

The Australian

More advisers turn to ETFs

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A series of surveys by specialist investment researcher Investment Trends this year and late last year confirms that more financial planners are attracted to the diversification and low-cost features of Exchange Traded Funds (ETFs).

Given the sharemarket upheaval this month, the benefits of diversification and low investment costs are being highlighted once again.

The Investment Trends Planner Direct Equities Report, published earlier this year, shows that financial planners surveyed expect to direct 7 per cent of new investments on behalf of their clients into ETFs by 2014. (More than 900 advisers participated in this survey.)

Financial planners surveyed placed about 3 per cent of new investments in ETFs – up from 2 per cent in October last year.

While these percentages indicate that the use of ETFs by financial planners is relatively small at this point, adviser interest in the products is definitely growing.

Another Investment Trends Survey, the Adviser Product Needs Report, published in December last year, found that 85 per cent of advisers surveyed in 2010 named low cost as a “perceived benefit” of ETFs, while 63 per cent cite diversification. (Almost 800 advisers were surveyed.)

And Investment Trend’s Planner Business Model Report, published in October last year, found that 21 per cent of financial planners surveyed intend to use lower-cost investment options because of the Future of Financial Advice reforms. (Almost 1700 advisers were surveyed.)

Following the recent losses and high volatility on equity markets this month, many investors will consider rebalancing their portfolios in line with their long-term or strategic asset allocations. And ETFs are being increasingly used to efficiently and rapidly rebalance portfolios.

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