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# 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.

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# 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.

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## 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.

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## 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](http://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](http://www.lifepan.com.au)

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