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Planners move to risk advice

Ruth Liew

Risk advice is today high on the agenda of advisers' businesses as a new survey shows advisers earn over a quarter of their practice revenue from risk products – a 30 per cent jump from 2007.

According to the latest planner risk and risk technology report by Investment Trends, which surveyed over 1,300 advisers, nearly 26 per cent of a financial planning firm's practice revenue came from risk products such as life insurance.

Large increases were recorded by both bank-based advisers and planners who had previously earned only a small proportion of their revenue from risk products.

This in turn has prompted fewer planners to label themselves "investment specialists", as many choose to diversify their business to provide advice on both investments and risk.

"With funds under advice down and inflows stifled, risk is now a more important part of the business mix for advisers," said Mark Johnston, principal of Investment Trends.

Mark Johnston

Meanwhile, the proportion of planners providing risk advice is relatively unchanged at 84 per cent, said Johnston.

"While income from investment advice is heavily impacted by funds under advice, planners continue to write as much or more life insurance, with most maintaining or increasing premiums written independant of the volatile investment markets," he said.

But while the proportion of revenue derived from risk has risen, there is still considerable scope for further growth.

Planners advising on risk wrote an average of $68,000 in annualised premiums last year, however a sizable 44 per cent chunk of planners wrote less than $25,000.

"These figures suggest that there is still plenty of room for many advisers to develop the insurance side of their business," said Johnston. ●