# Editorial (28-Oct-2004): Planners should call their own tune

*George Liondis*

If mud sticks, it can be very difficult to clean up.

When the Australian Consumers' Association (ACA) and the Australian Securities and Investments Commission (ASIC) published their damning report into the financial planning industry two years ago, few realised we would still be talking about it. The mud certainly stuck.

In recent weeks, the industry has made somewhat of a breakthrough in its bid to deflate some of the criticism that has plagued it since the report was released.

A new survey – based on the responses of 576 financial planning clients and compiled jointly by Credit Suisse and InvestmentTrends – found most clients thought their financial planners were either good or very good. It also found most were not concerned about how their advisers were remunerated, as long as they received good advice.

The findings were in stark contrast to the ACA/ASIC report, which not only found most clients were much less impressed with their advisers, but also questioned the integrity of commission-based advice.

Since the release of the latest survey, some in the financial planning industry have been prepared to remark that the slate for advisers has finally been wiped clean.

Despite the positive nature of the new survey findings, nothing could be further from the truth.

It is not that the Credit Suisse/InvestmentTrends survey is any less credible than the ACA/ASIC one; like most surveys, they both incorporate a degree of 'who pays the piper, calls the tune'.

The difference is public recognition. While the ACA/ASIC survey was covered extensively in the wider press, the Credit Suisse/InvestmentTrends only seems to have got a run in the specialist press for financial planners.

In other words, the new survey will do much to lift morale in the financial planning industry itself, but will not, on its own, reverse the negative sentiment about advisers that still exists for some consumers.

To do that, the financial planning industry will have to mount a concerted and united push to publicise its positive attributes over a long time frame, while at the same time forging ahead with reforms to areas such as soft dollar remuneration and conflicts of interest.

The new survey is a start, but the mud is thicker than that.

*15 November 2004*

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# Fee-for-service furphy

*Rebecca Evans*

The fee-for-service versus commissions debate has been turned on its head by new survey findings that show the majority of financial planning clients are unconcerned about how advisers charge for services.



The findings, based on the responses of 576 clients of seven financial planning businesses, have prompted some dealer group heads to question the ongoing push for advisers to give up commissions in favour of fee-for-service.

The survey also found three-quarters of financial planning clients do not see a need for additional regulation, and while a surprising number (43 per cent) actually read Statements of Advice (SOA), only 11 per cent think increased paperwork is adding any value.

The survey, compiled jointly by Credit Suisse Asset Management and research house Investment Trends, involved clients from some of the country's leading dealer groups, including Count, Securitor, Professional Investment Services (PIS), Godfrey Pembroke, Lonsdale and Money Managers.

It found 12 per cent of clients currently pay fee-for-service, but only a slightly bigger number – 15 per cent – would choose fee-for-service if they were given the option, casting doubt over the widely held belief that clients naturally prefer up-front fees.

At 36 per cent, the most common way clients paid planners was a yearly fee based on percentage of funds under advice.

When asked how they would prefer to pay for financial advice, the biggest response (28 per cent) was, 'I don't care as long as I receive value'.

Asked to name the single most important criteria for selecting a planner, only 1 per cent nominated pricing of services, and 3 per cent said qualifications of planners.

PIS general manager Grahame Evans says as long as clients are getting value for money they don't care how they pay for advice.

"The furphy is the fees versus commissions argument... this was across dealer groups; all with completely different business models", Evans says.

Count Financial chief operating officer Marianne Perkovic says the survey shows "clients aren't price sensitive".

The survey found 88 per cent of clients rated their planner as "good" or "very good". Only 2 per cent of clients rated their planner as "poor".

The findings are in stark contrast to the damning shadow shopper report released in February 2003 by the Australian Consumers' Association (ACA) and the Australian Securities and Investments Commission, which condemned the quality of advice and was highly critical of commission based planners.

Credit Suisse Asset Management head of retail business Chris Larsen says "the ACA report painted planners in a pretty terrible light, and using a criteria that clients really don't dwell on".

*29 November 2004*

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