

# What are Australians thinking when it comes to financial advice?

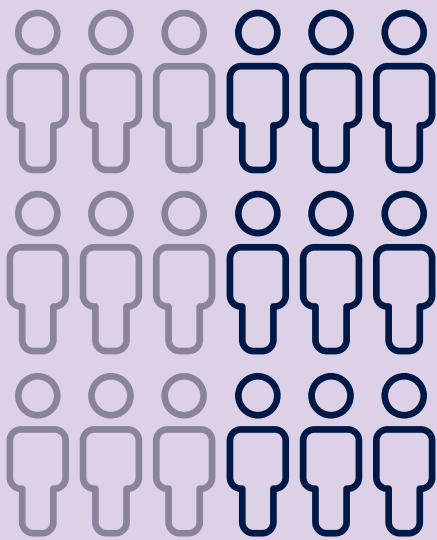
## **Needs, barriers, triggers. What Australians want and the best ways to reach them.**

Every two years AMP surveys Australia's working population to understand their **financial wellness**. This year's research yielded fascinating data about their financial situation, how they perceive their need for advice and where they look for help. We've harnessed those insights into key themes – themes that will help you find, engage and advise clients more effectively and profitably.



## Workers under pressure

Since 2020, workers' financial stress levels have increased dramatically. People are struggling to pay the monthly bills and feel guilty because they're not where they feel they should be financially. Just as importantly, they're anxious about higher interest rates, inflation and more volatile markets.



# 50%

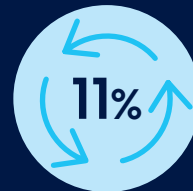
of workers believe their friends and family will be significantly affected by tougher economic conditions over the next two years.

## Retirement dreams and retirement reality

Higher inflation and soaring interest rates mean retirement dreams are under threat.



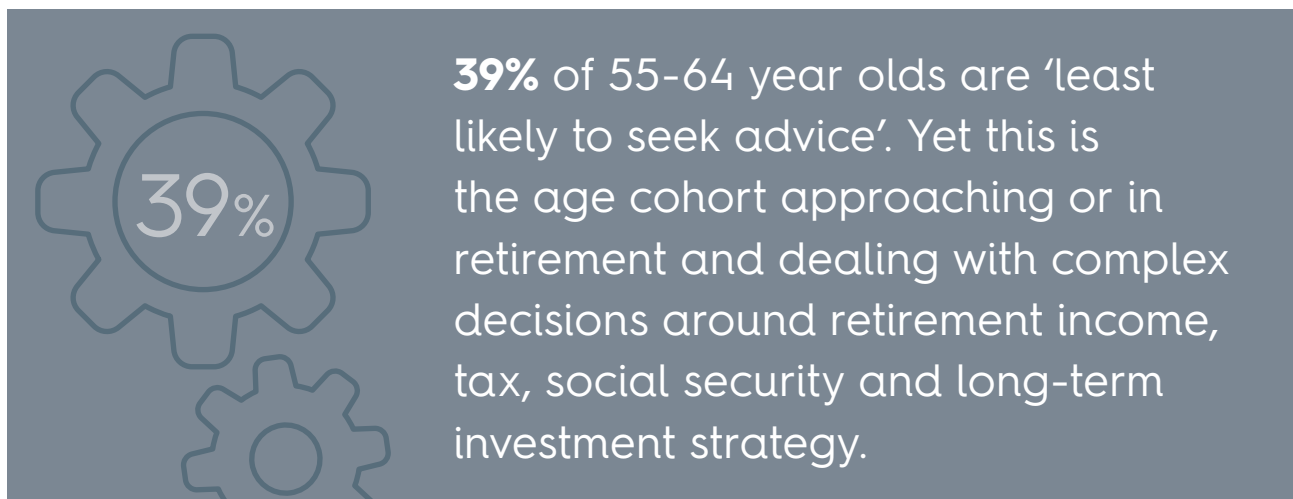
**63%** of workers now think they won't have enough to retire on.



The number of people who think they'll have to delay their retirement has risen by **11%** over the past two years – from 39% to 50%.

## Who's looking for help?

Our survey of a representative sample of Australian employees has some surprising results when it comes to who's actively looking for advice.



Research from our partner, **The Behavioural Architects** suggests three behavioural principles advisers need to keep in mind when working with the 55-64 year-old demographic – and indeed most demographics.

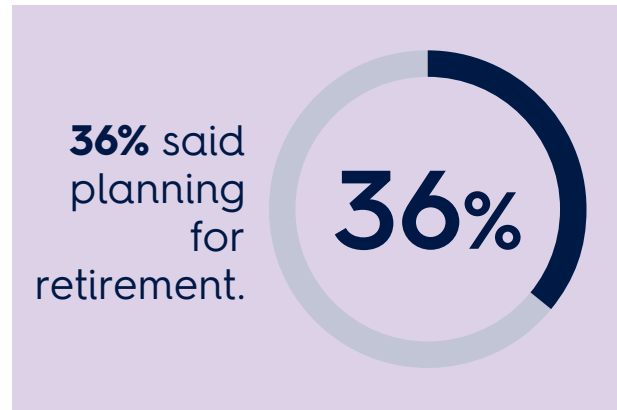
Humans are typically overconfident about their own abilities – including their skills in managing their finances. They seek reciprocity. And they look for cognitive ease. In short, advisers need to

demonstrate how their advice adds more value than their clients' own instinctual, over-confident approaches. Testimonials can be a powerful tool here.

Advisers also need to demonstrate practical value, particularly in cashflow management. And they need to illustrate how advice makes life easier for their clients, reducing the mental effort expended on their finances. (For more on this, see **Barriers and Triggers** on the following page).

## Who do they turn to?

Australian workers seek their financial information from a variety of sources and the preferred source depends on their needs. We asked them “What are the main reasons you seek financial advice?”.



Australian workers turn to friends and family and their super fund (respectively) for help with these two goals. Perhaps surprisingly, it's only when they want advice on managing investments that they turn instinctively to a financial adviser (30%). The opportunity for advisers is to reposition themselves into the big need areas of saving and retirement with ideas and insights that relate to workers' key concerns – especially in a tougher economic environment.



# Barriers and Triggers

There's a massive intention/action gap when it comes to financial advice. Nearly 50% of workers say they're likely to seek professional advice in the next 12 months. But less than 20% will do so. To close this gap advisers need to look at triggers and barriers.

41%



41% say cost is a barrier to using financial advice.

Vs

26%



26% say financial advice will save them money.

26%



26% say financial advice will save them time.

26%



26% say financial advice will save them tax.

Cost is both a trigger, Australians want advice to save them money, and a barrier, Australians don't want to pay for the advice that will save them money. To get more Australians coming through the door, advisers need to emphasise the saving in money, time and stress they deliver in exchange for their fee.

# Cohorts of interest

AMP's financial wellness research canvassed over 2,000 Australians and this database was post-weighted based on ABS statistics: gender, age, location, working status, and industry to ensure it was representative. Drawing on this research and with the help of *The Behavioural Architects* we identified seven psychographic cohorts. From those seven, we have selected three cohorts of particular interest to financial advisers. In the following analysis we very briefly explore their attitudinal and behavioural markers, their needs and concerns and the information and services they are looking for.

## Knowledgeable Investor



8% of the working population

Household income: \$150-220k/76% Male



20% have investment property debt

53% make additional super contributions

### The Psychology

The strength of this cohort is their financial focus. Their weakness is that financial issues cause them significant stress, distract them at work and eat away at their time with family.

### How to reach them

This cohort responds to authority and credibility. Advisers need to demonstrate the breadth of the services and the rigour of their research. These clients will enjoy – and value – a genuine dialogue.

## Financially Savvy



15% of the working population

Household income: \$100-150k/43% Male



57% have a mortgage

### The Psychology

This is a cohort in the sweet spot for financial advice because they're disciplined and focused on the future. They'll gravitate to advisers who can show them new and better ways of saving for retirement, buying a home and generally improving their finances.

### How to reach them

This cohort is highly trusting of information sources like the financial press and their super fund. Advisers need to add themselves to this list of sources. Digital marketing – including SEO and targeted thought leadership content – can help advisers get noticed when the Financially Savvy go looking for new ideas.

## Financially Confident



9% of the working population

Household income: \$100-150k/49% Female



31% have a high interest account

19% a term deposit

### The Psychology

The Financially Confident believe they are 'doing the right thing' when it comes to money. They have a budget, contribute extra to super and pay down debt. Their weakness is loss aversion and a narrow world-view when it comes to money. They are highly unlikely to seek financial advice and their conservatism means they could be forgoing significantly higher returns and probably paying more tax than they should.

### How to reach them

This cohort will respond to advice services that make their financial life easier but promotions to this cohort need to emphasise how advisers can help them make their own – but better – decisions. Advising this cohort successfully needs patience – advisers may need to work incrementally to move them up the risk curve.

### A cohort communication approach?

One of the key lessons of our cohort research was not that different clients have different financial needs – that has always been obvious. Our cohort research was most valuable in identifying how to reach different client cohorts. To understand the messages that will have most resonance with each group, how they like to learn about financial issues and how advisers can position their services to attract new clients.

Similarly, an understanding of the various behavioural biases at play in each cohort can help advisers not just communicate more effectively, but tailor their services to meet the clients real underlying needs – not just the ones they express.





## Want more information?

**This paper is based on research into the financial wellness of the Australian working population (and retirees). It assesses some of the implications changing financial wellness amongst Australians has on advisers as they market their services and work with clients.**

**We have a wide range of additional client and adviser insights on the North website. Including a client friendly guide to the seven psychographic cohorts and an examination of how financial stress is affecting workers' decision-making and productivity.**

### **About North**

North is a platform that helps advisers and their clients manage investment, super and pension assets. It offers a wide range of investment options including managed funds, managed portfolios, Australian listed securities, cash, fixed income and term deposits. That range also means clients can choose from over 100 leading fund managers. North allows investors to build sophisticated and widely-diversified portfolios whilst reducing the cost and administration burden. As at 09/2022, North had over \$51.63 billion in Assets Under Management.

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