

Financial advice proven to be worthwhile Research shows consumers wealthier, happier

By Darin Tyson-ChanThu 15 Jul 2010



The benefits of receiving financial advice have been quantified by newly released AFA research.

New research conducted by CoreData-brandmanagement on behalf of the Association of Financial Advisers (AFA) has shown individuals who are using the services of a financial planner are gaining from the experience, both from a wealth management perspective and an emotional one.

"The proposition simply is - which is counter to the strawpole view of what's happening in the broader marketplace - that advice works. Consumers that have advisers are better off," AFA chief executive Richard Klipin said.

"They're better off financially, they're better off psychologically, they're happier with their part in life, and they have in a sense a coach and a guide that helps them on their way, particularly through the big decisions in life," he said.

However, even though this is the experience of individuals among the Australian public, Klipin said the advice community still has a lot of work to do in communicating these outcomes. "What the industry needs to get across is to be really clear about this value proposition and the benefits that are delivered to consumers, because that is not well understood," Klipin said.

He nominated three main capability components of an adviser that the planning community needed to focus on. The first of these is strategic advice, that is, where the client is heading in life. The next is tactical advice, involving decisions about where to invest, and the final component is implementation or the coaching of a client.

According to Klipin, the global financial crisis and the various industry reviews that have just been completed have tipped the conventional advice environment on its head. As such, the challenge now facing the AFA and the advice community is to have the ability to effectively communicate the value financial planners deliver to consumers and how they charge for that value.

"That's because consumers, with the plethora of data available, can second guess or make their own decisions or say 'I don't reckon I've got the value I thought I was going to get'," Klipin said.