

Guides, gurus, gladiators: The modern value of financial advisers

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A common misconception is that financial advisers are purely investment managers, whose job is to select investments and achieve a certain level of return for their clients. Of course, the reality is that good financial advice goes way beyond this.

Experience and expertise in the technical aspects of investments, taxation, superannuation and insurance are critical to success, but the genuine value delivered through effective communication, behavioural management, and other less-tangible services is on the rise.

The value that a financial adviser offers to their clients should now be a healthy combination of technical capabilities and emotional expertise — especially during periods of intense volatility like we've experienced over the past few years.

When you consider the changing goals, circumstances, preferences and considerations of each client over time, it's easy to appreciate the increasing complexity of the modern financial plan.

The Russell Investments' *2022 Value of an Advisor (VOA)* report highlights that skills like behavioural coaching and providing emotional support can provide even more value to a client than asset allocation alone.

Managing client behaviour and emotions

The last two years have been a clear demonstration of the importance of remaining invested through thick and thin. An investor who jumped out of the market when things got rough in March 2020 would have had a difficult time finding the best re-entry point. Making emotional or fear-based decisions to abandon a sound investment plan is rarely a recipe for success. There are myriad examples of investors who lock in losses and miss out on the subsequent rally after periods of volatility.

Without the guidance and support of a financial adviser, investors often buy when markets are euphoric and sell when they're bearish. There is a definite skill in gaining the trust of a client and providing enough reassurance that they will stick to their long-term financial plan and avoid costly behavioural mistakes when times get tough. Our latest report has quantified these behavioural coaching skills as contributing 2.9 per cent per year to the overall value of a financial adviser.

The changing role of an adviser — guide, guru and gladiator

With almost 50 per cent of Australians experiencing financial stress at some point in their lives, providing emotional support during tough times is a key part of the adviser value proposition.

In the best of times, advisers help clients achieve life-long goals and celebrate personal and family milestones along the way. In challenging times, clients turn to advisers for support through cases of trauma, illness, financial crises, estate planning and death.

As a client's needs change and grow in complexity over time, an adviser can assume many different roles.

As a guide, an adviser can help manage the emotional burden of making decisions and the possible impacts that need to be considered. When is the right time to get started? Who should I invest with? What happens to my family's finances if I get it wrong? For clients who choose to be in control, it's more about acting as a sounding board and coach.

In other circumstances, an adviser can be considered more of a 'guru' — providing perspective and acting both as a technical expert and voice of reason. An adviser's years of study and experience will see them called upon to make calls around complex investment vehicles, the pros and cons of the latest product releases, or interpreting the impact of changes to legislation.

Finally, when needed, an adviser can be the 'gladiator' — an advocate on the client's behalf in situations like challenging an insurance claim, chasing beneficiary payments, and managing financial administration — so a client and their family can focus on what is important to them.

While articulating such intangible value is challenging, the benefits are clear when you have a client that feels more secure, is better prepared to deal with the unexpected, and ultimately has peace of mind knowing that everything is under control and their adviser has their back.

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