

The Empowered Australian Report 2023



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Executive Summary

Australian consumers have access to a plethora of information about their personal finances, from saving and investing to choosing a super fund and planning for retirement. Every day we look for advice on financial matters from a wide range of sources, from family members and friends to news websites and our own superannuation fund.

With such an abundance of information, finding the right answers to specific questions can be difficult. Accessing professional advice that will help us achieve financial freedom is even harder.

The Empowered Australian report provides a research-based approach to understanding the financial realities, behaviours, perceptions, and aspirations of Australian consumers. We identified five key findings:

- 1 More Australians need to know what financial advice is.
- 2 Multiple stakeholders, including financial advisers and super funds, have a role to play in articulating what advice is.
- 3 People need to know what advice can do for them.
- 4 The rules around advice need to change.
- 5 Affordable advice solutions are on the way.

CFS will engage with financial advisers over the coming months and use this report as the foundation of a new campaign of work designed to help advisers better articulate the value they provide to their clients. These learnings will be essential to the education of CFS members and unadvised Australians about how advice can benefit them, regardless of their age, income, or wealth.

Advised Australians know the value of the advice they pay for. But as advocates for advice, they have been significantly underutilised. Their stories are rarely told. At CFS, we believe the experiences of advised Australians need to be shared.

Those who do not receive advice have little knowledge of how it would benefit them. This report, based on a survey of more than 2,200 consumers (including 456 advised Australians) proves that financial advice is clearly a catalyst empowering people to achieve financial freedom. It has been an essential changemaker in their lives.

Those who receive advice have greater levels of financial literacy and are far more likely to have a financial strategy in place. On average, they are significantly more confident that they will achieve their financial goals and have enough money to retire debt-free. Not all of them are wealthy, and there is now evidence that even with equal levels of income and wealth, those with an adviser have greater confidence and are more positive about their present circumstances and financial future.

At CFS, our contact centre team receive around 3,000 calls each month from customers looking for guidance in areas such as investment strategy, retirement planning, insurance in super, and contribution strategies. We want to help our customers and we also want to see more Australians benefiting from access to advice. This includes measures that make it easier for financial advisers to provide advice to those who need it most.

It is no surprise to see that one in three Australians who have never received advice cannot articulate its benefits. We hope this report and its findings begin to change that, by enlightening, by educating and by illustrating the key role advice plays for those who receive it.

While there are low levels of understanding about what advice is, consumers do see a need for it. Only 15% think it is just for the wealthy. Most Australians, whether they receive advice or not, agree that it is those in financial difficulty who need it the most. These findings underpin the urgency for alternative advice models that cater to a broader group of consumers.

The cost of advice remains the greatest barrier for most Australians. Removing that barrier is essential if more of us are to access the advice we need. More than half of consumers would be interested in using the funds already invested in their super to pay for advice. This is an option that is currently not widely known or understood.

We hope that the findings of this report are shared widely and explained clearly so that we can close the gaps preventing more Australians from becoming empowered through the value of financial advice.

“At CFS, we believe the experiences of advised Australians need to be shared.”

Methodology

Colonial First State (CFS) commissioned market researcher Nature to survey 2,247 Australians aged 18+ between July and September 2023.

All respondents hold either a superannuation account, pension/annuity (non-govt.) or investments in their name and are the sole or joint decision maker for these products.

The term 'financial adviser' was described to respondents as a licensed professional who helps people to manage their financial affairs (e.g., investments, superannuation, retirement/estate planning, insurance, and taxation) and work towards their long-term financial goals.

Respondents were made aware that other professionals including accountants, mortgage brokers, real estate agents and solicitors are not financial advisers.

The survey included 456 Australians who currently have a financial adviser.



Consumer Realities

Most Australians are concerned about their economic situation. This is evident by the 75% of respondents who said the cost of living is currently their greatest concern. Housing affordability is also a major concern for 64% of consumers.

More than 80% of Australians believe these concerns have only gotten worse in the past 12 months.

Those with a financial adviser are not immune to cost of living concerns. Their level of concern (73%) is comparable to those who do not receive advice. However, only 65% say this has worsened over the past 12 months, compared to 81% who do not receive advice.

While the economic pressures are being felt by all Australians, how they react, and plan for the future, is markedly different depending on whether they receive advice.

Despite a pessimistic mood, two in three advised Australians (65%) are confident they will have enough money to retire compared to just 44% of unadvised Australians.

A key reality for the majority (68%) of advised consumers is that they have a financial strategy in place. This is only a reality for 27% of unadvised Australians.



The reality for advised Australians

Two in three advised Australians are confident they will have enough money to retire.

Key insights

- More than one in three Australians can't articulate a single benefit they would receive from advice.
- 75% of Australians say cost of living is their greatest concern. 81% feel it has gotten worse in the past 12 months.
- 65% of advised Australians are confident they will have enough money to retire, compared to 44% of unadvised Australians.
- 68% of advised Australians have a financial strategy in place, compared to 27% of unadvised Australians.

Conclusion: People need to know what advice can do for them

While access to affordable advice is a key priority, Australians first need to know how advice can benefit them. This is an education issue that requires a coordinated effort by the industry and Government. Explaining the value of advice is not enough – consumers need to be convinced that advice will have a positive impact on their lives.

As an industry we need to articulate how financial confidence and retirement preparedness are directly related to advice. This includes a simple explanation of the advice process, what a financial strategy is and the real-life impact this has had on those who receive advice.

Consumer Behaviours

We asked consumers where they currently go for advice about their finances (other than a financial adviser). Respondents could select multiple options.

The results reveal significant differences in the behaviour of advised and unadvised consumers. For example, those with a financial adviser are far more likely to trust their super fund. While one in four advised Australians will seek advice from friends or family, they are far more sceptical, with only 7% trusting this advice.

Conversely, over a third (34%) of unadvised Australians will seek financial advice from a friend or family member and will trust their advice (33%). Only 16% will go to their super fund and even fewer will trust that advice (11%).

These results show an open mindedness among advised Australians to seek out information from multiple sources and remain both curious and sceptical about the advice given. Those who do not have a financial adviser are more closed off to different sources of information, are distrusting of both their superannuation provider and other professionals and prefer to seek guidance from friends and family.

Over a third (34%) of unadvised Australians will not go anywhere for advice on their finances compared to just 3% of those who already have an adviser.

Advised -vs- Unadvised

Where do advised Australians go to get advice about their finances?



Where do unadvised Australians go to get advice about their finances?

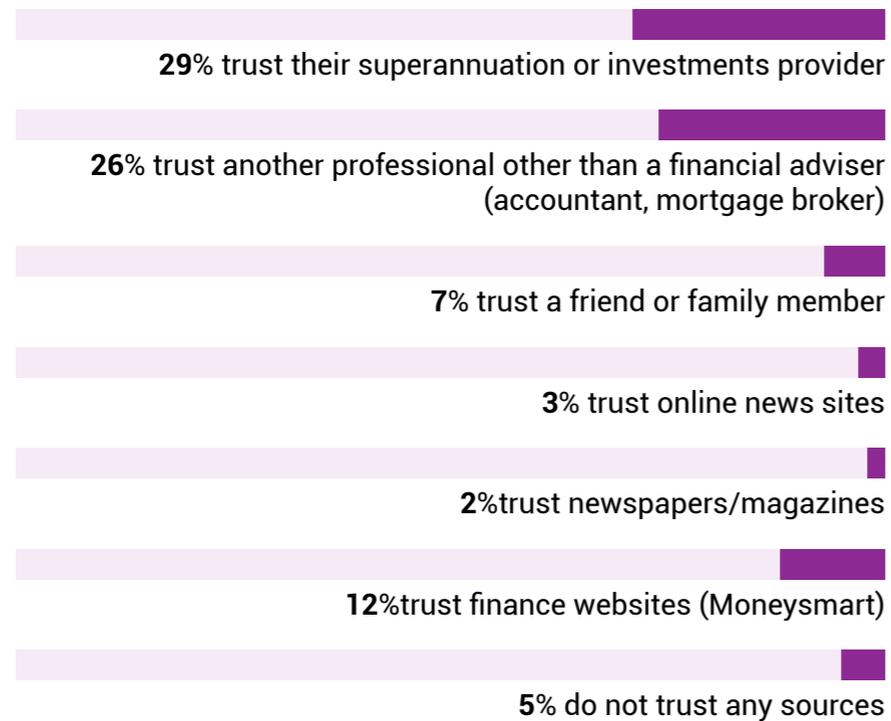


Key insights

- Advised Australians will seek advice from their superannuation or investments provider and trust that advice.
- Unadvised Australians will seek advice from family and friends and trust that advice more than their superannuation or investment provider.
- Advised Australians are likely to seek advice from other professionals such as a mortgage broker or accountant and trust that advice.
- Unadvised Australians are less likely to use or trust other professionals.
- Only 3% of advised Australians will not seek advice from any other sources compared to 34% of unadvised Australians.
- 13% trust finance websites (Moneysmart)
- 10% do not trust any sources

Advised -vs- Unadvised

Who do advised Australians trust to give them financial advice?



Who do unadvised Australians trust to give them financial advice?



Conclusion: Australians need to know what financial advice is

Our findings reflect those of ASIC in its 2019 financial advice report (REP627), which found that 31% of consumers had received financial advice from family, friends or colleagues. ASIC's research also noted that most consumers were not familiar with the legal concept of 'financial advice'.

The term 'financial advice' can be interpreted in a number of different ways. While there is a legal definition of 'personal advice' as it relates to financial advice, the commonly used term 'financial advice' can be ambiguous. There is a risk that different interpretations of the term could drive confusion and apathy among consumers, preventing them from seeking the professional support they need.

This risk is heightened by the use of additional terminology such as 'comprehensive advice', 'limited advice', 'scaled advice' and 'retirement advice'. Consumers need a clear and simple definition of what financial advice is.

Consumer Perceptions

The research explored consumer perceptions of financial advice and retirement. When it comes to who they believe is most in need of advice, both advised and unadvised consumers agree that those struggling financially are most in need of advice, followed by those with an average amount of money. Only a small minority of Australians believe those most in need of advice are people with lots of money.

Unadvised Australians are significantly less prepared for retirement than those who receive advice: almost two-thirds (62%) of advised Australians feel prepared for retirement compared to just 23% of unadvised Australians.

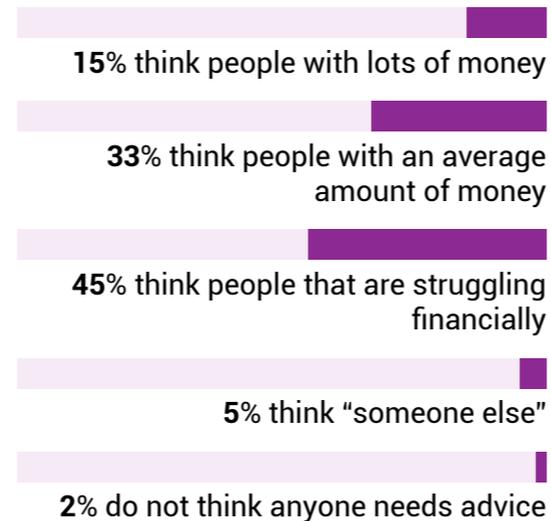
Almost half (47%) of unadvised Australians have not considered what they plan to do when they retire compared to only 15% of those with a financial adviser

Key insights

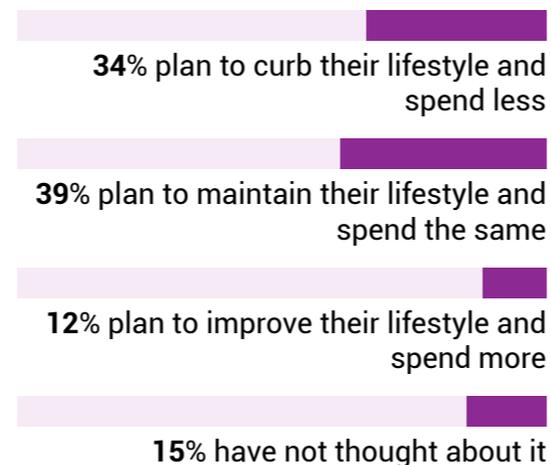
- Both advised and unadvised Australians agree those struggling financially need advice the most.
- Advised Australians are more convinced than unadvised Australians that advice would benefit those with an average amount of money.
- One in 10 unadvised Australians do not think anyone needs advice.
- Most Australians plan to maintain or reduce spending in retirement, even if they are wealthy.

Advised -vs- Unadvised

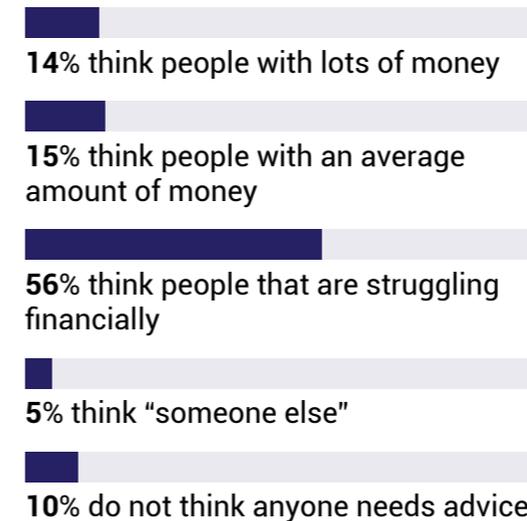
Who do advised Australians think needs advice the most?



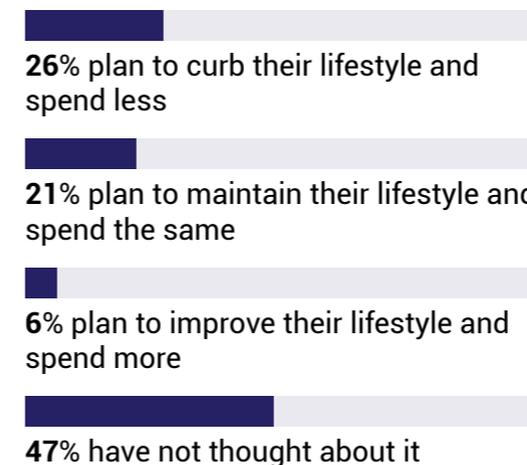
Which of the following do advised Australians plan to do when they retire?



Who do unadvised Australians think needs advice the most?



Which of the following do unadvised Australians plan to do when they retire?



Conclusion: The rules around advice need to change

At CFS we have more members who no longer receive financial advice as the costs have increased. At the same time, we know that the interest in some level of advice – whether ongoing or one-off – for members continues to increase.

We also know that the average upfront fee for financial advice climbed 25 per cent to \$4000 in the last 12 months, while fees for subsequent years of advice have increased 18 per cent to \$4700.

CFS is focused on making sure that advice is more accessible for all of our customers, from those who need full personal advice to those who just want to ask a few questions about how to choose the right investment or know what they can do make sure they are on track to achieving their goals.

The retirement system is extremely complex, and reform needs to make it simpler to navigate. We believe in advice and the role super funds have to play in addressing some of the needs of the retirement segment.

For example, we have recently partnered with an organisation called Retirement Essentials to make it easier for our members to navigate the Age Pension process through a free Age Pension Eligibility Calculator.

Women and financial advice

There are striking differences between men and women when it comes to having a financial strategy, being prepared for retirement and their preferred sources of advice.

Almost half of women (44%) say they are financially unprepared for retirement compared to less than a third of men (31%), while one in four women (25%) admitted they were 'extremely unprepared' for retirement compared to 15% of men.

The largest gap is not based on gender but on advised status. While a quarter (26%) of advised women say they are financially unprepared for retirement, more than half (51%) of unadvised women are in this predicament. Of those, almost a third (29%) admit they are 'extremely unprepared' for retirement.

The research also found that an overwhelming majority (67%) of advised women have a financial strategy in place compared to just one in four (24%) unadvised women.

Key insights

- Almost half (44%) of women say they are financially unprepared for retirement compared to 31% of men.
- One in four (25%) say they are 'extremely unprepared' for retirement compared to 15% of men.
- Women in their early 40s are the least prepared for retirement and the least likely to have a financial strategy.
- Women are more likely to seek out and trust the financial advice of family and friends than any other source.

Advised -vs- Unadvised



Almost **three in five** women who have an adviser feel financially prepared for retirement.



Only **one in five** women who don't receive advice feel financially prepared for retirement.

Conclusion: Multiple stakeholders, including financial advisers and super funds, have a role to play in articulating what advice is

These findings speak to the urgent need for consumer education. Super funds, financial advisers, and the women they support need to articulate what advice is and how it can help women who lack financial confidence and are unprepared for retirement.

At CFS we will be sharing these findings with a group of leading female financial advisers to gain a better understanding of how

advice can help Australian women achieve financial freedom. Their insights will be shared with our members and used to educate women about what advice can do for them.

CFS supports a growing number of wealth professionals, advisers and coaches who specialise in supporting women to gain confidence that they will have enough money to retire debt-free.

Consumer Aspirations

There is significant demand among Australian consumers for personal advice about superannuation, investments, and retirement in general.

Almost half (44%) of consumers who have never received personal advice want their super fund to provide it. The majority (60%) of those who already have an adviser also want this. The difference between these two figures is indicative of the value that advice has for those who receive it.

Demand for advice is even greater if it can be paid for using funds already invested in super. Three quarters (74%) of advised Australians are interested in this, which is both an endorsement of advice and a sign of its out-of-pocket expense.

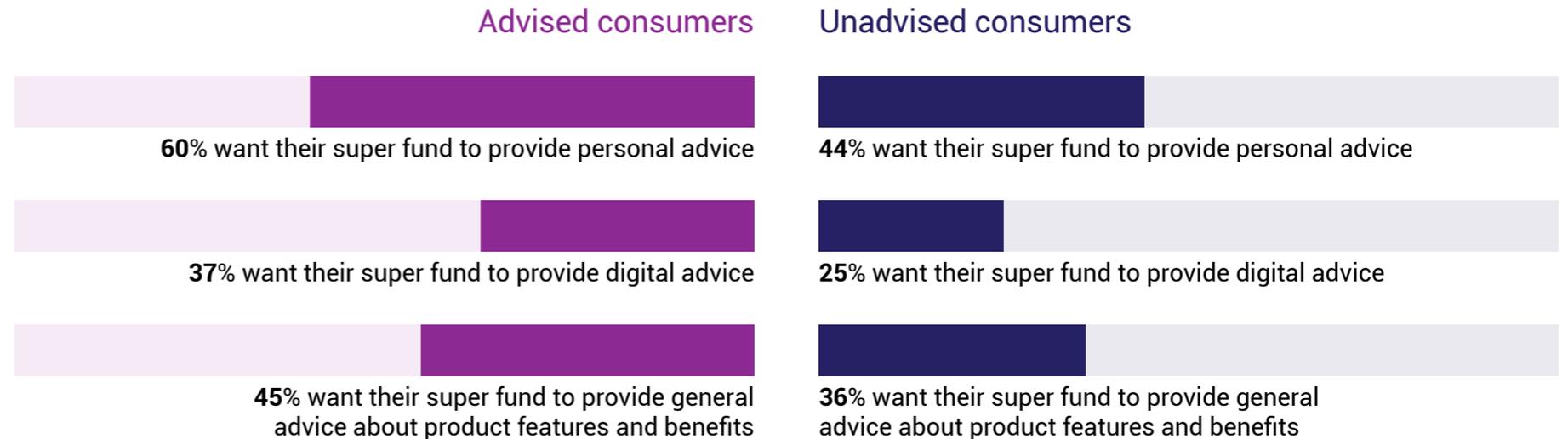
Meanwhile, more than half (52%) of unadvised Australians are interested in using their superannuation to pay for a retirement plan.

There is greater demand from advised consumers for both digital advice (37%) and general advice (45%). These findings confirm both the value of advice and a greater willingness among advised consumers to engage with other sources for advice.

Key insights

- Consumers want advice on superannuation and investments more than anything else.
- Younger Australians aged 25 to 29 have the greatest interest in using funds already invested in their super to pay for advice.
- Almost half of unadvised consumers want their super fund to provide personal advice.
- One in four unadvised consumers want their super fund to provide digital advice.

Advised -vs- Unadvised



Conclusion: Affordable advice solutions are on the way

When asked if they would be interested in using funds already invested in their super to pay for a retirement plan, 61% of Australians said yes. The strongest interest was from younger Australians aged 25 to 29. Three in four men (76%) and a similar number of women (70%) in this age group were interested. Meanwhile, 74% of consumers who already have a financial adviser said they are interested in using their super to pay for advice.

Many Australians don't know that advice fees can be deducted from their super account. At a time when many Australians are

struggling with the cost of living, having a clearer pathway to this solution is critical for those who need advice but aren't in a position to incur a large out-of-pocket expense.

There are affordable advice solutions on the way. Technology has a key role to play in making advice more accessible. CFS is confident that the Quality of Advice Review (QAR) reforms will create a new foundation where more Australians can access the advice they need from different providers, including super funds.



Conclusion

Australians who receive financial advice behave differently. They have different perceptions and clearer aspirations about their retirement. They are aware of economic realities and cope with those challenges quite differently to those who don't receive advice.

The value of advice is clear. There are significant gaps between the financial confidence and retirement preparedness of advised and unadvised consumers.

But articulating what financial advice is and what it can do for people is a challenge that still needs to be met. Those who have never received advice are largely oblivious to the benefits that advised Australians are experiencing.

The findings of this report provide an important foundation for CFS to begin working alongside advisers to articulate how their services result in greater financial confidence, retirement preparedness and financial freedom.



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