

Friday, 7 December 2018

## Professional financial advisors focus on top end

Only 16.8% of wealth management product holders (ie superannuation and managed funds) obtained their fund from a professional advisor, including all types of financial planners/advisors and accountants. This level varies from only 4.9% for the bottom 20% of the market (lowest value wealth management quintile) to 41.9% for the highest value segment or top quintile. The focus on the top end by advisors is to be expected as the top quintile accounts for nearly two thirds (63.4%) of the total market value of wealth management. This is in contrast to the lowest quintile which accounts for only 0.7% of market value.

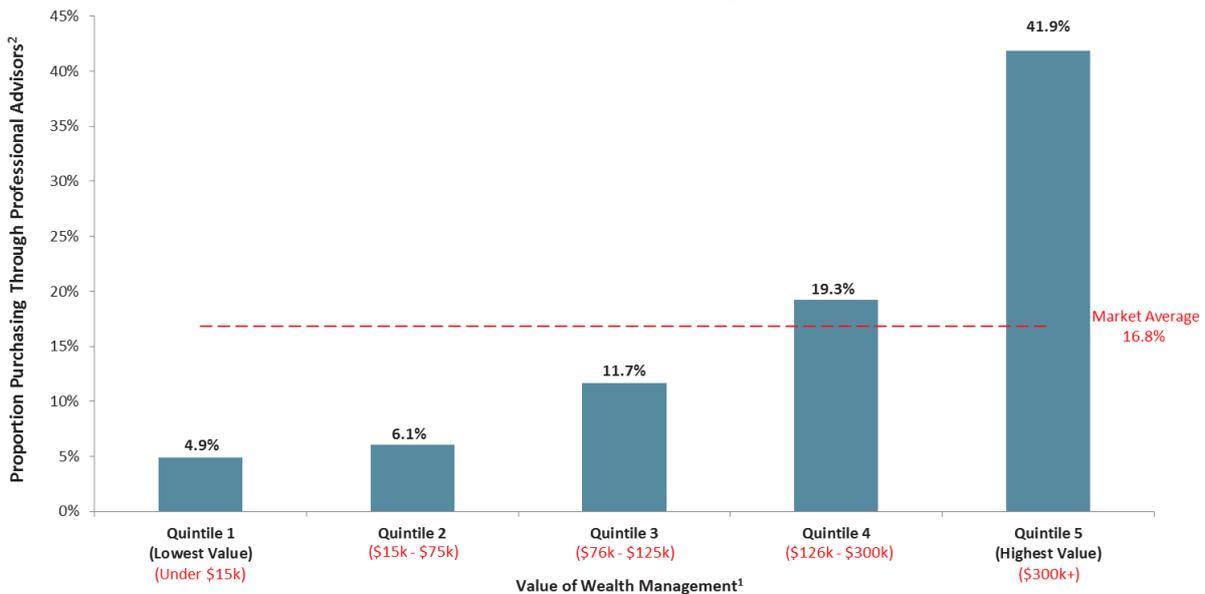
These are some of the latest findings from Roy Morgan's Single Source survey which is based on in-depth interviews conducted face-to-face with over 50,000 consumers per annum in their homes, including over 34,000 with superannuation or managed funds. These latest results are based on interviews conducted in the 12 months to October 2018.

### Lower value funds make little use of professional advisors

The following chart shows that people holding up to \$125,000 in wealth management are very unlikely to have used a professional advisor to purchase their funds. With a market average of 16.8% purchasing from a professional advisor, all three of the lowest value quintiles (60% of wealth management consumers) are below this average. Only 4.9% of the lowest value quintile used a professional advisor, followed by only 6.1% for quintile 2 and 11.7% for quintile 3.

Those in the top value quintile have over \$300,000 in wealth management funds and clearly have the highest use of professional advisors with 41.9%. The only other segment to make above average use of advisors is those with funds between \$126,000 and \$300,000 where 19.3% purchase from professionals.

### Proportion of Wealth Management<sup>1</sup> Consumers Purchasing through Professional Advisors<sup>2</sup>



Source: Roy Morgan Single Source (Australia), 12 months ended October 2018, n = 50,359.

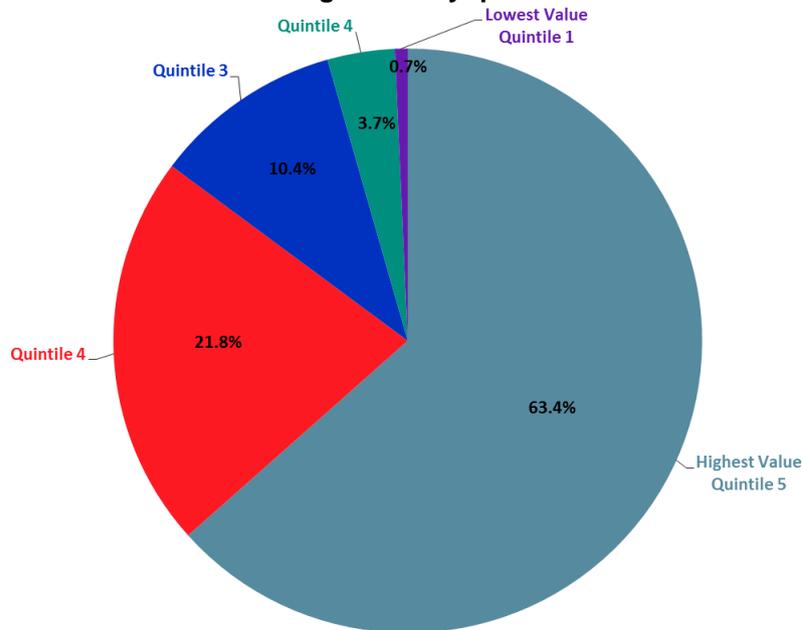
Base: Australians 14+ with superannuation and/or managed funds, n = 34,393. 1 Includes superannuation and managed funds. 2 Includes; financial planner/advisory who works for a financial institution; independent financial planner/advisor; accountant. Quintiles represent 20% of wealth managed consumers.

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## Value of wealth management funds heavily skewed to top end

It is important in this market to understand who offers the greatest potential rather than treat the market as a single group. The following chart shows that the highest value quintile accounts for 63.4% of the total market value of wealth management funds. The top two quintiles combined account for 85.2% of total funds and yet make up only 40% of consumers, making them an obvious marketing target. This leaves 60% of people accounting for only 14.8% of funds.

### Share of total market value in wealth management<sup>1</sup> by quintile



Source: Roy Morgan Single Source (Australia), 12 months ended October 2018, n = 50,359.

Base: Australians 14+ with superannuation and/or managed funds, n = 34,393. 1 Includes superannuation and managed funds. Quintiles represent 20% of wealth managed consumers.

### Norman Morris, Industry Communications Director, Roy Morgan, says:

*“This research shows that with only around one in six obtaining their wealth management products through a finance professional, there is a big opportunity to expand their use. Given the complexity of this market and rule changes, professional advice is likely to be necessary for most, particularly as balances grow. Currently it appears that only when balances approach a few hundred thousand dollars or retirement approaches that advice is sought.”*

*“The task of encouraging more people to use financial planners has potentially been made more difficult in at least the short term, as the Finance Royal Commission has highlighted a considerable number of problem areas to do with financial advice generally. The image of financial planners for ethics and honesty prior to the Royal Commission was also not strong, as evidenced in the Roy Morgan Image of Professions Survey where they ranked very low.”*

*“Another challenge for professional advisors and wealth management customers is how to provide advice profitably to low value customers and how to get them more involved in a topic of little interest to them. With the employer generally being the major channel for obtaining wealth management products, due to the dominance of superannuation, it is unlikely that they will have the resources or qualifications to provide comprehensive financial planning advice, this is the role of the professional advisor.”*

*“The data used here is only a small part of what we have regarding the wealth management market including where funds are held and details of over eighty financial planners that have been used to purchase these funds. To find out more, including long term trends and the full financial position and detailed profiling of wealth management holders, simply ask Roy Morgan.”*

To learn more about Roy Morgan’s financial advice and wealth management data, call (+61) (3) 9224 5309 or email [askroymorgan@roymorgan.com](mailto:askroymorgan@roymorgan.com).

Please click on this link to the [Roy Morgan Online Store](#).

### About Roy Morgan

Roy Morgan is the largest independent Australian research company, with offices in each state of Australia, as well as in the United States and the United Kingdom. A full service research organisation specialising in omnibus and syndicated data, Roy Morgan has over 70 years' experience in collecting objective, independent information on consumers.

### Margin of Error

The margin of error to be allowed for in any estimate depends mainly on the number of interviews on which it is based. Margin of error gives indications of the likely range within which estimates would be 95% likely to fall, expressed as the number of percentage points above or below the actual estimate. Allowance for design effects (such as stratification and weighting) should be made as appropriate.

Sample Size	Percentage Estimate			
	40%-60%	25% or 75%	10% or 90%	5% or 95%
5,000	±1.4	±1.2	±0.8	±0.6
10,000	±1.0	±0.9	±0.6	±0.4
20,000	±0.7	±0.6	±0.4	±0.3
50,000	±0.4	±0.4	±0.3	±0.2