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Adviser interest in ETFs rises

One in four advisers active on funds

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Australia's exchange traded fund (ETF) sector has seen an increase in demand from financial planners, with around one in four advisers actively advising clients on the funds.

The BetaShares/Investment Trends December 2010 ETF report found 27 per cent of participants said they are active users of the funds, a figure that represents a 12 per cent increase from two years ago.

"We're also seeing a growing level of adviser interest and support of ETFs over time," Investment Trends principal Mark Johnston said.

"Twenty seven per cent of financial planners in Australia are already using ETFs with their clients and intend to continue doing so. There are very few who have tried ETFs and planned to stop, less than 1 per cent.

"There is another 27 per cent. saying I haven't used them but I think I might over the course of 2011 and then another 9 per cent saying I will probably begin advising on ETFs but it won't be until 2012, and we've got a reducing group of 37 per cent who are not really interested in using ETFs with their clients."

Johnston said government reforms hampered the 2008 increase of 12 per cent in the ETF sector among advisers, with the report stating there was only a 2 per cent increase (25 per cent to 27 per cent) in ETFs in the last 12 months.

"Planners are just so busy having to implement changes in their business model that adopting new business products was put on hold. I suspect in the absence of all the regulatory reform we've been seeing that 27 per cent number would now be higher," he said.

The report found the types of financial planners who use ETFs with their clients are actually the higher end advisers.

These advisers tend to have higher funds under advice (FUA) and higher levels of new client money coming in relative to the advisers who are currently not advising on ETFs, he said.

The report found the average FUA of current ETF users stood at \$39 million, with a

client user's average inflows of \$5.2 million and an average client portfolio of \$160,000.

It also found ETFs were popular among investor participants due to an increased appetite for diversification and a need for a low cost investment option.

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