

VALUE OF ADVICE

CONSUMER RESEARCH

KEY FINDINGS 2023
AUSTRALIA



Insights from the global 2023 Value of Financial Planning Research
commissioned by Financial Planning Standards Board Ltd.



CERTIFIED FINANCIAL PLANNER

CFP




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About the Report

The descriptions and statistics in this report are based on insights from a global research study undertaken for Financial Planning Standards Board Ltd. (FPSB) by independent research firm MYMAVINS. The quantitative study undertaken in February 2023 involved an online survey of 1,038 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 planner, those who seek financial advice as needed and those who have received financial planning advice in the past three years. Unadvised consumers, on the other hand, are those who have never received financial planning advice from a financial planner or have received financial advice in the past over three years ago. The study also analysed those consumers who work with a CFP® professional. Financial planners who attain CFP certification have committed to rigorous standards of competency and ethics in financial planning.

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Introduction

We are living in an ever-changing, complex world which is calling for people everywhere to become more financially responsible.

Money can be a source of stress for many people. For some, it can even take a personal toll on them, impacting their quality of sleep and even their mental health.

The current economic climate isn't helping. The global economic outlook is strained, with stubbornly high inflation, rising interest rates and costs of housing squeezing day-to-day budgets for some families.

The good news is professional financial planning can help. Financial planners support people to take control of their financial lives, empowering them to feel more confident and stay on track to achieve their goals.

The FPSB Value of Financial Planning Consumer Research study presents a compelling comparison between the personal experiences of individuals who navigate their financial journey alone, those who work with a professional financial planner.

This study has found that people who work with a professional financial planner feel better off both financially and more broadly. They report having a better quality of life, enjoying more financial confidence and resilience, and feeling more satisfied with their financial situation.

The trouble is not everyone uses the services of a financial planning professional. One of the most common reasons is that people say they find it hard to know who they can trust with their finances.

In this study, we found that the majority of consumers advised by a financial planner trust them to act in the client's best interests.

If you're someone considering how financial planning might benefit your life, finding someone you can trust with your financial situation is easier than you think. Just look for a member of the FAAA and go from there.

Key findings



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

5 in 10 clients of financial planners are highly satisfied with their wealth versus 3 in 10 unadvised consumers.

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

- 7 in 10 report living with a strong sense of purpose
- 2 in 3 say they are confident of solving most challenges
- 4 in 5 feel financially secure



Financial planning helps people fulfill unmet financial needs

Unadvised consumers report many unmet financial needs including:

- enough money to live on (2 in 5)
- the ability to live their desired lifestyle (2 in 5)
- reducing financial worries and stress (1 in 3)

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

- building a realistic plan for a comfortable retirement
- help to define and achieve long term goals
- reducing financial worries and stress



Clients of financial planners experience financial peace of mind

- 4 in 5 feel financially secure
- 4 in 5 feel their finances are tangibly better off



Gen Y more likely to expect digital engagement

Gen Y utilises financial planning services differently than Baby Boomers:

- while face-to-face services are still the most important, a multi-channel digital experience is more important to Gen Ys than older generations
- 3 in 5 Gen Ys are using apps or websites to help with finances, which is more than older generations

Busting the myths about financial planning



01

MYTH #1

Financial planning is only for the rich

FACT: 3 in 4 clients earning \$120,000 or less per year who work with financial planners feel financially secure which is higher than unadvised consumers on the same level of income.



02

MYTH #2

Financial planning is only needed at retirement

FACT: 9 in 10 Gen Ys who work with a financial planner agree that financial planning has left them better off financially.



03

MYTH #3

Financial planning costs more than it's worth

FACT: 8 in 10 clients of financial planners say the benefits of financial planning outweigh the costs.



04

MYTH #4

Financial planners lack objectivity

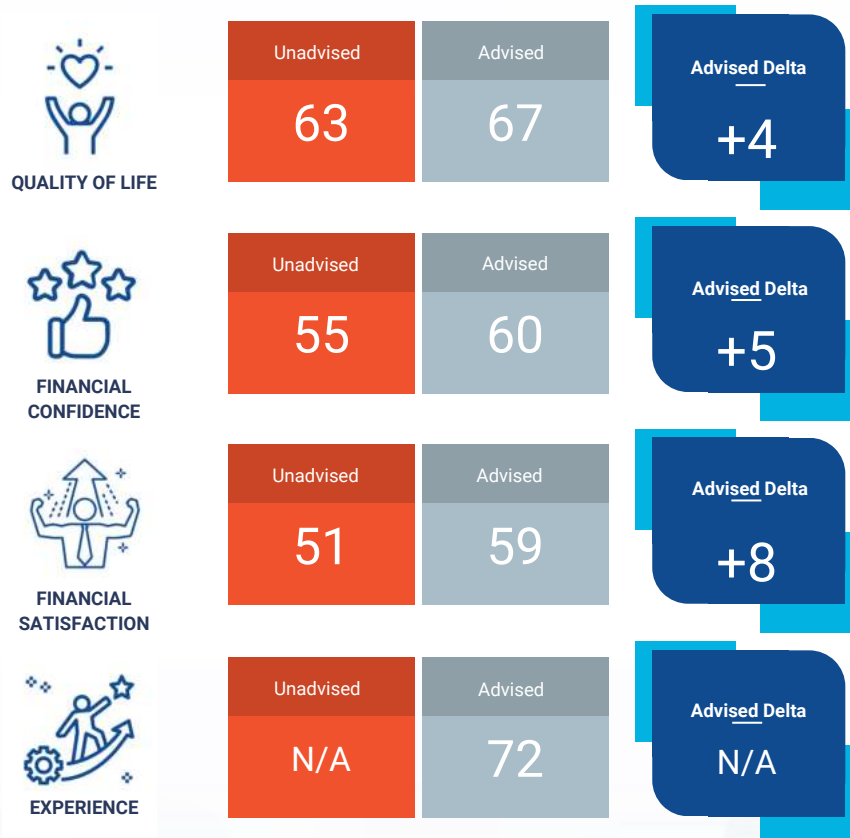
FACT: Over 9 in 10 clients of financial planners report they trust their financial planner to act in the client's best interests.

FAAA Value of Advice Index

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

The Index below shows the difference between those who do work with a financial planning professional (Advised) and those who do not (Unadvised). The Advised Delta shows the positive difference when working with a financial planning professional.

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



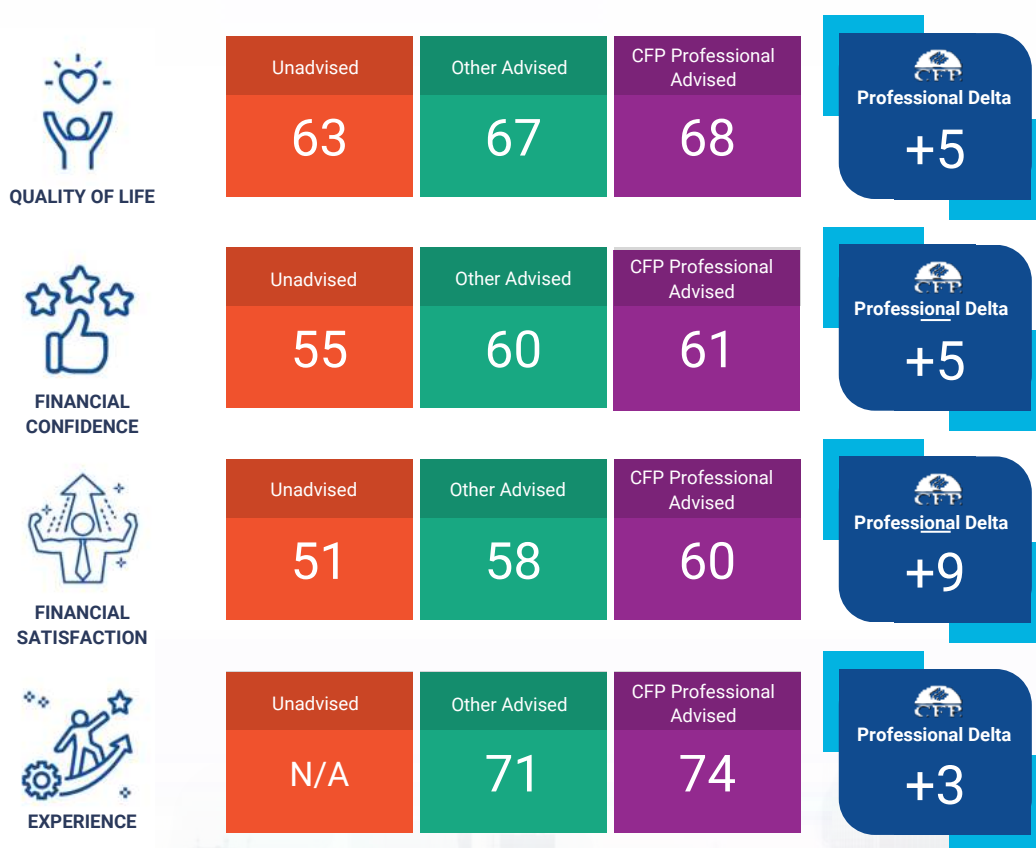
**Advised Delta is calculated from the difference of Advised and Unadvised.*

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 planning professionals (Other Advised). It also compares both against people who do not work with a financial planner (unadvised)

The CFP Professional Delta shows the difference when working with a CFP professional compared to those who do not work with a financial planner, except for the 'Experience' delta which compares those working with a CFP professional to those who work with another financial planning professional.

Financial planning 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 planning professionals.



**CFP Professional Delta is calculated from the difference of CFP Professional Advised and Unadvised, except for experience which is the difference of Other Advised.*

“ We have always received relevant and useful guidance from them. They are proactive with communication on issues we need to address.

Client of a professional financial planner | Female, 52, Victoria

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 +5 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 (7.2 out of 10) compared to their unadvised counterparts (6.8 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 +5 shows that consumers who work with a CFP professional feel much more confident about their financial future than those who are unadvised.

Over 8 in 10 clients of CFP professionals feel financially secure compared to only 7 in 10 unadvised consumers.



[Our financial planner] has given us sound advice that gives us peace of mind with the ups and downs of the stock market.

Client of a CFP professional | Female, 64, South Australia

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 +9 shows that consumers who work with a CFP professional report much higher levels of satisfaction than those who are unadvised.

In fact, 1 in 2 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 planning and working with a financial planner, as well as tangible financial benefits like financial gains and meeting critical financial needs.

The CFP Professional Delta score of +3 shows that clients who work with a CFP professional experience more value than those who are advised by other professionals.

4 in 5 clients advised by a CFP professional agree that their financial security improved since they first received advice, while only 2 in 3 of those advised by someone who is not a CFP professional agree.



They have always done their best to help manage my financial circumstances.

Client of a CFP professional | Female, 64, New South Wales

The financial planning difference

Clients who work with a financial planner are more likely to report a higher quality of life, more likely to have greater levels of financial confidence and resilience and are more likely to be satisfied with their financial situation.

93% of clients of financial planners report they trust their financial planner to act in the client's best interests.

77% of clients of financial planners say they are likely to continue the relationship with their financial planner.

Top 5 benefits of working with a financial planner reported by clients

01

Improved **financial wellbeing** and peace of mind

02

Help to explain and **simplify financial matters**

03

Better financial decision-making **confidence**

04

Feel **more satisfied** with their wealth

05

'Help **establish** and **achieve goals**

70%

agree financial planning helps fulfill life dreams

62%

feel they cope better when faced with health issues

44%

report financial planning positively impacted their mental health

38%

say financial planning positively impacted their family life



Financial planning for the next generation

Generation Y, or 'Gen Y' – born between 1981 and 1996 – are proving to be highly engaged with their finances and are open to the value financial planning can bring.

Now established income earners, Gen Ys are on the verge of receiving unprecedented levels of intergenerational wealth via inheritance or gifts. 1 in 2 Gen Y already have or are likely to come into an inheritance or major financial support. 3 in 10 expect to do so in the next five years, and for some, the amounts will be significant.

Almost 1 in 2 of those expecting an inheritance or major financial support will be receiving over \$375k of additional funds.

Gen Y are open to financial planning. 7 in 10 Gen Y who don't currently work with a financial planner would consider paying for financial advice, compared to 1 in 2 Gen X and nearly 1 in 5 Baby Boomers.

And they are looking to engage a financial planner soon. 3 in 5 of those Gen Y considering financial planning would do so in less than three years and 3 in 10 within 3-10 years.



Gen Y are more likely to identify mental health, family life, work satisfaction, social life, and physical health as aspects of their life that could benefit from receiving financial planning advice than older generations.

While engaging Gen Y in financial planning represents an opportunity, financial planners will have to evolve and adapt the way they work with clients.



He explains everything so well and gives tailored advice so we can achieve our plans for the future.

Client of a financial planner | Female, 27, New South Wales

Five ways Gen Y is different



1. While face-to-face still rules, Gen Y more likely to expect digital engagement

While the majority (2 in 3) of Gen Ys still want face-to-face interactions with their financial planner, Gen Y are significantly more likely to use apps or websites to help manage their finances than older generations, with Baby Boomers being the least. For example, 3 in 10 Gen Ys use an app to help with budgeting, while only 1 in 10 Baby Boomers do.



2. Gen Y is more hands-on, having greater experience with direct investing

1 in 5 Gen Y has taken up direct online trading since 2020, with a further 1 in 10 already trading before the pandemic and continuing to do so. 1 in 3 would consider direct investing, suggesting a greater propensity for this than Baby Boomers (1 in 10).



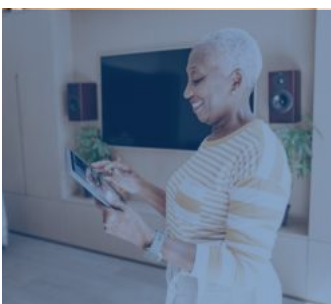
3. Gen Y prioritise investing in businesses with a purpose beyond profit

8 in 10 Gen Y prefer to invest in companies that have some purpose beyond profits, even higher than Baby Boomers (7 in 10).



4. Gen Y has higher expectations, preferring multi-channel service experience where they can interact digitally, over the phone, as well as face-to-face

Over 3 in 10 Gen Y clients of a financial planner would expect access to an online portal, compared to 2 in 10 Baby Boomers.



5. Gen Y has more interest in investing in novel, non-traditional asset classes

Crypto investing is considerably more popular among younger generations. 1 in 5 Gen Y claim to currently have at least some crypto assets and 2 in 5 would consider it. This compares to 9 in 10 Baby Boomers who would not even consider it.

Conclusion



In this landmark quantitative study, we have compared the personal experience of people who have worked with a financial planner to those who have not worked with a financial planner.

This study introduced the FAAA Value of Advice Index, a measure of the perceived financial and non-financial benefits of financial planning. Financial planning clients report having a better quality of life, enjoying more positive emotions, experiencing less financial stress, more financial confidence, a more authentic sense of purpose, and feeling more socially connected, and healthier. And clients of CFP professionals reported the highest levels of satisfaction.

Not everyone has a financial planner. Some of the barriers to working with a financial planner include the perception that it's too expensive, or it's only for rich people. Others believe the challenge is finding someone who they can trust.

In this study, we explored these myths that prevent people from seeking the help of a financial planner and systematically busted them. Clients told us that the benefits of financial planning services outweigh the costs, and that these benefits are present regardless of wealth or age. And when it comes to trust, nearly all clients of financial planners (93%) trust their planner to act in the best interests of their client.

With the Baby Boomers reaching old age, the world is on the cusp of an unprecedented wealth transfer between the generations. The next generation has a high demand for financial planning, but their service expectations are different to their parents. Financial planners must adapt their service offerings to better meet the needs of Gen Y in order to ensure this group can fully enjoy the benefits that financial planning can bring.



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The key findings presented in this document are from the global 2023 Value of Financial Planning Research commissioned by Financial Planning Standards Board Ltd.



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