

Financial advice reforms a win for consumers and financial services industry

New reforms to the financial advice industry are set to double the number of Australians accessing financial advice and increase private national savings to \$130 billion.

A new report by Rice Warner Actuaries shows that the Future of Financial Advice reforms will boost the provision of financial advice in Australia by more than 100 per cent and increase the superannuation and other savings of individuals by an estimated \$130 billion by 2026.

The report, commissioned by the Industry Super Network, also shows that financial adviser numbers will remain broadly stable and that incomes for financial planners will continue to rise following the reforms - which will prohibit a range of conflicted remuneration arrangements, such as commissions and soft dollar benefits, and require financial planners to act in the best interests of their clients.

The report indicates that the reforms will result in numerous benefits to consumers, the financial planning industry and national savings:

- The provision of financial advice will increase from 831,000 pieces of advice being delivered to 1.77 million pieces of advice in 2026 – an increase of more than 100 per cent. This will be driven by an increase in the provision of scaled advice by more than six-fold – from 169,000 to 1.1 million pieces of advice in 2026.
- Superannuation and other savings by individuals are estimated to increase by around \$130 billion by 2026. This will flow from an increase in contributions (under advice) and the redirection of fees into savings.
- The cost of financial advice is anticipated to reduce, with the weighted average cost falling by around 44 per cent, from \$2,135 in 2011-12 to \$1,188 in 2025-26. For the first time, many Australians will begin to access financial advice at a price they can afford.
- Adviser numbers will remain broadly stable, with the most significant change being the proportion providing full service and scaled advice. However, factors such as an expected growth of super assets by 9.6 per cent a year compounding, the predicted reduction in the cost of the advice, an ageing population and an increase in the planned superannuation guarantee contribution to 12 per cent, will generate strong growth in the financial planning industry.
- Average adviser incomes are expected to grow strongly in real terms, from \$182,000 per annum to \$260,000 in 2026 (after inflation and in today's figures). Total financial adviser employment will remain stable.

Matt Linden, Chief Policy Advisor, Industry Super Network said that the research provides a useful counterweight to the alarmist claims being made by the financial planning industry.

“The Rice Warner report is the only credible research conducted to date that investigates the impact of these reforms on the financial services industry and consumers. Based on sound methodology, the report clearly demonstrates consumers and the industry will benefit from these reforms.

“In fact, all the indicators point to a vibrant and innovative financial services industry in future, which will be driven in part by compulsory superannuation. The expected large increase in scaled advice will also challenge the best and brightest in the industry to forge new business opportunities.”

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