

# Low financial understanding holding back ‘aspiring’ Australians

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Financial advisers are key to helping younger Australians reach their financial goals, yet just 7 per cent have an ongoing financial adviser relationship, according to a new report.

Generation Life’s Not tomorrow’s problem report has found that despite a low level of engagement with financial advisers, around half of all “aspiring” Australians are open to doing so in the future.

The report surveyed more than 1,000 Australians across four demographics of “aspiring”, “mid-life high-net-worth parents”, “pre-retirees” and “high-net-worth legacy builders”.

Those within the aspiring cohort are Australians under 35 with a personal income of \$80,000 to \$190,000 per year.

According to the Generation Life report, this younger demographic may experience setbacks due to low awareness of financial policy changes – pointing to 36 per cent understanding the recent Stage 3 tax and just 25 per cent understating the proposed superannuation concession changes.

They may also be at risk of increased tax due to bracket creep, yet only 16 per cent have a “strong understanding” of its impact.

Aspiring Australians reported feeling like they don’t earn enough or are finding it hard to save (65 per cent) and are challenged by increasing house prices (63 per cent), while 66 per cent lack confidence in selecting investments to maximise their position.

The cumulative effect of these setbacks is that many feel their goals are not achievable, with just 28 per cent indicating they are happy with their current financial position.

“Even for ambitious Australians who are doing well from a salary perspective, achieving financial freedom is hard because life is expensive and they’re balancing many goals,” said Ben Nash, founder and adviser at Pivot Wealth.

“Many want to get onto the property ladder and grow their family at the same time, while thinking about strategic investments that could help them potentially reduce work hours or even partially retire early.

“The most important thing is sequencing and ensuring you have the right strategies in place for each goal. Reducing expenses and getting budgeting right is the first step, ahead of investing and taking out equities.”

Despite these issues, 70 per cent of the demographic has never engaged with a financial adviser, though the report found 51 per cent are open to doing so in the future.

A total of 21 per cent are currently receiving some form of advice, though a mere 7 per cent are in an ongoing financial advice relationship, with the remaining 14 per cent receiving one-off advice.

“Aspiring Australians benefit massively from financial advice, and as financial advisers, it’s our job to demonstrate this value from the outset of the relationship,” said Rebecca Pritchard, senior financial planner and partner at Rising Tide Financial Services.

“Younger clients want to partner with someone who is empathetic to their situation, someone who has, perhaps, been on a similar journey, and want to see the short-, medium- and long-term value of advice.”

According to the Generation Life research, 44 per cent of those that are currently unadvised feel they can’t afford advice, while 39 per cent think they don’t have sufficient assets or wealth to justify it and 31 per cent simply don’t know where to start.

One the flipside, the most common reasons that this cohort gave for engaging with financial advisers is to seek support in pursuit of their financial goals (48 per cent), particularly regarding property investment (50 per cent), and a review of their investment strategy and portfolio (47 per cent).

“Ultimately, aspiring Australians are the nation’s future wealth creators, set to take the place of the current cohort of mid-life high-net-worth parents. The challenge is belief,” Generation Life said.

“They lack confidence in making key financial decisions, underpinned by a low understanding of key financial metrics.”

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