



Creating financial independence since 1846

# IOOF **White Paper**

December 2015

## The true value of advice

It's true... and not just anecdotally so. For years we have all supported the premise that there are key emotional benefits afforded to those who receive professional ongoing financial planning advice, compared to those who don't. Today we have the tangible and quantifiable evidence to support the fact that our industry succeeds in delivering positive emotional benefits over and above a holistic and successful financial plan.

In collaboration



For financial adviser use only

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# About the contributors



## Dean Lombardo

### Director

Dean Lombardo has experienced the financial planning industry from just about every angle, as a business owner, corporate executive, author and financial planner.

Awarded the 2012 AFA National Excellence Award, Dean is recognized as an expert in client engagement who brings a unique knowledge of adult learning theory to deliver better client and business outcomes. Today Dean is the founder of 'effortless engagement', a highly specialised consulting business delivering Progress Based Financial Planning (Benchmarking) principles to business owners, advisers and executives, locally and abroad.

IOOF has engaged Dean to undertake research on the true value of advice.



## Renato Mota

### General Manager, Distribution

Renato Mota has been with IOOF for over ten years and has held the roles of Head of Strategy, General Manager Investor Solutions and currently General Manager Distribution. In this role Renato has responsibility for sales, marketing and product for the breadth of IOOF's offering, accounting for in excess of \$30bn across retail and corporate superannuation, platforms and investments.

Prior to 2003 Renato worked in financial services for NM Rothschild & Sons, National Australia Bank and ANZ Banking Group with a particular focus on corporate strategy and mergers & acquisitions.

Renato has a Bachelor of Business (EcoFin), a Bachelor of Commerce (Hons) and is a CFA Charterholder.




# Methodology

In approaching this topic, IOOF Investment Management Limited, in consultation with 'effortless engagement', undertook research involving both consumers engaged in ongoing financial advice relationships as well as consumers who do not receive professional ongoing advice. A total of 521 participants contributed to the study across a range of demographics, ensuring a diverse range of opinions based on different experiences and expectations.

Consumers were identified as having ongoing financial advice relationships if they had formal advice meetings with their financial planner at least annually and paid ongoing fees to him/her for the provision of that ongoing advice.

Throughout this paper, reference is made to the 2014 IOOF White Paper – The expectations of advice, where a total of 58 practices encompassing 192 advisers were surveyed. To gain the client expectation data, a total of 312 existing ongoing financial planning clients were surveyed.



A high-angle photograph of two people snorkeling in clear, turquoise water. They are wearing snorkels and fins, and are positioned near a rocky shoreline on the left. The water is very clear, showing the seabed and some underwater vegetation. The overall scene is peaceful and scenic.

Those who receive ongoing financial advice are 22 per cent more likely to feel as though they are living their ideal life.



## Executive summary

Traditional measures of financial planning success have often focused on tangible aspects such as the achievement of financial goals and objectives, the ability to retire at a given point in time, relative investment performance and fee/cost savings to name a few. But is this the true value of advice?

The question of money and happiness has long been debated. Money in itself of course does not buy happiness, yet our financial decisions do indeed impact on our ability to live our desired life. It is here that we as a financial planning industry can positively affect not only the financial decisions and tangible outcomes for clients, but also the intangible aspects. Our research uncovered significant emotional benefits experienced by clients who receive professional ongoing financial planning advice compared to those consumers who do not. These included having:

- **13 per cent greater levels of overall personal happiness**
- **21 per cent more peace of mind with regards to their financial future**
- **20 per cent increased feelings of security regarding their day to day finances.**

Perhaps even more importantly, we found that clients who receive professional ongoing financial planning advice experience additional positive social and personal benefits, compared to individuals who don't. We found that ongoing financial planning clients are:

- **19 per cent less likely to have arguments with loved ones about money**
- **21 per cent less likely to have their personal relationships impacted due to concerns about money.**

We also discovered that consumers who don't receive professional ongoing advice are 22 per cent more likely to have their sleep disrupted due to concerns about money.

Knowing what's valuable about your advice has never been more important. Whilst most advisers are comfortable with explaining the value in financial advice from a monetary perspective, our evidence concludes that financial advisers also deliver positive emotional benefits that reach beyond the provision of a successful financial plan. One of the most compelling statistics to emerge from the research is that those who receive ongoing financial advice are 22 per cent more likely to feel as though they are living their ideal life. Not only is this what we are all aiming to achieve as individuals but you, in your role as a financial adviser, are truly contributing to the overall wellbeing of your clients.

**Now that's something our industry should be proud of.**

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## The impact of financial planning on emotional and physical wellbeing

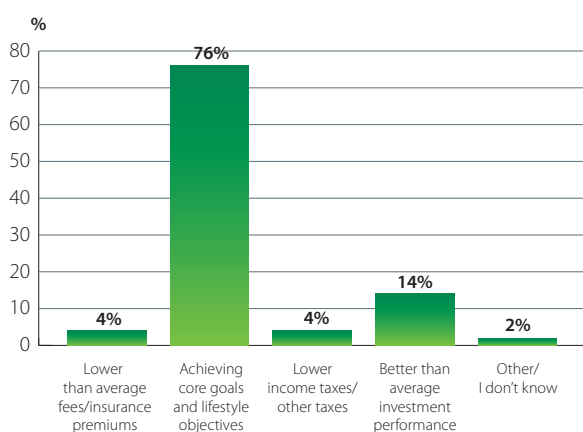
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# Financial planning and happiness

## Traditional measures of financial planning success

Financial planning success has traditionally been regarded as the ability to achieve those tangible goals associated with money and planning. This may include the ability to retire at a particular point of time and sustain a certain level of income, repayment of debt along with the funding of any number of capital expenses such as travel, education and car upgrades. The IOOF White Paper, 2014 'The expectations of advice', supported this premise and found that clients overwhelmingly agreed that a successful ongoing financial planning experience is ultimately measured by their ability to achieve what's most important to them – their core lifestyle goals and objectives. These are defined differently for different clients.

### What defines a successful financial planning relationship?



Source: 2014 IOOF White Paper – The expectation of advice

This paper seeks to discover if the true value of advice extends beyond traditional tangible measures. Does an ongoing advice relationship, when successful, deliver not only tangible outcomes, but intangible and emotional benefits? Do ongoing financial planning clients really live happier lives through lower levels of financial concern?

# Measuring the intangible

The question of money and happiness has long been debated. Many researchers who have explored this question have often approached the subject by considering that the way we spend our money may impact on our level of happiness. Dunn & Norton, for example, illustrate how spending money on others rather than yourself can lead to greater personal happiness.<sup>1</sup> Others have considered whether different financial metrics may impact on happiness, including income and asset levels.

But what about financial planning? As an industry which specialises in helping people with money and financial decisions, do ongoing financial planning clients experience greater levels of happiness and confidence than those consumers who don't? The answer is yes.

Our research uncovered that ongoing financial planning clients experience **13 per cent greater levels of overall personal happiness**, as compared to those who don't receive professional ongoing advice. This is not to say that those who don't receive professional advice are unhappy, rather that through ongoing advice relationships we see increased levels of overall happiness. Happiness levels are impacted by many varied and different components.

Financial planners have often promoted 'peace of mind' as being an intangible and intrinsic measure of the value of ongoing advice. Our research supports this, as ongoing financial planning clients enjoyed a **21 per cent overall increase in peace of mind**, compared to those who don't receive ongoing professional advice. We also found that clients engaged in a financial planning relationship experience a **17 per cent increased level in confidence** that core goals and objectives will be achieved and a **20 per cent increased feeling of financial security**.

Advice businesses now have the tangible evidence that they contribute to their clients' personal happiness in addition to helping them achieve their financial goals.

Clients who receive ongoing financial planning advice experience:

**13%** greater levels of overall personal happiness.

**21%** overall increase in peace of mind.

**17%** increased level in confidence that their core goals will be achieved.

**20%** increased feeling of financial security.



## Financial planning and health

Most Australians don't think twice about seeing a doctor about their physical health. Unfortunately however, the same can't be said about financial health despite the fact that poor financial health can negatively impact physical health.

Headaches, migraines, muscle tension, depression and digestive problems have all been linked to financial stress. The pressures associated with money can also lead to sleep problems which bring with it significant health and social implications. Debt charity StepChange estimate that one in seven adults can't sleep because of financial difficulties and debt. The problems that can develop from this include a reduction in levels of concentration, a reduction in focus at work and a potential impact on relationships with family and friends<sup>2</sup>.

We found that consumers who don't receive professional ongoing advice are more likely to experience concerns and stress around money matters including being:

- **11 per cent more likely to feel concerned about their finances.**
- **15 per cent more likely to feel stress and anxiety associated with financial pressures.**
- **22 per cent more likely to have their sleep disrupted due to money concerns.**

We also found that those who don't receive professional ongoing advice are **17 per cent more likely to feel that money issues and concerns may have contributed to their health issues.**

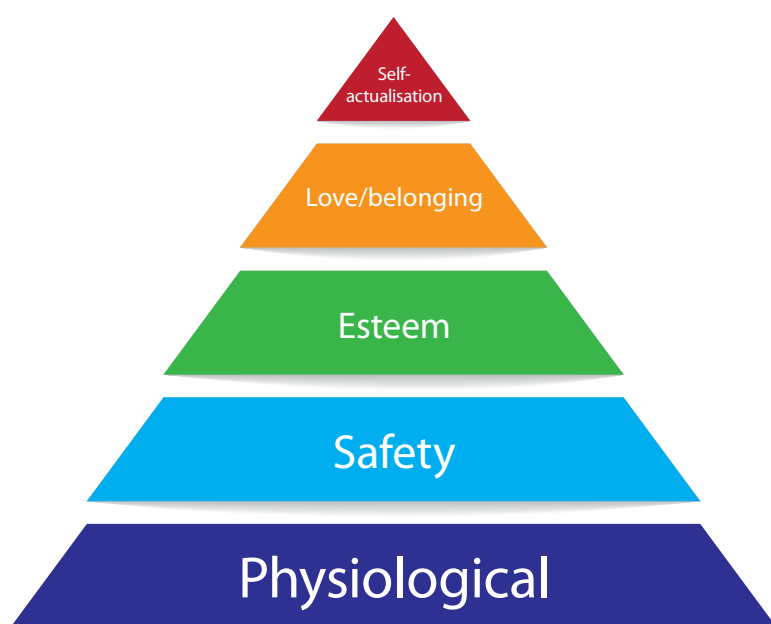
These results are significant, not only at an individual level, but in terms of how they impact on the lives of others including family, friends and colleagues. Health is a critical component in ensuring that an individual can maximise the enjoyment of their life and contribute positively to their community. Through the benefits of a professional ongoing advice relationship, clients are less likely to have their lives impacted due to financial concerns.

There is an opportunity for advice businesses to position themselves as the family financial adviser similarly to the way doctors are generally positioned to look after the needs of the whole family. Not only will the advice business benefit from the intergenerational advice opportunities but clients will benefit from being able to refer their friends and family, knowing that they will be rewarded by the true value of advice.

<sup>2</sup> Read, S 2014, 'Financial woes cause sleep problems for seven million'. Independent 22 September 2014, [www.independent.co.uk/news/business/news/financial-woes-cause-sleep-problems-for-seven-million-9748425.html](http://www.independent.co.uk/news/business/news/financial-woes-cause-sleep-problems-for-seven-million-9748425.html).

# Financial planning and personal relationships

The importance of family, friendships and community to personal satisfaction and happiness has been well documented and is evidently important to us all. Maslow's 'Hierarchy of Needs', for example, discusses the importance of interpersonal needs and belongingness in an individual's journey towards self-actualization and living their ideal life. Maslow's theory concluded that whilst every person is capable and has the desire to move up the hierarchy toward a level of self-actualization, progress is often disrupted by life experiences that can cause an individual to fluctuate between the levels of the hierarchy. These life experiences can include money related matters which play a factor in disrupting relationships and impacts our esteem.



Financial concerns can lead to the breakdown of relationships, friendships and divorce. A 2012 National Survey of Families and Households found that arguments about money were usually longer and more intense than other types of marital disagreements. Furthermore, financial disagreements were the strongest of the disagreement types in predicting divorce.<sup>3</sup>

We found that clients who receive professional ongoing advice were **19 per cent less likely to experience arguments with loved ones**. We also discovered that ongoing financial planning clients were **21 per cent less likely to feel like their friendships were at times impacted** due to financial concerns.

Ultimately the true purpose of ongoing advice is to help people live their ideal life without financial concern. In this regard, we found that those who receive professional ongoing advice are **22 per cent less likely to feel as though they have missed out on living their ideal life to the fullest** due to pressures or concerns surrounding money.

Financial disagreements are the strongest of the disagreement types in predicting divorce. Our research concludes that clients who receive professional ongoing advice were 19 per cent less likely to experience arguments with loved ones.

# Financial planning and the organic referral process

Successful financial planning outcomes for many clients includes the knowledge that not only themselves, but their loved ones are protected and able to live their desired lives without financial concern. When asked to rank the importance of various aspects in their lives, it was no surprise that family wellbeing was clearly the most important area to personal happiness.

## Ranking    Area



When we extended this research, we found that an overwhelming 83 per cent of financial planning clients believe it's important that their family members and closest personal relationships receive professional ongoing advice. This clearly illustrates the value ongoing financial planning clients believe they are receiving and a desire for those closest to them to be able to live their lives without the fear of financial concern.

**The importance of family and friends along with the desire of ongoing financial planning clients to have those closest to them receive professional ongoing advice, represents a significant opportunity for advice businesses.**

By aligning our activities to the expectations and needs of our clients, we have the ability to increase referrals, develop and foster relationships with other professional advisers, positively alter the demographic of client bases, retain and potentially increase advice fees while continually illustrating the value of advice.

But perhaps above all, your clients can assist those closest to them to also live their lives free of financial concern, thereby enabling them to truly live their ideal lives and maximise the enjoyment of their own personal relationships.

## Financial planning and daily life

Every day, we make decisions and choices involving money. These decisions may be as routine as purchasing groceries to more intensive decisions such as buying a new car. Behind each visible act of making a purchase lies a decision process where consumers instinctively travel through different stages of decision making from recognising the need for a purchase to making alternative evaluations.

There is an opportunity for financial planners to use this angle in their own marketing efforts as we discovered that the provision of financial advice has a real impact on the wellness of consumers in their daily life. We found that those who receive professional ongoing advice were **14 per cent less concerned when spending money on day to day necessities and 11 per cent less concerned when making large financial purchases.**

The planning that takes place between adviser and client may be one of the key catalysts for the lower level of concern, particularly for planned expenditure. Consistent with these findings, financial planning clients are 15 per cent less likely to feel the need to check their bank accounts and investment balances due to money concerns.

Those who receive professional ongoing advice are:

**14%** less concerned when spending money on day to day necessities

**11%** less concerned when making large financial purchases

**15%** less likely to feel the need to check their bank accounts and investment balances due to money concerns.



In summary

## Financial planning has an impact on the wellbeing of clients

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As an industry, we have tended to focus on outcomes which are clearly tangible to the consumer such as investment performance returns, interest rates and fees over and above the intangible benefits of improved personal wellbeing and health. Yet these tangible outcomes create a perception that the value of advice must rest with product, price or performance. This paper clearly demonstrates that the true value of advice is far greater than this. Our industry succeeds in delivering positive emotional benefits over and above a holistic and successful financial plan. This means that we truly contribute to the overall wellbeing of society. Our challenge is to articulate this so that more Australians experience the true value of advice.

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# Defining financial planning success

The achievement of core goals and objectives along with strategic advice benefits are clearly important and tangible measures of success in the eyes of clients and was highlighted in the IOOF 2014 'expectations of advice' white paper. Yet as we have found during this paper, emotional benefits are also profound. It is perhaps on this basis that we need to reframe the definition and characteristics of a truly successful ongoing advice relationship.

We believe if we combine the conclusions from both research papers that there is a new definition of financial planning success.

## 1. IOOF White Paper – The expectation of advice

Financial planning involves the strategic planning around money matters to deliver key outcomes for clients. When those tangible outcomes are clear and relate to a purpose (the reason why the outcome is desired), then the likelihood of success is increased. Our research clearly concluded that the opportunity to more closely align the desired outcome of clients and the ongoing proposition of advice businesses exists today and in doing so advisers will be able to deliver even more successful financial planning outcomes.

## 2. IOOF White Paper – The true value of advice

The provision of financial advice can have a positive impact that extends well beyond meeting financial goals. As explored through this paper, the provision of advice can lead to higher levels of overall personal happiness, higher levels of physical health and stronger personal relationships. This paper clearly concludes that our industry succeeds in delivering positive emotional benefits over and above a holistic and successful financial plan and contributes to the overall wellbeing of society.

A beach volleyball net is set up on a sandy beach. The net is green and white, and it is supported by two green poles. The net is in the foreground, and the ocean is visible in the background. The sky is blue with some clouds. The sand is yellow and has many footprints.

The new definition of financial  
planning success:

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The achievement of core goals and  
objectives linked to a purpose, delivering  
positive emotional and personal outcomes.

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# A three point blueprint

With ongoing advice delivering significant emotional, social and personal benefits, the challenge for us as an industry is to ensure that greater numbers of Australians experience the true value of advice. When we couple this with the desire of existing financial planning clients to see those closest to them also receive professional advice, the path for us to take is clear.

## 1. Deliver an advice proposition that clearly aligns to clients' lifestyle goals

We believe that the premium ongoing offer of the future will be a value driven model with advisers taking a greater leadership role in coaching clients. A value based model requires training and resources to help clients clarify and define their ultimate measure of success. This will then form the basis of advice relationships which will be deep, have clear tangible milestones and will ensure a higher probability of mutual success.

Under the premium model, businesses should have an objective method of benchmarking how clients are progressing towards their desired goals. In addition, to maximize the success of an ongoing advice relationship both clients and advisers should have access to continual information, enabling the evaluation of critical advice areas, including the client's cash flow strategy, wealth strategy and contingency strategy in addition to their personal wellbeing which includes health and happiness.

## 2. Incorporate the wellbeing benefits of advice into your value proposition

The value of financial advice is often overlooked as many people underestimate the time and complexity involved in financial planning. This is because you have succeeded in making the complex easy for your clients. For this reason, it's important to be able to clearly explain the value a client will receive from your advice.

A value proposition is not simply a tag line that comes out every now and again in a marketing campaign, or sits in a business plan on the shelf. It is the very essence of your business. Your client value proposition should be the guiding principle by which all aspects of the business, including the client offer are measured against. Not only should it refer to the financial value in meeting investment objectives, but it needs to articulate your value which extends past returns to overall client wellness, health and happiness. Many advisers have struggled with creating a proposition as they tend to focus on explaining what they do rather than how a client will benefit. A compelling value proposition must relate the benefits of advice to the particular needs of clients and should incorporate the positive emotional benefits gained from an ongoing relationship.



### 3. Deliver on clients' desire for family wellbeing

Successful financial planning outcomes for many clients includes the knowledge that not only themselves, but their loved ones are protected and able to live their desired lives without financial concern. Our research found that family wellbeing was clearly the number one and most important area to personal happiness followed by health and wealth.

We now know that clients want their closest relationships to seek advice and if we extend this thinking, we can conclude that advice businesses should maximise referral opportunities for the benefit of not only the business, but for clients as well. This presents the likelihood of needing to engage with different generations and demographics (eg the children and parents of clients). In this regard, there is a need for advice businesses to consider not only their core ongoing client offer, but also their pricing methodology and method of fee collection.

Working with younger generations on a true ongoing advice basis has at times been considered difficult, in part due to a perception of the ability/desire for some younger clients to afford full service ongoing advice fees. By clarifying the advice proposition for this important demographic, there may be an opportunity to better engage, along with rethinking methods of fee collection.

In some cases, there may be an opportunity to consider the introduction of a 'family advice fee' which may enable parents and grandparents to subsidise the advice fees for those younger generations. Many parents and grandparents will often talk to their financial planner about their desire to help their children and grandchildren. Traditionally, this may mean allowing a provision of funds to enable the deposit for a first home, the funding of education costs and the funding of a new motor vehicle. Ensuring the long term financial success and positive intangible benefits for younger generations through ongoing advice may be the greatest gift a parent or grandparent can give.

Speak to your local IOOF Business Development Manager today for further information and your copy of 'A look at intergenerational advice and opportunities' booklet. We also have materials to assist you in building your own client value proposition in addition to building a referral culture in your business.



# Conclusion

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When we succeed in providing ongoing advice we don't just influence financial decisions, we influence client happiness. The benefits of positively influencing happiness and peace of mind are not simply financial. When people feel secure in their financial journey the positive ripple effect flows into the other areas of their lives, including their personal relationships.

The opportunity for advice businesses is clear. By aligning our activities to the expectations and needs of our clients we can benefit from intergenerational advice and other referral opportunities but need to have the right foundations in place. Above all, our industry has the ability to truly contribute to the overall wellbeing of society.

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#### **Important information**

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