

## LIFEPLAN ICFS FINANCIAL ADVICE SATISFACTION INDEX – APRIL 2011



### About the Lifeplan ICFS Financial Advice Satisfaction Index

The Lifeplan ICFS Financial Advice Satisfaction Index (FASI) is a tool for financial advisers that want to improve their levels of client service. It is based on academic research that models the factors that explain a clients willingness to recommend their financial adviser to a friend or acquaintance.

The three attributes that have the greatest impact on advocacy include:

1. The trustworthiness of the financial planner
2. The clients perception of how their investments have performed
3. The financial adviser's technical ability

The research also analyses how investors' age, levels of investment and length of their relationship with their adviser impacts these attributes.

The research is sponsored by Lifeplan Funds Management a part of the Australian Unity Group.

It is conducted every six months by the University of Adelaide's International Centre for Financial Services.

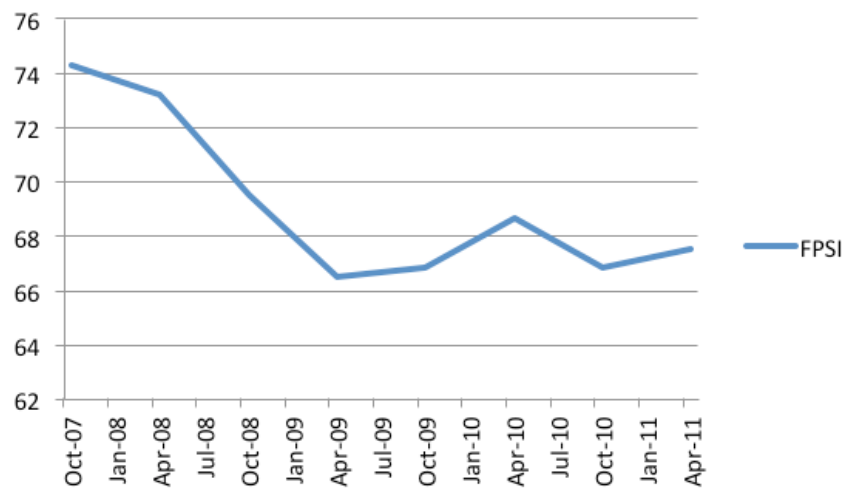


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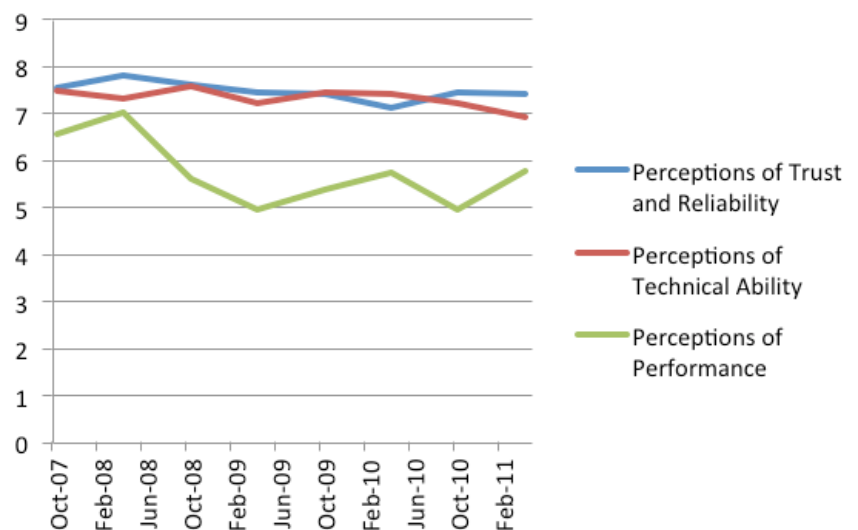
### Lifepan ICFS Financial Advice Satisfaction Index (FASI) – April 2011

This survey of 424 respondents, conducted during the month of April, showed a reversal in the satisfaction compared with the October, 2010 survey. The index increased by 1.04%, while the three drivers of the index, perception of Trust and Reliability in respondents' advisors, perceptions of Technical Abilities of their advisors, and the perception of how their investments have performed have changed by -0.7%, -3.9% and 17% respectively in this survey. The April survey saw changes in the three drivers of 4.2%, -6.6% and 7.8% over April, 2010 survey results. These results show continued influence by the equity market performances. The perception of performance seems to be highly correlated to the domestic equity market movements, while this survey sees almost no change in the trust and reliability perceptions of investors, while the perceptions of technical abilities of the financial advisors seems to have dropped slightly.

Graph 1: Financial Planning Satisfaction Index



Graph 2: Drivers of Financial Planning Satisfaction Index



The next section details an overview of the attributes of the respondents (see Appendix 1 for a one-dimensional and Appendix 2 for a two-dimensional, and comparison with the October, 2010) in this survey.

## Attribute Details of the Respondents

This survey polled 424 respondents across Australia. Each individual was required to have had at least 6 months of financial advice.

Below are cross-sectional statistics:

### ***Gender and Age (see chart 1a)***

The cross-sectional statistics show that females matched males in numbers across all age groups except the over 60s where the number of female respondents were under-represented, but over-represented in the 30 to 44s.

### ***Gender and Investment Levels (see chart 1b)***

Males and Female respondents were matched in all investment levels except the highest investment levels which were dominated by male respondents.

### ***Age and Duration of Financial Advice, and Duration with Current Advisor (see chart 1c)***

Older investors had been taking advice for a longer period of time, and from the same advisor. However, this survey reveals that there are a larger proportion of older investors (45 to 60s and over 60s) taking advice for the first time. Has advice become more accessible or cheaper? The authors of this survey believe that the financial crisis has made a huge impact on the investment community. Investors perhaps feel that self-directed investments have not done so well and are now taking paid professional financial advice. This shows in the second graph (right panel) that the investor-advisor relationship has become stronger.

### ***Age and Investment Levels (see chart 1d)***

Older investors would likely be higher net-worth investors, and this survey shows a similar distribution.

### ***Duration of Advice, and Duration of Advice with Current Advisor, and Investment Levels (see chart 1e)***

Duration of taking advice would be associated with higher net-worth individuals, but do investors remain with the same advisor longer as well? It depends on the drivers of satisfaction with the advisor. The survey results show that investors with larger investment amounts do remain with the same advisor for a longer period, but this is not the case across the investment dimension. Investors with mid, and high investment levels, who have a shorter duration of taking financial advice have changed their advisor. Have investors become savvier with regards to their choice of advisors? It is possible that this may be the case given the changes in the financial advisory industry.

The next section details each of the drivers of the index in more detail by understanding the changes that have taken place across the various investors attributes over the last survey.

## Perception of Trust and Reliability

As mentioned earlier, investors' perception of trust and reliability in their advisor decreased by a marginal 0.7% in this survey but that is up 4.2% since April 2010 survey results. Female respondents have shown an increase in their low perceptions of trust and reliability of their financial advisors against the last survey (please note that the bar charts show percentage for the whole cohort and females respondents were fewer than male respondents. Younger female respondents slightly outnumber the males but are under-represented in the older age group). Compared with the previous survey male respondents are increasingly hold a favourable perception for this driver of advocacy.

As in previous surveys older, and higher net-worth investors and those who have taking advice for a longer period also hold a favourable perception of trust for their advisors.

## Perceptions of Technical Ability

This survey saw a continued downward trend in investor's perception of technical abilities of their advisors. This survey showed a decrease of 3.9% but the measure has dropped by 6.6% since April 2010 survey. What has caused this decline? First the equity markets were at their highest point in April 2010 (in the last two years). Markets have been volatile with a downturn in July and August, 2010 and then again in March, 2011. Interest rates are higher, but the global markets seem to be in much more turmoil. Do these economic aspects impact all investors? Low level investors have larger proportions exposed to the domestic markets and are impacted by interest rates increases, housing market values decreases, and domestic equity market volatility. In contrast higher investment cohort has a higher exposure to the international markets as well as impacts from the local economy. However, the larger investors also have access to sophisticated financial vehicles to take advantage of various domestic and international opportunities. This survey notes that larger investors are indeed more satisfied by the technical abilities. This could also point to another aspect. After the changes in the financial advisory industry, larger investors also have access to better advisors, and this quality of financial advice is not in the reach of the lowest investment group.

## Perceptions of Performance

The perception of performance rose by 17% over the last survey and 7.8% from the survey a year ago. This has been the largest increase since the inception of the index. But what has driven this performance given the perception of trust and reliability has decrease over the last 2 surveys? As mentioned in the previous section, the largest increases were shown by the high net-worth investors, and those who have been taking advice from the same advisors the longest. This result is most interesting and implies that even in poor performing markets (at least by the perceptions of the consumers in Australia who seem to quite pessimistic) good financial advice can result in wealth creation. Quality financial advice costs more now, than it did a year ago and may perhaps drive these results.

### Important information

This information has been prepared as general information only and it is not intended to take the place of professional financial advice. While every care has been taken in the preparation of this information, we reserve the right to make corrections.

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# Appendix 1: Cross-sectional Demographic Details

Chart 1a: Demographic Details of Respondents in terms of their Gender and Age Groups

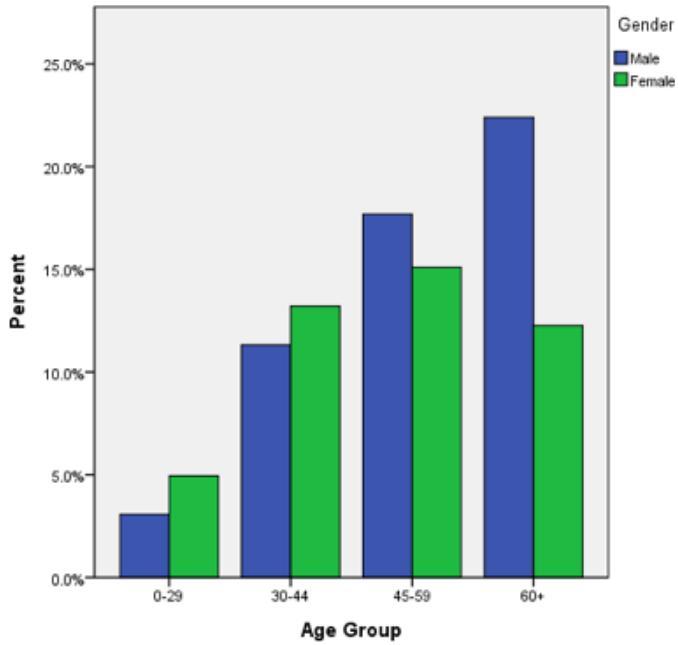
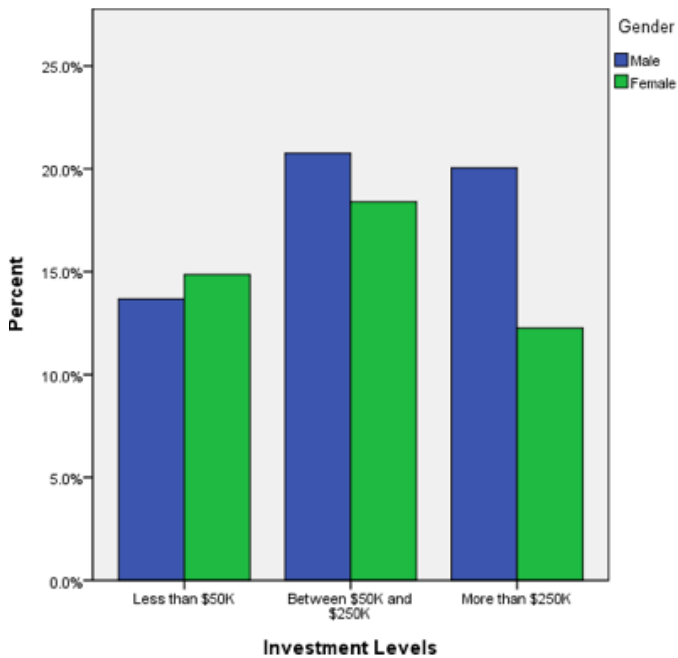


Chart 1b: Demographic Details of Respondents in terms of their Gender and Investment Levels



Appendix 1: Cross-sectional Demographic Details

Chart 1c: Demographic Details of Respondents in terms of their Age Groups and Duration of Advice, and Duration with Current Advisor

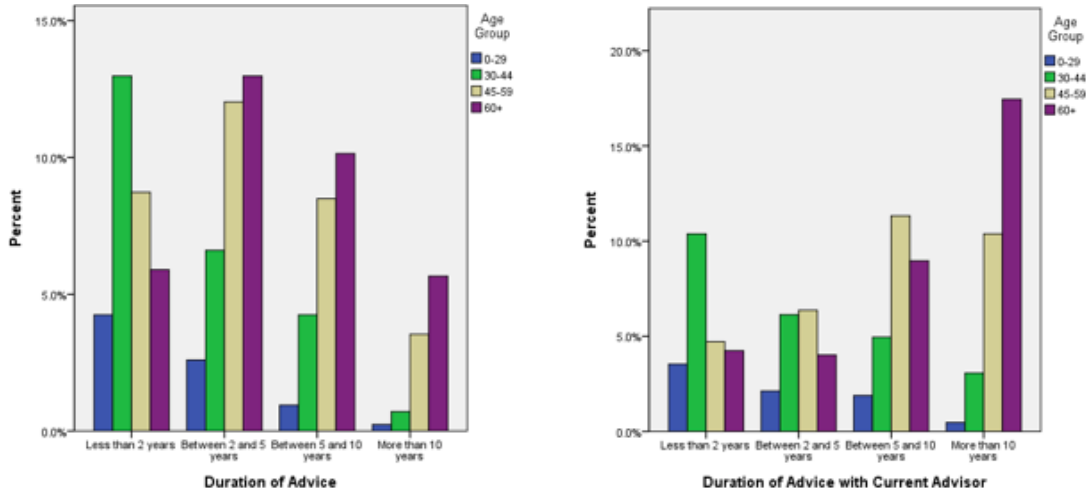


Chart 1d: Demographic Details of Respondents in terms of their Age Groups and Investment Levels

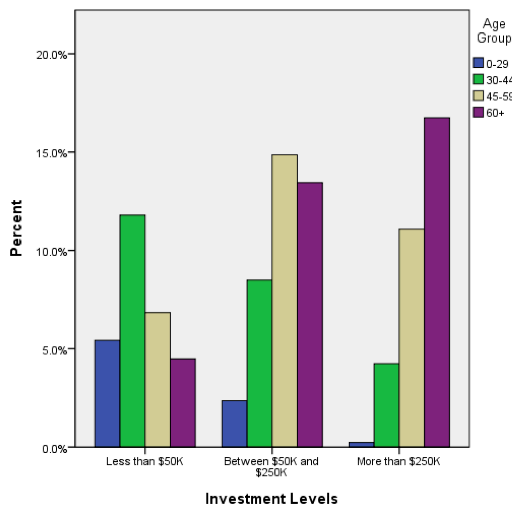


Chart 1e: Demographic Details of Respondents in terms of their Duration of Advice, and Duration of Advice with Current Advisor, and Investment Levels

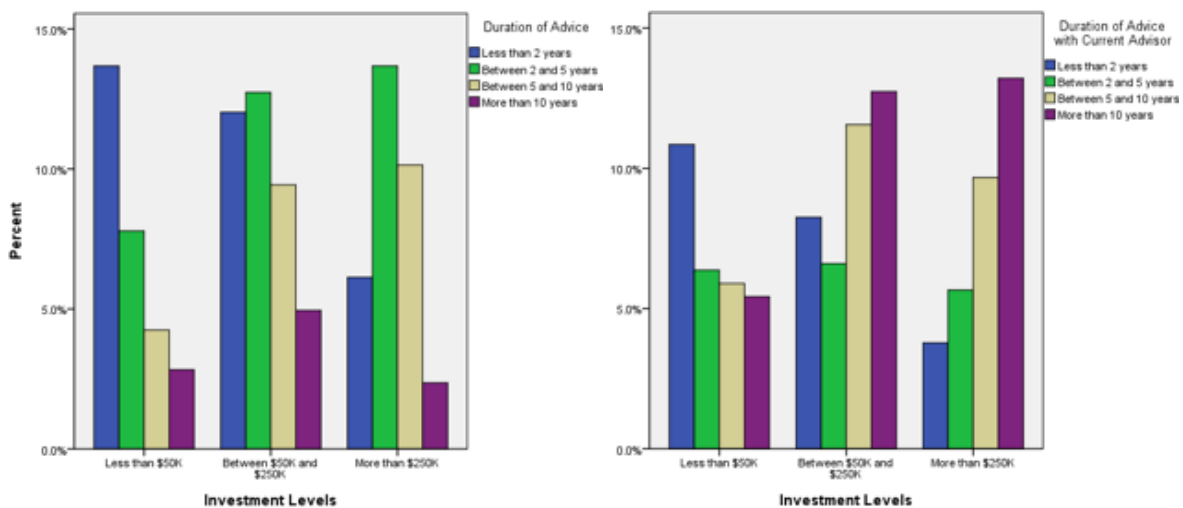


Chart 2a: Relationship between Gender and Drivers of Advocacy (October, 2010)

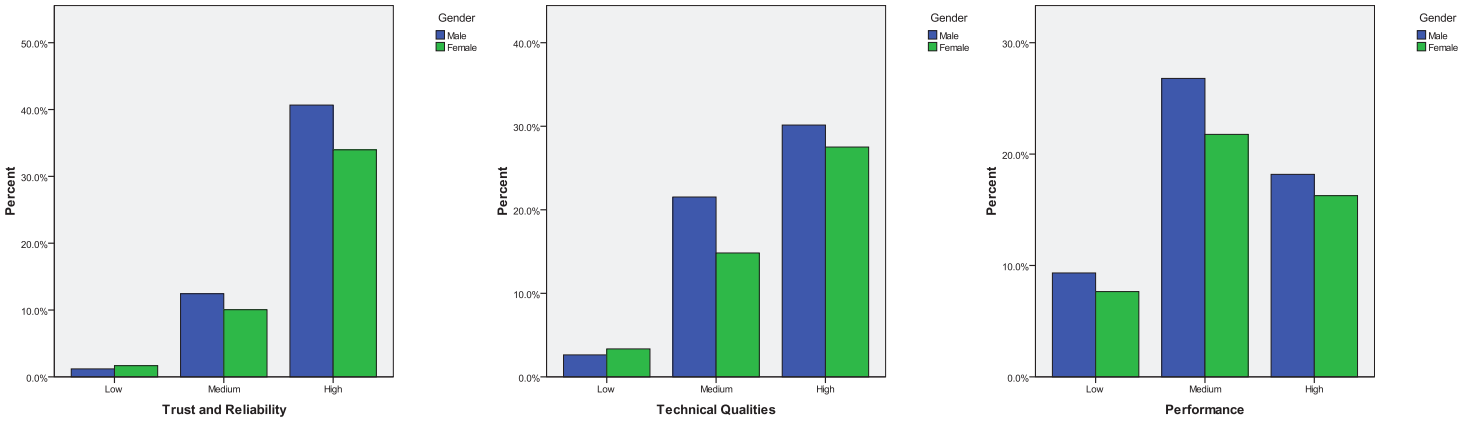


Chart 2b: Relationship between Gender and Drivers of Advocacy (April, 2011)

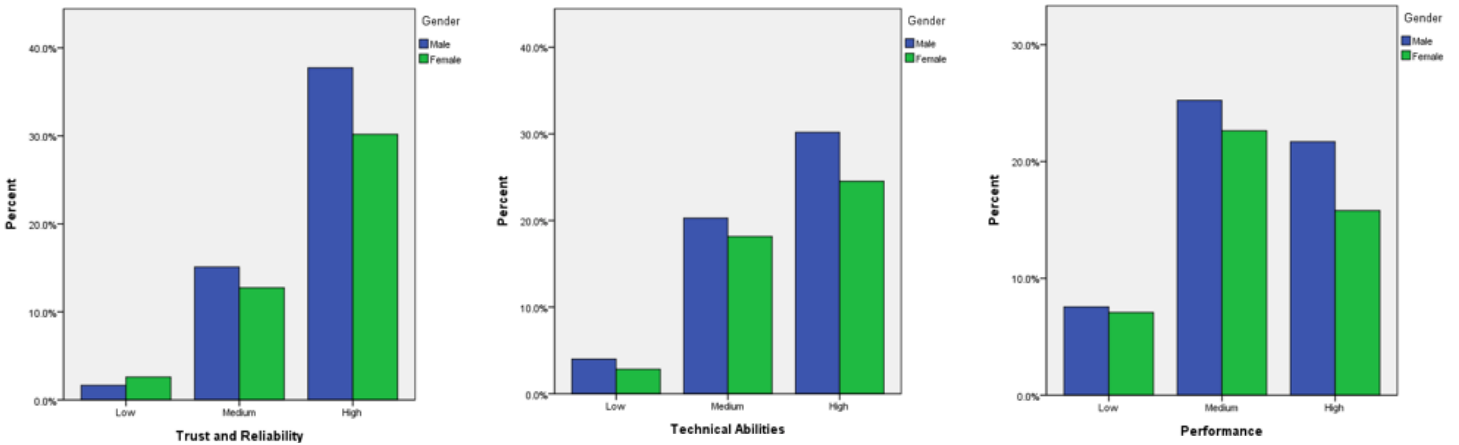


Chart 2c: Relationship between Age and Drivers of Advocacy (October, 2010)

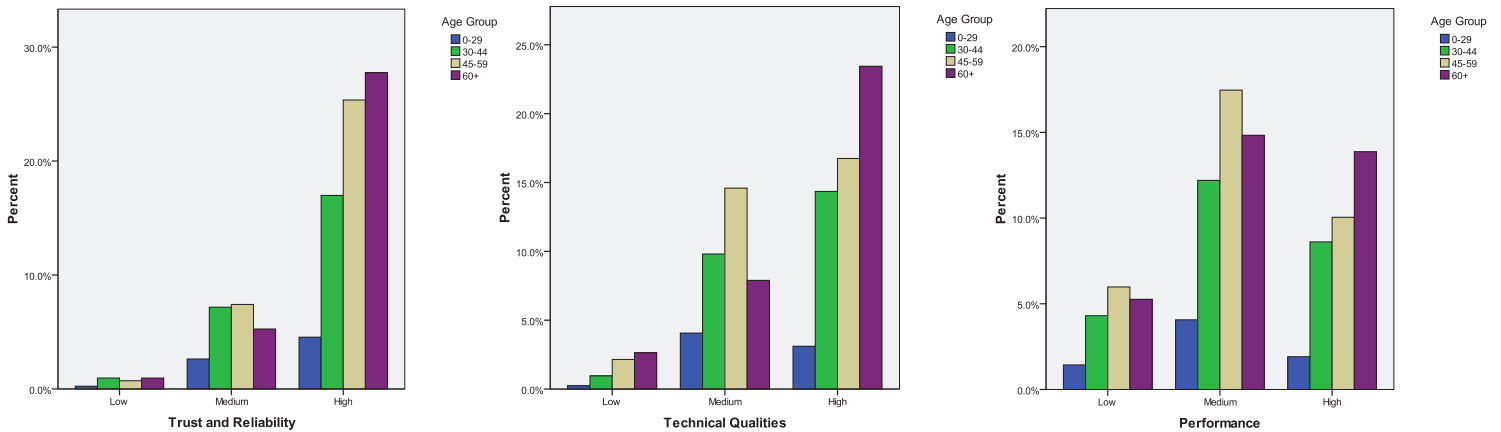


Chart 2d: Relationship between Age and Drivers of Advocacy (April, 2011)

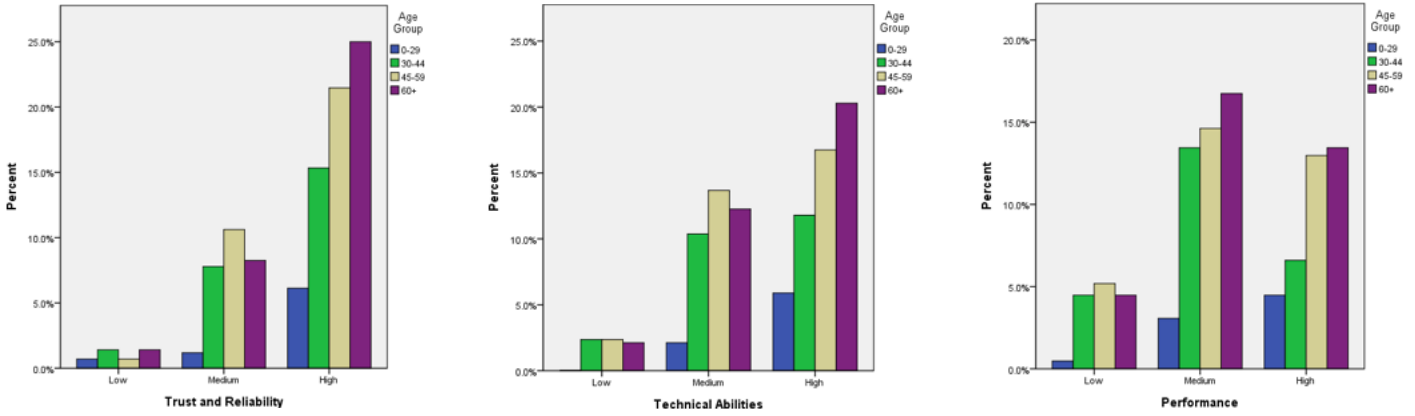


Chart 2e: Relationship between Duration of Advice and Drivers of Advocacy (October, 2010)

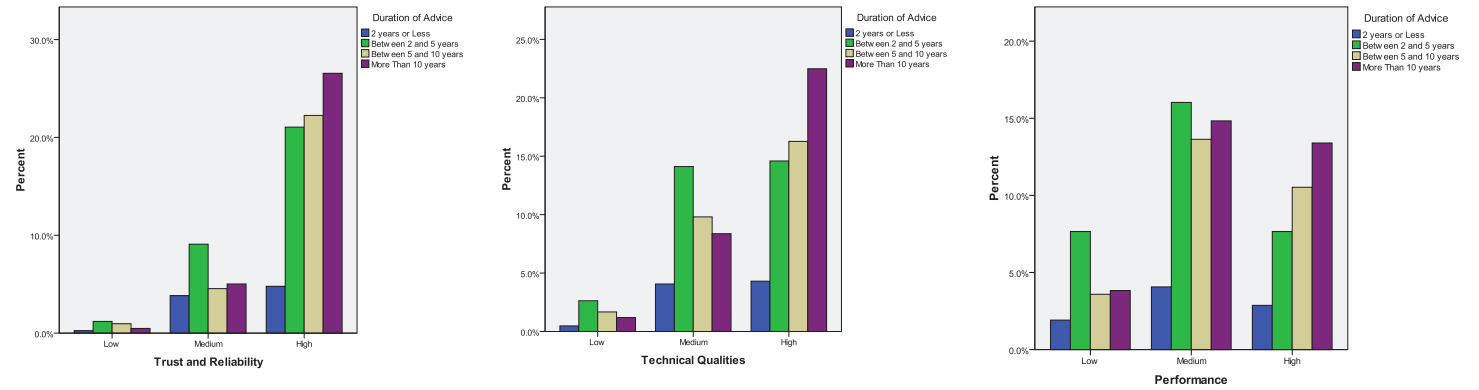


Chart 2e: Relationship between Duration of Advice and Drivers of Advocacy (April, 2011)

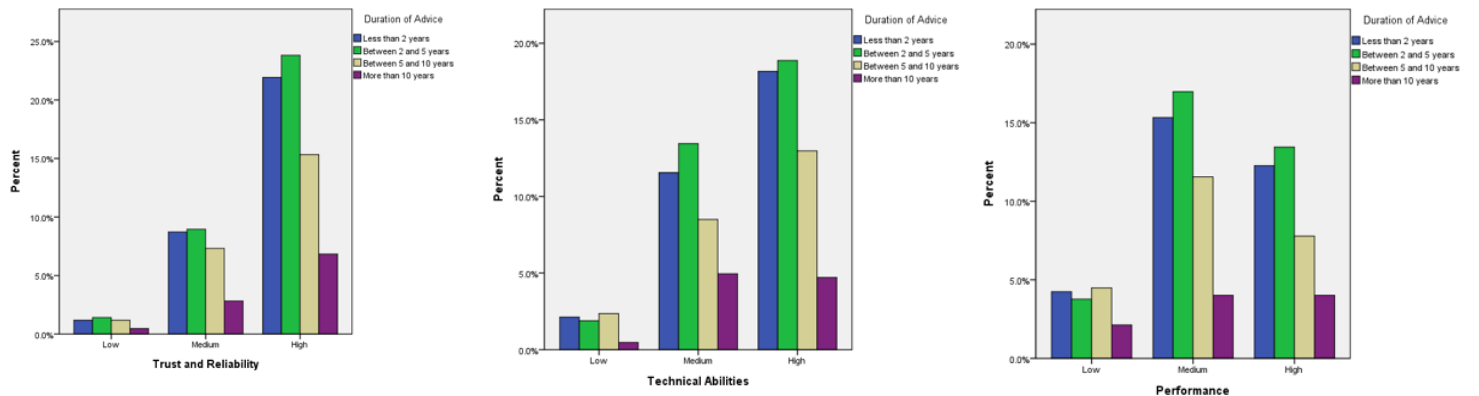


Chart 2f: Relationship between Duration of Advice with Current Advisor and Drivers of Advocacy (October, 2010)

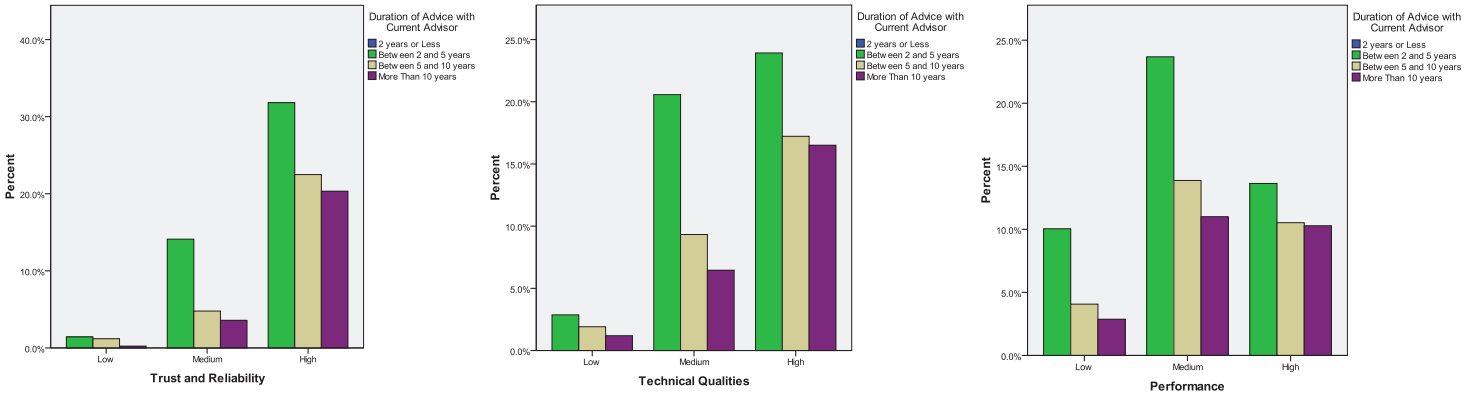


Chart 2g: Relationship between Duration of Advice with Current Advisor and Drivers of Advocacy (April, 2011)

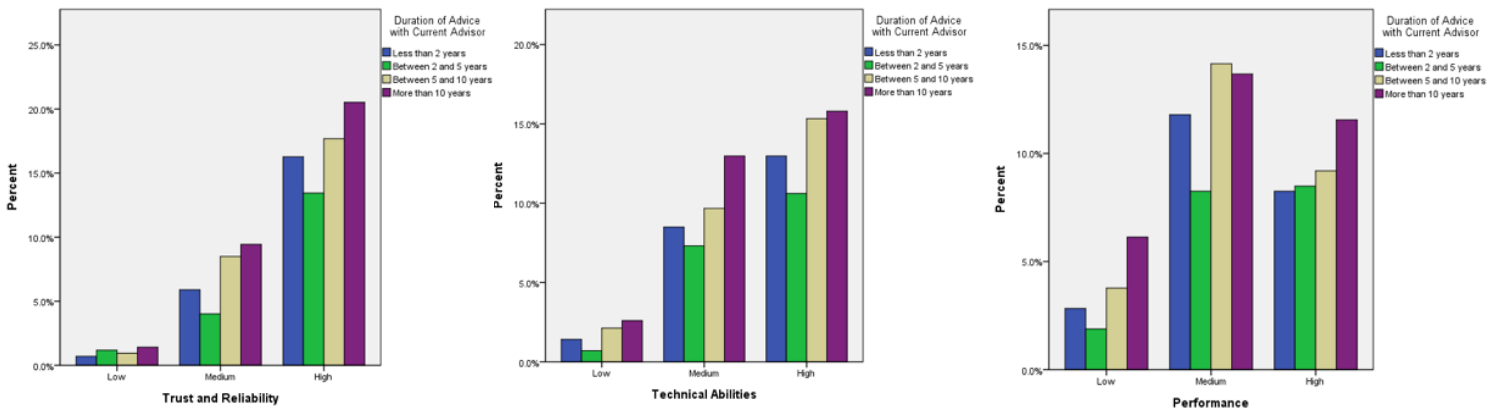


Chart 2h: Relationship between Investment Levels and Drivers of Advocacy (October, 2010)

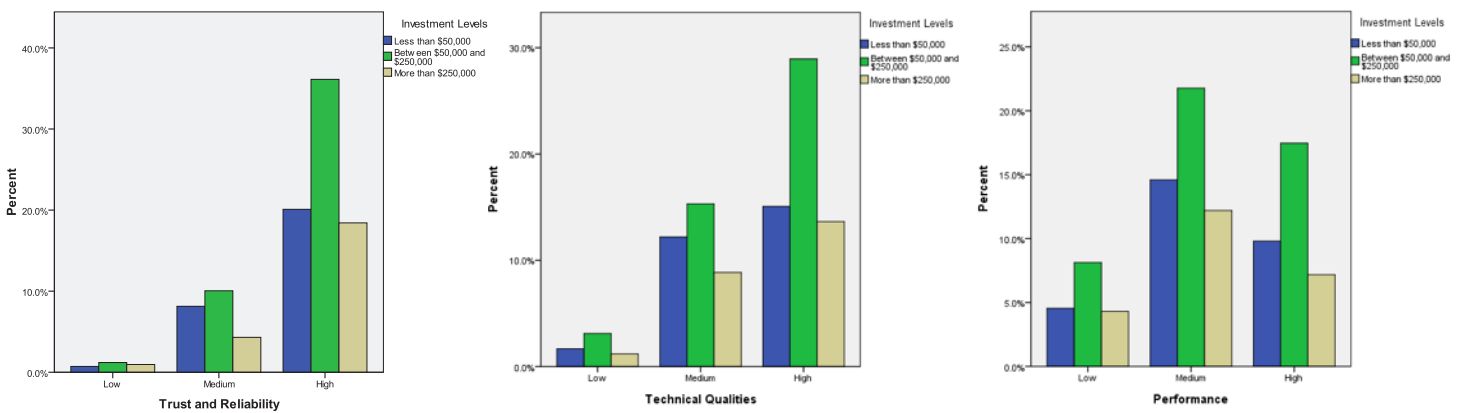


Chart 2h: Relationship between Investment Levels and Drivers of Advocacy (April, 2011)

