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Mindset change needed on scaled advice

Limited advice sector viable

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Financial planners need to change their mindsets and adapt to the needs of Australian consumers if they are to capitalise on the opportunity of scaled advice, a number of advice executives have said.

AMP Financial Services financial planning, advice and services director Steve Helmich said it is up to Australia's financial advisory sector to recognise there is a need in the marketplace for scaled advice.

He said if this sector of the market is not acknowledged, then advisers risk losing a potential new client segment.

"If you are thinking about scaleable advice as just a quick way to sell a product then I think you're coming from the wrong mindset to start with and you've got to sit there and understand what the consumer's viewpoint is and where it's going to get to in this space and what they're doing," he told delegates at yesterday's Financial Services Council (FSC) 2011 conference on the Gold Coast.

"If people want simple solutions, why as a profession are we saying: 'No, you can't have it this way, you've got to have this holistic advice?'"

He said there are people who want their advice scaled, and as an industry it "can't turn our back on them".

"We will just lose them as potential clients and we will not engage them early enough in the process," he said.

"We've got to cover the full spectrum, from pro bono work, right up to high net worth, that's what professions do."

Helmich said 2010 planner research from Investment Trends found 33 per cent of people stated they want their advice 'piece-by-piece', a figure he said indicated it is time for the industry to listen to the consumer.

To explain his point further, Helmich released indicative figures from AMP's own scaleable advice modelling that suggested the cost of budget and cashflows would be \$150, the cost of simple single piece of advice would be from \$440 and more complex advice from \$660.

MLC general manager of advice solutions Greg Miller said customers were seeking greater control and changing their behaviour was important.

"We clearly have to adapt to new frameworks - we're going to have to work in different ways, with different sorts of advice, with different sorts of education, not with as many ongoing relationships we did then," he said.

"In our organisation we talked a lot about how do we move that 20 per cent of Australians seeking advice to 25 per cent to 30 per cent to 50 per cent. In essence, actually a lot of Australians want to seek advice they just don't to seek it in the way we've been providing it."

Miller said there was a growth in the number of advisers giving "scaled, limited, scoped" advice, however, the varying terms to describe the advice is an issue.

Former FPA chief executive Jo-anne Bloch also took issue with the term stating: "I think scaled advice is a problem - the name."

"I think it's a fantastic paper [ASIC's paper on scaled advice] and I fully endorse most of it but I think you need to think of another name for scaled advice."

In response to the comments on scaled advice, an ASIC representative said the regulator was indeed listening to all feedback on the matter and encouraged industry feedback.

Video interviews with a range of FSC 2011 Annual Conference speakers are being produced throughout the event by the team from InvestorDaily. To view this video content please go to www.InvestorDaily.com.au and visit the Latest Videos section on the home page.

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