- **Trends**

23 Mar

Australia's millionaires lose their appetite for growth but gain a healthy hunger for advice

From Centric Wealth - Investment Trends

Over half of Australia's 310,000 millionaires want more financial advice, and are prepared to pay for it, according to the latest Centric Wealth / Investment Trends High Net Worth Investor Report.

Survey respondents said key areas in which they needed more advice were estate planning, reviewing current investment portfolios, investment strategy, asset protection strategies, borrowing with super and investing for regular income.

The nationwide Centric Wealth / Investment Trends survey, conducted in December last year, is the largest of its kind, including almost 2,000 high net worth individuals with between $1 million and $60 million in gross investable assets (excluding primary residences and any non-self-managed-superannuation funds).

The survey revealed that high net worth investors with collective investable assets exceeding $1 trillion, spent a total of $2 billion on financial advice in 2010, including $1.1 billion on primary investment guidance.

Fifty-seven per cent of respondents indicated that they were prepared to spend more to receive additional financial advice – a five per cent increase on the previous year. For example, investors with $1-2.5 million gross investable assets spent $590 million in primary investment advice, but were collectively willing to pay $213 million more, or an additional $1,800 per person.

"The report identifies significant unmet needs in financial advice, which highlights an opportunity for the industry to step-up and fill the gap with quality advice that investors can trust and rely on," Centric Wealth Director of Portfolio Construction and Management, Brett Sanders said.

"Centric Wealth has led the way in establishing a new professional framework focusing on education, ethics, governance and advice and service quality that we believe goes a long way to addressing the areas of concern among high net worth investors in particular. We have also just unveiled a new integrated portfolio management approach that responds to the unmet needs of respondents by combining a robust investment philosophy and framework with quality advisers, expert research, investment personnel and strong supporting technology and systems."

The report, which is the most robust to date of Australia's wealthiest individuals, also found that the overall satisfaction with primary investment advice declined slightly in 2010 after improving considerably as the market rebounded in 2009. Falls in overall satisfaction for financial planners were mainly driven by lower scores for fee levels and value for money.

The survey also showed investors' level of concern with markets rose to 7.1 out of 10 in 2010 – close to the 7.8 level observed in the depths of the global financial crisis (GFC).

"The Australian equity market did not continue its rapid growth in the early parts of 2010 and recorded a sharp 10 per cent correction in May 2010. This, combined with two-third of respondents feeling the situation in some highly indebted countries may lead to a second wave of the GFC, led to a spike in investors' levels of concern," Investment Trends COO Tim Cobb said.

Investors also moderated their expectations of the Australian stock market estimating eight per cent growth in 2011, compared with the 13 per cent growth predicted for 2011 when they were surveyed in December 2009.

Mr Sanders said the investors were worried about their individual and global debt levels.

"We found fewer investors compared to the previous year were aiming to maximise capital growth, with increased investment in blue chip shares and cash products, such as term deposits," Mr Sanders said.

In December 2009, 54 per cent of investors said they were aiming to either solely maximise capital growth or achieve a balance of capital growth and manage risk. This figure dropped to 44 per cent in 2010.

"Income and protecting existing assets became more of a focus, particularly for those with lower incomes, with 54 per cent saying this was their main investment goal going forward – up from 45 per cent in 2009," Mr Sanders said.

"Our recent asset allocation and investments analysis at Centric Wealth, shows that relying solely on cash and bonds is not likely to get you ahead of inflation over the longer term. In the current market in particular that makes it especially important for investors who want to get ahead to seek good, professional advice," said Mr Sanders.

The investors' heightened levels of concern also resulted in:

- Continued deleveraging
- Limited sell-down of investment properties
- More investment in ETFs
- Increased interest in investing globally, especially in China and other emerging markets.

There was a four per cent increase in the investors who had some sort of international investment, up to 44 per cent from 40 per cent the previous year. There was also a four per cent increase up to 34 per cent in those who were interested in obtaining more global exposure.

Preferred ways of gaining exposure to international markets were:

- Actively managed international funds 34 per cent
- Selected Australian listed companies with overseas exposure 24 per cent
- Direct share investment 17 per cent
- International index funds 9 per cent
- Exchange traded funds 8 per cent.