Clients Want Children to Use Their Adviser

Independent Financial Adviser (www.ifa.com.au)

Keith Ford

Financial advisers are missing out on opportunities if they don't capitalise in the willingness of clients to have their children also receive advice.

According to *The Value Gap*, a report from Effortless Engagement that surveyed 635 ongoing advice clients and 312 individuals from within advice businesses, over 70 per cent of financial advice clients would also like their adviser to advise their children.

It also found that, if their children were unable to afford advice on their own, more than three in 10 clients would be prepared to subsidise the advice fees.

"One of the challenges many advice businesses experience is how to serve the children of existing clients who require advice but may not be able to fund minimum advice fees,' said Dean Lombardo, principal of Effortless Engagement.

"This challenge can lead to the children of existing clients being turned away, only provided with partial services, or directed towards other industry participants. We found that not only do clients want their children to receive advice, but many are prepared to pay or subsidise advice fees if required."

The report added that advice businesses are not making the most of these opportunities, including failing to capitalise on referral opportunities.

Less than 20 per cent of advice businesses have a structured plan for their centres of influence, the report found, while a similar number encouraged clients to refer in the past 12 months and less than one in 10 advice businesses had any form of digital marketing plan.

"All the conditions for growth exist. We have more Australians with more complexity of advice needs than ever and a large percentage of existing clients willing to refer," Mr Lombardo added.

"Yet, systemic issues affecting capacity and antiquated business models are simply not allowing advisers and advice businesses to seize the opportunity."

Advisers are spending up to 70 per cent of their time on back-office work, the report found, while more than 80 per cent of team members feel like they are at capacity, yet less than 10 per cent of advice business have a capacity plan. Additionally, advisers are spending less than 5 per cent of their time on new client acquisition.

“Business models and advice processes need to evolve, allowing advisers to spend more time in front of clients and on growth related activities,” Mr Lombardo said.

“A number of the challenges identified in the report can be solved with simple changes that can have a material and immediate impact.”

Research from Australian Ethical released in November 2023 also found that financial advisers who actively encourage clients’ children to be involved in the intergenerational wealth transfer conversation had higher retention rates.

Namely, 31 per cent of advisers who were involved in this process retained more than 75 per cent of their clients, more than twice the retention rate of those who didn’t (14 per cent), according to the ethical investment manager.

Commenting on the findings, Australian Ethical’s head of client relationships, Leah Willis, said the time is now for advisers to adopt a proactive approach to engaging with the next generation.

“There’s an advantage for financial advisers in engaging early on with beneficiaries, and to help facilitate the intergenerational wealth transfer,” Ms Willis said.

29 January 2024