

Lifeplan ICFS Index Media Coverage for June 2008 Release

Advisers trusted despite downturn

By Mike Taylor

Despite the downturn in financial markets, investors remain remarkably confident in the abilities of their financial advisers, according to the latest [Lifeplan](#) ICFS Financial Advice Satisfaction Index.

The index has declined only slightly from 74.3 to 73.2 over the past six months, with the data suggesting that while clients have lost some faith in their advisers' technical ability, they remained generally confident in other aspects of their performance.

What is more, the index showed that females were more satisfied with their advisers than males, and that older clients were likely to be more negative than their younger counterparts.

Commenting on the findings, Lifeplan general manager of strategy and development Matt Walsh said that it was not surprising to see the decline in the index given the market situation, but it was not a big decrease and there were several positive aspects in the underlying measures.

"The decline in the index is only due to some pockets in the investor market, namely the over 60s segment and those receiving advice for between five and 10 years, who have scored their advisers lower in terms of technical quality and trust," he said.

"However, despite the market turmoil, all types of investors have scored their advisers higher in terms of performance perception," Walsh said. "It would seem that the industry's active communication strategy might be helping clients rein in their expectations of market returns and enhance comprehension of the benefit of a diversified portfolio."

12 June 2008

Financial Standard

Fin advice satisfaction down

Friday, 13 Jun 2008 12:55PM

Clients are showing a small decrease in satisfaction with the advice they are receiving from their financial planners, new research shows.

The Lifeplan ICFS Financial Advice Satisfaction Index decreased slightly from 74.3 six months ago to 73.2 in June.

As a whole, there was a decline in investors' perception of the technical ability of their planner. However there was an increase in satisfaction of planners' performance, trust and reliability, noted the survey.

It's not surprising to see a decrease in the Index given the market situation, but it's not a big decrease, said Matt Walsh, general manager of strategy and development at Lifeplan.

The decline in the Index is only due to some pockets of the investor market, namely the over 60% segment and those receiving advice for between 5 and 10 years that have scored their advisers lower in terms of technical quality and trust.

Despite the slight dip in the Index and shady market conditions, investors' perception of their financial planners' performance has increased by seven per cent.

Lifeplan claims the industry's active communication strategy may be helping clients rein in their expectations of market returns, while simultaneously enhancing the pros of a diversified portfolio.

Most perceptions across the traits and attributes of the survey have either remained flat or increased, said Walsh.

InvestorDaily

Friday, 13 June, 2008 5:33
PM AEST

Perception of adviser performance mostly positive

Advisers not held accountable

By Victoria Papandrea
Fri 13 Jun 2008



Despite the current market turmoil, investors are not holding their advisers accountable for lower investment returns, a study has found.

Clients' perceptions of their financial planner's performance are mostly positive despite continuing uncertainty in the market, the Lifeplan Financial Advice Satisfaction Index found.

Perceptions of their adviser's performance by both young and old investors over the past six months has increased by 7 per cent, the bi-yearly index revealed.

Lifeplan general manager of strategy and development Matt Walsh said the findings offered an interesting insight into client perceptions of their adviser.

"We can speculate that they aren't holding their planner to account as they understand how the market is performing and are perhaps recognising that their portfolio is appropriate," Walsh said.

"Younger investors were more positive than older investors perhaps because of the recognition they have time to recoup any losses."

However, the index findings also indicated a slight drop in the overall measure of financial advice satisfaction from 74.3 per cent to 73.2 per cent.

The decline is a result of certain pockets of investors, namely the over 60's segment, who have scored their advisers lower in terms of technical quality and trust, Walsh said.

Older investors are closer to their investment horizon so were less positive, due to the large absolute dollar impact the market fluctuations have caused, he said.

The Index, based on an academic study of around 500 investors, is prepared by the University of Adelaide's International Centre for Financial Services (ICFS) and sponsored by Lifeplan Funds Management.



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Geoffrey Newman

The right time to make plans

THE downturn in investment markets has been good for the financial planning industry.

While clients' satisfaction with planners has taken a hit as the value of many investments recommended by those planners falls, it is arguably forcing the industry to work harder to please those clients.

Planners and clients are probably having a lot more contact with each other too, with a seriousness and frequency not seen as necessary when everybody's investments were riding high, and which should, in the long term, build a better relationship.

Recent results from the Lifeplan ICFS Financial Advice Satisfaction Index showed satisfaction with financial advisers decreased slightly from 74.3 points to 73.2 in the six months to April.

The index rates planners by a client's opinion of the trustworthiness of the planner, how the client's investments have performed and the planner's

technical abilities.

Matt Walsh, general manager of strategy and development at Lifeplan says: "It's not surprising to see a decrease in the index given the market situation, but it's not a big decrease and there are several positive aspects in the underlying measures."

While the measure of technical ability declined, clients' perceptions of their financial planners' performance increased by 7 per cent, which perhaps suggests we have developed a more realistic view of the role of planners and their abilities.

If there is a more realistic view of what planners can do, perhaps we are less likely to be lured by promises of unrealistic returns and planners may feel less competitive pressure to push clients into high-risk investments.

And as **Tony Kaye** explains in our lead story, planners can help clients avoid the worst investment mistakes, a valued ability when markets are heading south.



Downturn fails to dent faith

DESPITE the downturn in financial markets, investors remain remarkably confident in the abilities of their financial advisers, according to the latest Lifeplan ICFS Financial Advice Satisfaction Index.

The index has declined only slightly from 74.3 to 73.2 over the past six months, with the data suggesting that while clients have lost some faith in their advisers' technical ability, they remained generally confident in other aspects of their advisers' performance.

The index showed that

females were more satisfied with their advisers than males, and older clients were likely to be more negative than their younger counterparts.

Commenting on the findings, Lifeplan general manager of strategy and development Matt Walsh said that it was not surprising to see the decline in the index given the market situation, but it was not a big decrease and there were several positive aspects in the underlying measures.

"The decline in the index is only due to some pockets

in the investor market, namely the over 60s segment and those receiving advice for between five and 10 years, who have scored their advisers lower in terms of technical quality and trust," he said.

"However, despite the market turmoil, all types of investors have scored their advisers higher in terms of performance perception," Walsh said. "It would seem that the industry's active communication strategy might be helping clients rein in their expectations of market returns."



Matt Walsh



Adviser technical skills not up to scratch

Victoria Papandrea

A gap is emerging between client expectations of the quality and delivery of advice strategies by their financial planner and what they are actually receiving, the Lifeplan ICFS Financial Advice Satisfaction Index has revealed.

Advice strategy issues, such as budgeting, goal setting and tax planning, had come to the forefront of investors' minds and financial planners were not as technically proficient as their clients would like them to be, according to the bi-yearly survey findings.

While the emerging gap was small, it was certainly one for advisers to be conscious of, Lifeplan general manager of strategy and development Matt Walsh said.

"It's a trend that's occurred over the last three versions of the index. There's a gradual sort of drop in the client's perception of the technical services that they're getting," Walsh said.

"The whole basic approach to planning is that clients don't necessarily want to buy products, they want an advice strategy. What's pleasing to see is that clients under-

stand that."

Investors were becoming more financially savvy and advisers would need to keep abreast of the technical aspects of the advice relationship, he said.

"Advisers will need to keep their technical skills well and truly up to date because clients are demanding it," he said.

The opportunity existed for advisers to demonstrate to their clients other financial planning basics in order to close the emerging gap between what clients expected the technical quality of their planner to be and what they believed they were receiving, he said.

"It would seem that the advice industry has done a very good job of communicating with their clients about the current market turmoil, however, they may have done it at the detriment of advice strategies," he said.

"So much focus has been on performance that clients are actually coming back and saying, 'I understand what's been going

on in the markets and I'm not holding my planner accountable for that, but I'm now concerned about whether I'm going to reach my

financial goals'.

"This is a prime opportunity for planners to look and say, 'well, we've done a good job on the performance side, let's get back to bare bones basic planning'."

The fall in clients' perceptions of the technical ability of their adviser was across all ages, but mostly due to some pockets of investors, particularly those in the over-60s segment, scoring their advisers lower in terms of technical quality and trust, he said.

The index, based on an academic study of around 500 investors, was prepared by the University of Adelaide's International Centre for Financial Services (ICFS) and sponsored by Lifeplan Funds Management. □



MATT WALSH:
gradual drop



Faith in financial planning slips slightly

ANTHONY KEANE

SATISFACTION with financial planners has dropped in the last six months, research has found.

The latest Lifeplan ICFS Financial Advice Satisfaction Index dropped 1.5 per cent, from 74.3 to 73.2 points, and found there was a decline in investors' perceptions of the technical ability of their planner.

"It's not surprising to see a decrease in the

index given the market situation," said Lifeplan general manager of strategy and development Matt Walsh.

"But it's not a big decrease. The decline in the index is only due to some pockets of the investor market – namely the over-60s segment and those receiving advice for between five and 10 years – that have scored their advisers lower in terms of technical quality and trust," he said.

The index, which started in April, 2007 with a base measure of 75 points, is prepared by the International Centre for Financial Services at Adelaide University.

Mr Walsh said all investors scored their advisers higher for performance, despite the current share market turmoil.

"This offers an interesting insight into client perceptions of their planner. We can specu-

late that they aren't holding their financial planner to account as they understand how the market is performing and are perhaps recognising that their portfolio is appropriate," he said.

"Younger investors were more positive than older investors, perhaps because of the recognition that they have time to recoup any losses and take a longer-term view of their portfolio."



Client attitudes revealed

Clients are not holding financial planners accountable for any recent poor investment performance, according to the Lifeplan/ICFS Financial Advice Satisfaction Index.

Over the past six months, the index has decreased only slightly, from 74.3 to 73.2.

Lifeplan general manager, strategy and development, Matt Walsh said while it's not surprising to see a decrease in the index given the market situation, "it's not a big decrease and there are several positive aspects in the underlying measures".

The research, which was undertaken by the University of Adelaide's International Centre for Financial Services (ICFS), shows that the three attributes that most impact a client's advocacy of their financial planner are:

- Trustworthiness of the planner;
- Their perception of how their investments have performed; and
- The technical abilities of the planner.

One of the key findings of the research was a decline in investors' perception of the technical ability of their planner, while investor perceptions about their planner's trustworthiness increased.

Despite the recent market turmoil, all types of investors scored their planners higher in terms of performance perception.

"The decrease in this index has been primarily driven by technical ability which [high net worth] investors were the most critical of, perhaps due to the large absolute dollar impact the market fluctuations have caused," Walsh said.

"This would tend to indicate that there is a gap emerging in the clients' expectations of the quality and delivery of advice strategies and what is

occurring in practice."

The study found that, overall, female clients were more satisfied than male clients in the three key areas. The oldest age group of clients (over 60s) showed the most negative response in all three categories, while the youngest age group (under 30s) showed increased satisfaction.

"This may be attributed to the fact that the older age group are coming closer to the maturity



Matt Walsh

of their investment horizon, while the younger investors (who typically have the smallest amounts invested), have a longer investment horizon," Walsh said.

"It would seem that the industry's active communication strategy may be helping clients rein in their expectations of market returns and enhanced comprehension of the benefit of a diversified portfolio," he said. ❖



The blame shifts from planners

New research shows investors are starting to understand the reasons behind performance. Kristen Paech reports

Investors are often accused of playing the blame game.

They're easy to please when markets are rising and portfolio values are soaring skywards but when the going gets tough they are quick to point the finger – usually at their financial planner.

However, recent research indicates investor attitudes are changing. Findings from the Lifeplan ICFS Financial Advice Satisfaction Index, which measures changes in the three key attributes that most impact a person's willingness to recommend their financial planner, show financial planners are not being held accountable for recent hits to investors' portfolios.

According to research by the University of Adelaide's International Centre for Financial Services (ICFS), the key attributes are: trustworthiness of the planner; clients' perception of how their investments have performed; and the technical abilities of the planner.

The index, published every six months since its inception in April 2007, shows that while continuing market uncertainty has caused investors to question the technical ability of their advisers, their perception of their planners' performance has actually increased by 7 per cent.

Interestingly, when the index was first measured, performance rated the lowest of all three attributes, despite the fact that Australia had been experiencing a long-running bull market.

Matt Walsh, general manager of strategy and development at Lifeplan Funds Management in Adelaide, suspects investors are using an inappropriate benchmark when measuring their portfolios' performance.

"In a bull market, a diversified portfolio can underperform certain headline segments," he says.

But the research released in June indicates investors are thinking more rationally about the investment performance of their portfolios.

"Now that we've seen some headline losses

coming through – from the subprime [crisis] and the falls in equity markets – some of the benchmarks they may have been using have turned the other way and are now quite negative, yet their portfolios haven't performed as badly as what the news might have implied," Walsh says.

"Over that time [investors] have started to increase their perception of how their portfolio has performed through their advisers, so that would



imply there's been some levelling out of their expectations relative to the benchmarks they might have been using."

The results also revealed a decline across all age groups in investors' perception of the technical ability of their planner.

This perception was the primary driver behind an overall decrease in the Index from 74.3 to 73.2 since the last Index was published in November



and was perhaps a result of the large absolute dollar impact the market fluctuations have caused.

"The industry has done a great job of communicating performance issues but maybe we've done that to the detriment of all the other things that planners do in the advice relationship," Walsh says.

"Those planners that are focussing on technical quality and all aspects of advice, as much as they are focussing on performance, will get high levels of advocacy."

It appears that a gap is emerging in the clients' expectations of the quality and delivery of advice strategies and what is occurring in practice, Walsh adds.

"Either their expectations are increasing or their expectation hasn't changed and there's some level of decline across the planner relationships," he says.

"That could come from the sheer focus on performance, which means there's been less focus on all the other aspects of planning, or with the pessimism about the market and people's expectations of having lower retirement incomes, they're expecting more help from their planner."

Those investors who have been with their current financial planners for more than 10 years showed the largest positive change in perception across all three attributes – performance, trust and reliability, and technical ability.

The oldest age group – those over 60 – showed the most negative response in all three attribute categories, while those under 30 revealed the biggest increase in positivity compared to the last Index.

Walsh says this reflects the heightened sensitivity to portfolio change investors experience as they approach retirement.

"People who don't have cash flow coming in any more and have to ride [the market turbulence] out are definitely feeling the pain a bit more, so they've been more negative," he says.



Lifepan FP advisors survey

Financial planners are feeling the heat as investors watch their share market nest eggs plummet in value – but that heat is surprisingly mild.

The latest Lifepan ICFS Financial Advice Satisfaction Index shows the overall measure has fallen slightly from 74.3 to 73.2 during the past six months.

And given the world sharemarket bloodbath, Lifepan's Matt Walsh is surprised the result is so good. The result shows the financial planning industry has been successful in educating clients about market performance, at the cost of reducing awareness of what a financial planner can achieve.

"It's not a big decrease and there are several positive aspects in the underlying measures," says Matt, who is GM of Strategy and Development at Lifepan.

The research, by the University of Adelaide's International Centre for Financial Services, shows the three attributes that most impact a person's advocacy of their financial planner are trustworthiness of the planner, clients' perception of how their investments have performed, and the technical abilities of the planner.

Investors' perception of their planners' technical ability fell, but their satisfaction with the other two attributes showed an increase. Women were happier with the service than men.

Technical ability perception fell across all age groups. The oldest age group (over 60) was most negative across all three areas and their dissatisfaction took the overall result into negative territory.

"They are not sure of reaching their retirement goals," Matt says, to explain older investors' displeasure.

"Younger investors were more positive than older investors, perhaps because of the recognition that they have time to recoup any losses and take a longer term

view of their portfolio."

The youngest age group (less than 30) were happiest. Investors with long-established relationships with financial planners (more than 10 years) were also happier than those less well acquainted.

Despite continuing uncertainty in the market, investors' perception of their financial planner's performance, one of three main attributes measured, has increased by 7%.

Matt thinks the industry's active communication strategy is helping moderate clients' expectations of market returns and enhanced comprehension of the benefit of a diversified portfolio.

"We can speculate (clients) aren't holding their planners to account as they understand how the market is performing and are perhaps recognising their portfolio is appropriate," he says.

"This would tend to indicate there is a gap emerging in the clients' expectations of the quality and delivery of advice strategies and what is occurring in practice."

The Lifepan ICFS Financial Advice Satisfaction Index is based on an academic study prepared by Dr Akbar Z Ali and Associate Prof Chris Medlin of the ICFS, and sponsored by Lifepan Funds Management.

