvised N/A	Advised* 74	CFP Professional Advised 84	Professional Delta** +11

*Advised in this table excludes CFP Professional advised clients

**CFP Professional Delta is calculated from the difference of CFP Professional Advised and Unadvised, except for experience which is the difference with Advised (excluding CFP Professional advised): numbers may not add up due to rounding

FAAA Value of Advice Index

There are four components in the FAAA Value of Advice Index:



Quality of life

Non-financial 'personal assets' that are the key supporting pillars of a 'good life', including personal health, connection, capability, purpose and life satisfaction.

The CFP Professional Delta score of +14 shows that consumers who work with a CFP professional experience a higher quality of life than those who are unadvised.

Clients of CFP professionals report greater life satisfaction (7.8 out of 10) compared to their unadvised counterparts (6.6 out of 10).



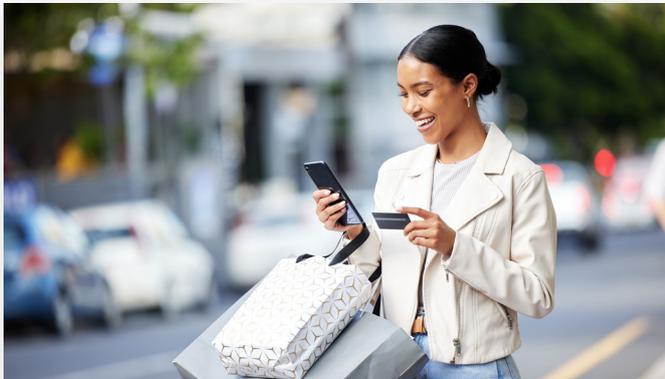
Financial confidence

Measuring financial confidence including personal expectations of security and ability to achieve goals and manage personal risk.

The CFP Professional Delta score of +18 shows that consumers who work with a CFP professional feel much more confident about their financial future than those who are unadvised.

More than 9 in 10 clients of CFP professionals feel financially secure compared to nearly 2 in 3 unadvised consumers.

FAAA Value of Advice Index



Financial satisfaction

Measures personal satisfaction with a consumer's financial situation including spending capability, personal financial risk management, ability to stick to the strategies in a financial plan and overall wealth.

The CFP Professional Delta score of +20 shows that consumers who work with a CFP professional report much higher levels of satisfaction than those who are unadvised.

In fact, more than 2 in 3 of those advised by a CFP professional are highly satisfied with their overall wealth compared to 1 in 3 of those who are unadvised.



Experience

Measures the directly attributable value of the experience of financial advice and working with a financial adviser, as well as tangible financial benefits like financial gains and meeting critical financial needs.

The CFP Professional Delta score of +11 shows that clients who work with a CFP professional experience more value than those who are advised by other professionals.

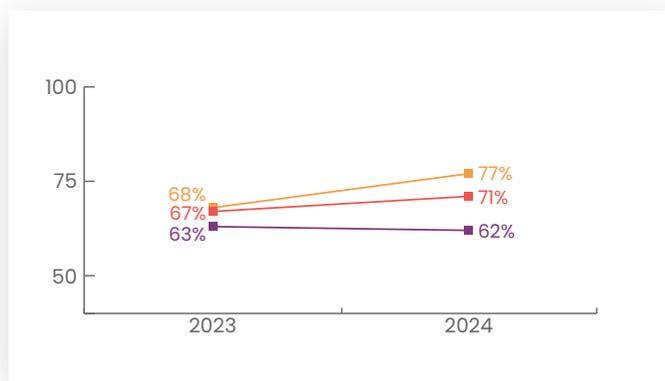
More than 4 in 5 clients advised by a CFP professional agree that their financial security improved since they first received advice, while only close to 7 in 10 of those advised by someone who is not a CFP professional agree.

How does the Index compare to the previous year?

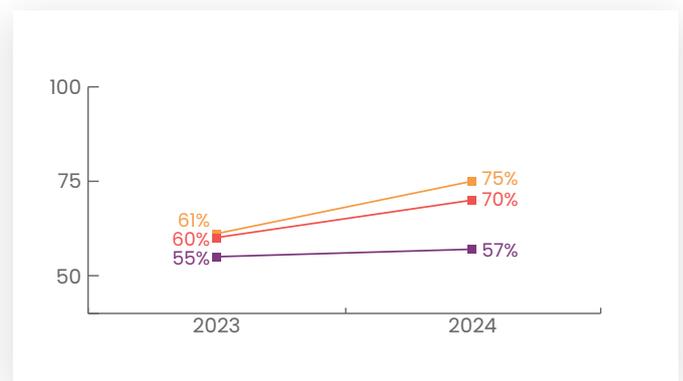
From the previous year, significant improvements can be observed across all components for clients of financial advisers. Differences range from +3 to +15, with those clients of CFP professionals showing higher improvements compared to last year. Component-wise, clients of financial advisers have experienced bigger improvements in financial confidence (+14 for CFP professional clients, +10 for clients of other financial advisers), and financial satisfaction (+14 for CFP professional clients, +10 for clients of other financial advisers), and financial satisfaction (+15 for CFP professional clients, +11 for clients of other financial advisers).

Meanwhile, figures for the unadvised from this year are relatively close to last year's where scores range between 51 and 63 and are relatively lower than clients of financial advisers.

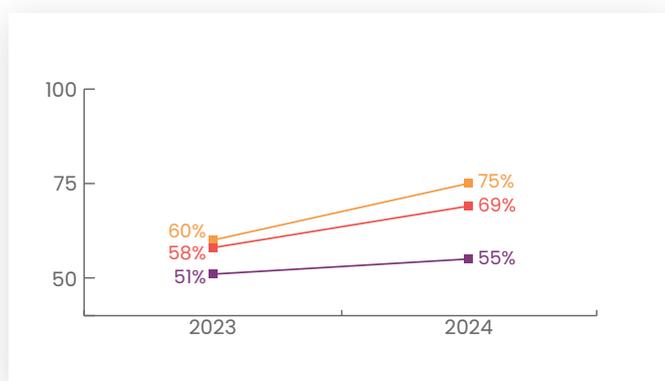
Quality of life



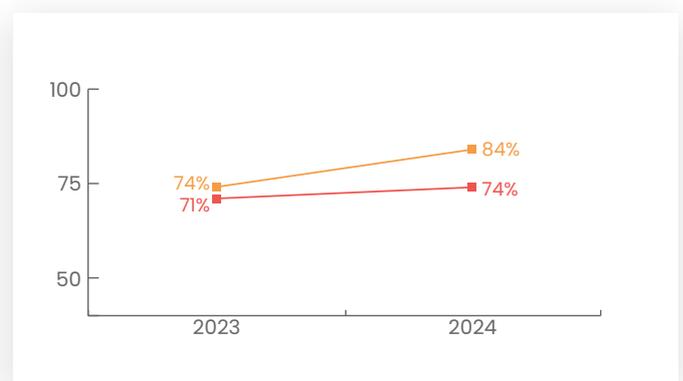
Financial confidence



Financial satisfaction



Experience



— CFP Professional Advised — Advised excluding CFP Professional advised — Unadvised

The financial advice difference

The vast majority of clients who work with a financial adviser report they trust their adviser, are satisfied with the relationship, and say the services have met their needs. They feel their adviser has supported their best financial decision making and management of financial risks in their life.

94% of clients of financial advisers report they trust their financial adviser to act in the client's best interests.

The most important attributes of financial advisers are: trustworthiness, expertise, and personalised advice considering financial goals.

89% of clients of financial advisers say they are satisfied with their relationship with their financial adviser.

94% of clients of financial advisers report that their financial adviser has supported them to make the best possible financial decisions.

67% of clients report that their perceptions of the value received from their financial adviser have improved.

93% of clients of financial advisers say that their financial adviser has helped them manage financial risks in their life.

According to clients of financial advisers, the top 3 ways to describe their financial advice relationship are: trusted and transparent, reliable, and has good rapport.

93% of clients of financial advisers say that the services provided by their financial adviser have met their needs.

The financial advice difference

Top reported benefits of working with a financial adviser go beyond growing and protecting wealth – also important is how it makes them feel

01 Improved financial wellbeing and peace of mind

04 Improved confidence in ability to achieve desired standard of living

02 Help to understand and simplify financial matters

05 Help to save time/effort organising and making decisions about finances

03 Better confidence in financial decision-making

92% have made positive changes to their financial habits or strategies as a result of the financial advice they have received

50% report financial advice positively impacted their mental health

80% are now less worried about money since receiving financial advice

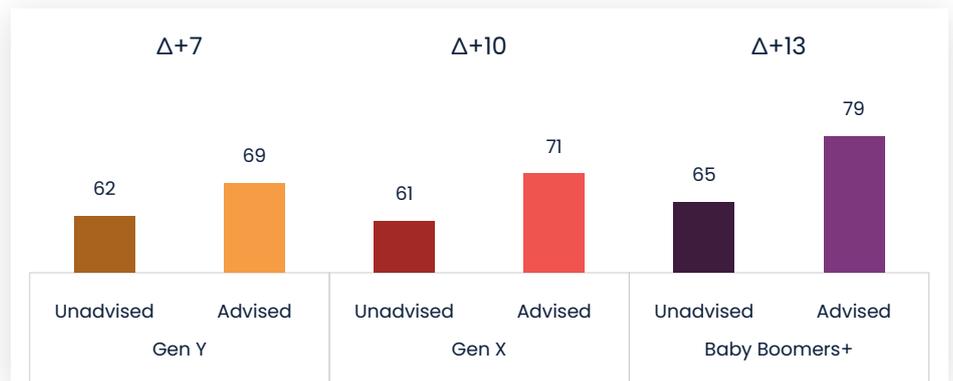
49% say financial advice positively impacted their family life

83% feel they cope better when faced with health issues

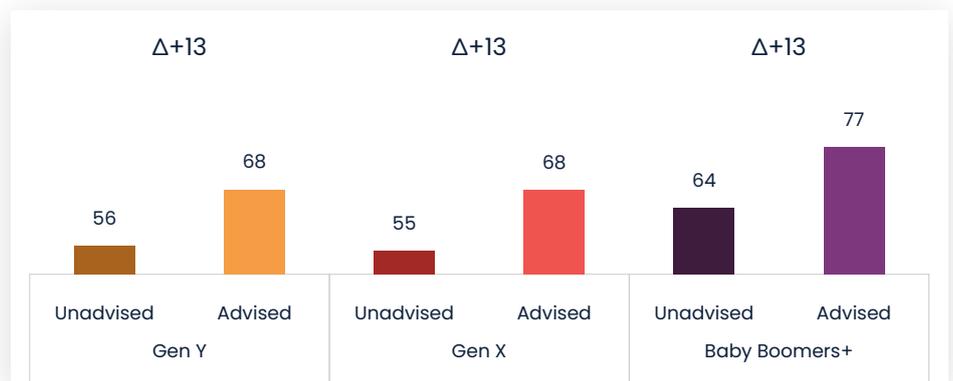
The role of financial advice across generations

While it is expected that older age groups are increasingly likely to report being happy with their life and finances, the financial advice delta is consistently observed across generations.

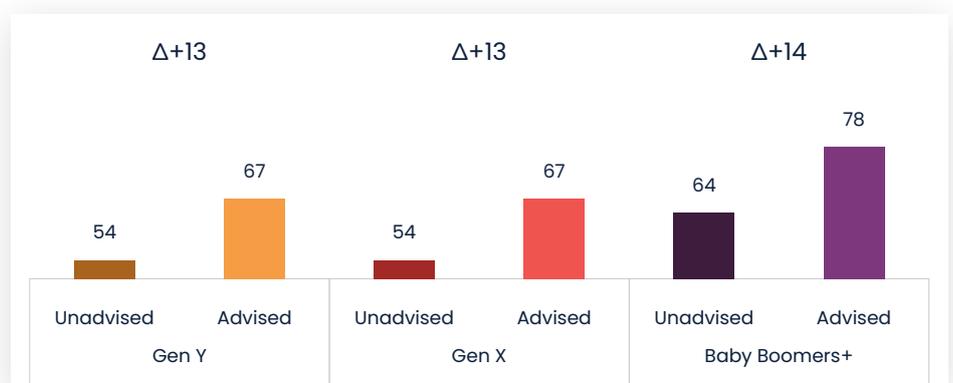
Quality of Life



Financial Confidence



Financial Satisfaction



*Advised Delta Δ is calculated from the difference of Advised and Unadvised; numbers may not add up due to rounding

The top valuable aspects of advice differ across generations

	Gen Y	Gen X	Baby Boomers+
Key needs met from advice	Greater spending confidence in making big financial decisions	A realistic plan to achieve a more comfortable retirement	A realistic plan to achieve a more comfortable retirement
	Help to get the most out of my financial situation	Having a sounding board for financial decisions	Help to get the most out of my financial situation
	Help to define and achieve my short to medium term goals	Help to define and achieve my long term goals	Reducing financial worries and stress i.e. greater peace of mind

	Gen Y	Gen X	Baby Boomers+
Key benefits received from advice	Help to simplify and explain financial matters	Improved financial wellbeing and peace of mind	Improved financial wellbeing and peace of mind
	Greater wealth growth	Improved financial decision making confidence	Improved confidence and ability to achieve desired standard of living
	Improved financial wellbeing and peace of mind	Help to simplify and explain financial matters	Help to simplify and explain financial matters

Gen Y are more likely than Baby Boomers to be seeking self-improvement

Close to 3 in 10 Gen Y receiving financial advice describe the relationship as providing self-improvement, compared to half as many Baby Boomers.

Gen Y are more likely than Baby Boomers to have a more holistic view on the benefits of advice

Gen Y who are open to financial advice are even more likely to appreciate its holistic value. They are significantly more likely than older generations to believe that financial advice can benefit their mental health, family life, work satisfaction, and social life.

Conclusion

This year's edition of the FAAA Value of Advice Index reinforces the findings in last year's landmark quantitative study. We have again compared the personal experience of people who have worked with a financial adviser to those who have not worked with a financial adviser.

The FAAA Value of Advice Index is a measure of the financial and non-financial benefits of financial advice. We have found that financial advice clients report having a better quality of life, enjoying more positive emotions, and experiencing less financial stress. They have a clearer sense of purpose, feel healthier and more socially connected. Clients of financial advisers reported the highest levels of financial and life satisfaction.

Over the past year, the world was in the middle of tackling higher levels of inflation and underlying concerns about recession. Across the world, central banks were at the peak of tightening monetary policy which has left consumers tightening their household belts. However, we found those with financial advice still see an improvement in quality of life, financial confidence and satisfaction, greater than last year. The perceived value of financial advice remains high and has allowed clients of financial advice to be better equipped to weather the storm.

Some of the barriers to working with a financial adviser remain the same and include the perception that it's too expensive, or it's only for rich people and others still believe the challenge is finding someone who they can trust.

In this study, we've revisited past myths that prevent people from seeking the help of a financial adviser and they remain busted. Clients continue to tell us that the benefits of financial advice services outweigh the costs, and that these benefits are present regardless of wealth, age or gender. And when it comes to trust, nearly all clients of financial advisers trust their adviser to act in the best interests of their client.

The demands of the next generation for financial advice remain high, and their service expectations are different to older generations. Financial advisers must continue to embrace change in their offerings.

In addition, we have found that in times of hardship, financial advice delivers the same if not more value not only by protecting finances, but by providing additional peace of mind and support in decision-making during uncertain times.



www.faaa.au

The key findings presented in this document are from the 2024 Value of Advice Consumer Research commissioned by the Financial Advice Association Australia.



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