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Direct equities increase in importance

More advisers recommending them

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The latest Investment Trends research has shown financial planners are increasing the frequency of advice they provide to their clients about direct equities investing.

The Investment Trends 2011 Planner Direct Equities Report revealed financial advisers allocated 28 per cent of new client money towards direct investments, including 19 per cent into direct shares. The percentages are up from the year to October 2010, when advisers steered 23 per cent of new money to direct investments, including 15 per cent to direct equities.

Furthermore, 42 per cent of respondents indicated their advice to allocate funds to direct shares will continue to increase over the next three years.

"The report reveals a surge in direct equity investments driven by client demand and greater understanding of the advantages of investing directly," Investment Trends analyst Recep Peker said.

"It shows that planners increasingly cite cost-effectiveness, transparency and tax-effectiveness as key benefits of investing in direct shares," he added.

"Another advantage of recommending direct shares is that it allows planners to differentiate their client value proposition, which was seen as a benefit to recommending shares by four in 10 planners."

Planners who provide direct share advice provide it to 42 per cent of their client base and see that rising to 54 per cent by 2014.

Platforms are still the advisers' preferred avenue of access to direct share investments with 36 per cent of those surveyed favouring their use. However, the capability of some platform providers to satisfy the needs of advisers in this area remains in question.

"Over the past year, platforms improved satisfaction by fixing some of the shortcomings identified in previous surveys," Peker said.

"But new gaps are emerging as more important drivers of overall satisfaction; notably

around shares research, timeliness of data and pricing," he said.

"We are also finding that planners are increasingly open to switching platforms for direct shares in 2011."

The survey was conducted over April and May of this year and garnered the opinions of more than 900 financial planners.

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