

25 July 2007

The Lifeplan ICFS Financial Advice Satisfaction Index

The *Lifeplan ICFS Financial Advice Satisfaction Index* is a tool for financial advisers wishing to improve their levels of client service. It is based on academic research which models the factors that explain a client's willingness to advocate their financial adviser to a friend, acquaintance or similar person.

The three attributes that most impact advocacy are trustworthiness of the planner, clients' perception of how their investments have performed, and the technical abilities of the planner.

The study also analyses how investors' age, levels of investment and duration of their relationship with their planner impacts those key aspects.

The research, sponsored by Lifeplan Funds Management, is conducted every six months by The University of Adelaide's International Centre for Financial Services.

Prepared by



Sponsored by



Financial planners held in high regard: Australian-first report reveals

Media Release

Australian investors have a high regard for their financial advisers, which reaches extremely high levels the longer the duration of the client/adviser relationship, the older the client and the more investment funds available.

These are the major findings of an Australian-first report undertaken by The University of Adelaide's International Centre for Financial Services (ICFS), and commissioned by leading niche funds manager, Lifeplan Funds Management.

The *Lifeplan ICFS Financial Advice Satisfaction Index* is based on an academic study prepared by Dr Akbar Z Ali and Assoc Prof Chris Medlin of the ICFS.

The study was commissioned to establish the relationship between various attributes of investor satisfaction and advocacy of their financial planner, and investor traits that impact these attributes.

The three attributes that most impact advocacy are trustworthiness of the planner, clients' perception of how their investments have performed, and the technical abilities of the planner.

The study also analyses how investors' age, levels of investment and duration of their relationship with their planner impacts those key aspects.

Other key findings included:

- Technical abilities of the financial planner are the main driver of advocacy.
- Investors' level of trust for their adviser/planner increased slightly with the more funds they had invested.
- Trust grew overwhelmingly the longer the client-adviser relationship.
- Older investors (45 years and above) enjoyed 'very strong' relationships with their investment expert.
- Younger investors (under 45 years of age) are more neutral on the trustworthiness of their advisers than those aged over 45, while those over 60 years of age rate advisers highly in this regard.
- People with large investments (over \$250,000) were slightly more convinced of the technical advice they received than those with smaller investments.
- Investors with long-term adviser/planner relationships – and older aged investors – have an 'extremely strong' belief in the technical quality of the advice received.

- Only older (over 60 years of age) people with large investments (over \$250,000) with long-term adviser/planner relationships believe their investments have performed very well.

"The *Lifeplan ICFS Financial Advice Satisfaction Index* offers an invaluable insight into the hearts and minds of investors across the country", Lifeplan Funds Management General Manager Strategic Development, Matt Walsh, said.

"This is an unique study as it delves into the minds of investors who have had involvement with a planner for varying amounts of time", he said.

"It is not a mystery shopping exercise nor is it a survey of what the public thinks of planners generally. We are getting under the skin of the actual relationships that clients and planners have, and that is of immense value for the industry. The fact that clients generally hold their planners in higher regard the longer they've been with them, is a positive endorsement of the financial planning profession and the regard in which it is held by its clientele".

The *Lifeplan ICFS Financial Advice Satisfaction Index* has been designed to assist financial planners/advisers maintain their current client relationships, and forge new relationships through improved knowledge and awareness of what investors are seeking when engaging a financial expert.

Mr Walsh said he expected dealer groups to be extremely interested in the report, especially with increasing competition and the desire to better segment and target clients.

He said the research revealed what clients valued most and provided important advice on how to obtain more referrals.

"There is also a significant opportunity for planners to work more closely with younger clients with lower amounts of invested funds, who, while not producing the profitability of older more wealthy clients, are the key to future profits", Mr Walsh said.

"With some more focus on frequency of personal interaction and careful attention to the unique technical needs of this segment, levels of trust, and hence advocacy, could be increased".



Financial planners held in high regard: Australian-first report reveals (continued)

The study – undertaken in April and to be undertaken every six months - involved 400 investors Australia-wide who were asked 54 specific questions about the investment advice they received from their financial planner/adviser.

It measured:

- Levels of trust between the investor(s) and financial planner/adviser.
- Appropriateness of long-term strategies.
- Quality of technical advice given by the planner/adviser.
- Perception of relative performance.
- Positive changes in investor behaviour.

Future studies will evaluate over time the movements in investor satisfaction with financial advisers.

The study also identifies and establishes data on investor traits such as age of the investor, duration of taking financial advice and levels of investment. It identifies many other possible areas for future research.

About Lifeplan

Lifeplan Funds Management is a national market leader in specialised investment products, including investment bonds, funeral bonds, prepaid funeral plans and education savings plans.

The Group has total assets and funds under management of \$1.6 billion.

Lifeplan Funds Management sponsors the research.

About ICFS

Drawing on several respected schools of The University of Adelaide, the International Centre for Financial Services (ICFS) fosters excellence and improved understanding of the financial services industry through academic research, education and training programmes.

ICFS undertakes the research.

Media Contacts

Matt Walsh
General Manager Strategic Development
Lifeplan Funds Management Group
(08) 8212 3838
0418 113 878

Clive Perring
International Centre for Financial Services
The University of Adelaide
(08) 8303 3527

Sean Whittington
Field Public Relations
(08) 8234 9555
0412 591 520

Lifepan ICFS Financial Advice Satisfaction Index Questions & Answers

1. What is the Lifepan ICFS Financial Advice Satisfaction Index, why has it been developed, and what are its main objectives?

This Index is a tool for financial advisers wishing to improve their levels of client service. It is based on academic research which models the factors that explain a client's willingness to advocate their financial adviser to a friend, acquaintance or similar person.

The Index can be used to generalise about the quality of financial planning services in Australia over time. The three factors that explain a client's willingness to advocate can also be used in developing the skills and knowledge of future financial planners. Finally, the Index will allow modelling of sub-groups of clients (ie. males/females, retired/working, etc) and the preparation of sub-indices, which can further inform the training of financial planners and the development of the financial planning industry.

The Index is of little direct use to clients of financial advisers, although over time it can be the basis of improved service by financial advisers to their clients.

2. Who are likely to be the key beneficiaries (who will gain most) from the data, and why?

Ultimately, the main beneficiaries will be the clients of financial advisers. However, financial advisers also gain by more clearly understanding the three factors that lead clients to advocate on their behalf. Financial advisers who understand and can interact with their clients on the basis of the three factors (technical quality, trust and portfolio performance) should gain by having greater client advocacy of their business.

3. How is the information collected from investors, and how accurate is the information if it is collected from a questionnaire available over the Internet?

The data to create the Index is collected using a quota sampling technique that ensures the respondents match the demographic characteristics of Australian investors who use the services of a financial adviser. The potential respondents have subscribed to a private Internet research company as people willing to complete on-line surveys for a small compensation. The respondents are chosen randomly from the firm's database, provided they are currently using the services of a financial adviser and have a history of service from that adviser.

The Index is based on a structural equation model that relates the three main constructs (technical quality, trust and portfolio performance) to each other and to 'willingness to advocate'. This approach has the strength of creating an index on the basis of inter-related constructs. This means we do not measure willingness to advocate on the basis of a straightforward generalisation. Instead, we rely on the inter-relationships between the three main factors to measure the willingness to advocate. This approach leads to better reliability and validity and, importantly, provides a way of advising financial planners on how to improve the quality of their advice.

4. What is stopping financial advisers from completing the survey themselves and purporting to be an 'investor'?

The survey company screens out any respondents who declare they work in the finance industry. In addition, the nature of the screening questions and the survey questions makes it difficult to connect the survey to an index of financial advice. The random selection of respondents also means that financial planners cannot collude to influence the Index.



INTERNATIONAL CENTRE FOR FINANCIAL SERVICES



Lifepan ICFS Financial Advice Satisfaction Index

Questions & Answers (continued)

5. Has this Index been developed because there is a growing need for an 'advice satisfaction' survey for financial planners? Has this been developed due to 'trust' and/or 'credibility' problems within the industry?

There is no documented need for an index of 'advice satisfaction'. The Index is directed at financial planners as a way of improving their service and so gaining greater business.

Trust and credibility are recognised issues in all service industries, according to a long stream of academic research. This is why trust is one component in the index of 'willingness to advocate'.

6. Do you believe the Lifepan ICFS Financial Advice Satisfaction Index will become the industry 'watchdog' for financial planners?

No, an index cannot perform the role of watchdog. Individual financial planners and their firms can use the Index to raise questions about the relative quality of their service.

7. Does the investor identify his/her financial planner, and will financial planners who rate poorly receive feedback as to the reasons why?

No, the investor does not identify their financial planner. The investor's response is anonymous and so it is not possible to connect a response to a specific financial planner.

Individual financial planners, or groups of financial planners, cannot be advised of how they perform on the basis of the Index. If a group of financial planners wishes to compare their performance to the Index they can commission a separate survey. The use of the Index as a basis of comparison for a specific group of financial planners requires an anonymous response from the client group.

8. Is the Index an Australian (or world) first, or are you aware of similar Indexes/surveys in the marketplace?

There are indexes of consumer satisfaction elsewhere in the world, but there is no similar financial planners' advocacy index. The distinction with the Lifepan ICFS Financial Advice Satisfaction Index is that the focus is on the planner, rather than the consumer.

9. What gains will investors receive from the Index, or has it been modelled purely to provide an overview of client beliefs/perceptions about their financial planners?

The investors gain indirectly as the Index will focus financial planners on the changes they must make to their service processes to gain greater 'willingness to advocate'. The focus by financial planners on the factors that lead to greater 'willingness to advocate' should lead to improved investor service.

10. What are the major findings of this survey? Do any of the findings dispel long-held industry perceptions about investors (ie. which age group are the largest investors, etc)?

The conclusion of this first study is that investors have high regard for financial advisers and this reaches extremely high levels the longer the duration of the client/adviser relationship, the older the client and the more investment funds available. It is a positive endorsement of the financial planning profession and the regard in which it is generally held.

The Index in itself cannot dispel any perceptions of investors held by the industry. However, there are a range of other questions asked alongside the questions used to create the Index that provide some interesting insights into the changing nature of Australian investors.

Lifepan ICFS Financial Advice Satisfaction Index

Questions & Answers (continued)

11. How many people are questioned as part of the Index? How many questions are there, and what specific areas are covered?

The Index is based on a sample of 400 respondents. There are seven questions that make up the Index and a range of related questions to allow more detailed analysis of demographic variables.

12. Why has The University of Adelaide partnered with Lifepan Funds Management to undertake the Index? Does the Index/University lose some of its 'independence' by such a union?

The University of Adelaide through its International Centre for Financial Services has partnered with Lifepan Funds Management to cover the basic costs of collecting the data to determine the Index. The funds provided by Lifepan also pay for the preparation and analysis of the data to arrive at the Index.

The academics involved and The University of Adelaide do not lose any independence from the arrangement. The contract specifying the terms and conditions explicitly maintains the right of the academics and university to their academic freedom.

13. What is the International Centre for Financial Services (ICFS)?

Drawing on several respected schools of The University of Adelaide, the ICFS fosters excellence and improved understanding of the financial services industry through academic research, education and training programmes.

The ICFS website is www.adelaide.edu.au/icfs

14. Why is Lifepan sponsoring the Index?

Lifepan Funds Management is a niche fund manager distributing specialised products through financial advisers. Lifepan's philosophy is about improving the quality of advice through providing financial planners with a greater range of strategies for the diverse needs of their clients. Lifepan achieves this through providing dealer groups with solutions in the areas of estate planning, tax, social security, non-super income streams and education funding, using its range of products.

Lifepan is a keen sponsor of the Index as it should help dealer groups understand key client perceptions that lead to them advocating their advisers, and will over time lead to further improvements in the industry. Lifepan believes that quality dealer groups build up their client bases by focusing on the very issues uncovered by this research: trust, technical quality and performance.

Lifepan's web site is www.lifepan.com.au

For more information contact Matt Walsh, General Manager Strategic Development, Lifepan Funds Management on (08) 8212 3838.

