The value of advice

Helping Australians navigate towards a better financial future

About this report

The information in this report is based on an extensive survey of 2,228 Australians.

The questionnaire was developed and hosted by CoreData on behalf of Fidelity International and survey responses were collected between 4 November and 15 November 2019.

The survey's valid survey responses consisted of:

- 594 retirees and 1,634 non-retirees.
- 502 currently advised individuals, 570 previously advised individuals and 1,156 unadvised individuals.

Currently advised individuals are defined as those who currently receive financial advice or who receive it as and when they need it.

Previously advised individuals are defined as those who have received financial advice in the past but do not receive it now.

Unadvised individuals are defined as those who have never received financial advice.

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Foreword

Financial advice has a significant role to play in the lives of Australians. To help financial advisers develop stronger connections with their clients, and help build relationships with new clients, a deeper understanding of the link between an individual's financial wellbeing and their overall wellbeing will be required.

A key aspect of financial wellbeing is how an individual views their financial situation and how much control they believe they have over it. And the evidence is clear that financial wellbeing can have a big impact on someone's overall wellbeing.

A 2015 Australian Psychological Society[1] report found that financial issues were rated as the top cause of stress for Australians, and had been for a considerable period of time. The federal government's Head to Health[2] website highlights that mental health and 'financial safety' are strongly linked.

According to Financial Literacy Australia[3], financial wellbeing relates to a person's ability to meet expenses, have some money left over, be in control of their finances and feel financially secure, now and in the future.

The role financial advisers play in addressing these issues should be obvious. Yet new research from Fidelity International suggests that people are not putting the same weight on financial wellbeing as they do on the range of other components of their overall wellbeing, such as physical and mental wellbeing.

Financial advisers have long recognised their role in addressing people's financial concerns, improving their financial position and providing them with a sense of control. The value of advice has been well documented and is supported by the results of Fidelity International's Financial Advice Survey.

But while there remains a disconnect in the public's mind between financial wellbeing and overall wellbeing, advisers will need to develop effective ways of articulating the value of the services they provide so that it resonates with the individuals concerned.

The aim of this report is to help advisers identify four different personality types they are likely to encounter amongst clients in the course of running a financial planning business. These are real-world personalities, drawn from Fidelity's survey of 2,228 Australians.

It will help advisers understand what motivates different personality types to seek (or avoid seeking) advice, what they are looking for in an advice relationship, and how advisers can effectively interact with each personality type. By better understanding these issues, advisers have the best chance of developing and delivering a service that not only addresses the individual's mechanical or technical financial needs, but also aligns with their overall needs.

Advisers will be better positioned to broaden the appeal of their services and attract new clients if they are seen by the public as part of a broader, overall wellbeing solution, rather than being pigeonholed as experts who are really only there to help individuals who already have money to invest.

Alva Devoy
Managing Director, Fidelity International

1 www.headsup.org.au/docs/default-source/default-document-library/stress-and-wellbeing-in-australia-report.pdf?sfvrsn=7f08274d_4
2 headtohealth.gov.au/meaningful-life/feeling-safe-stable-and-secure/finances
3 Muir, K., Hamilton, M., Noone, J.H., Marjolin, A, Salignac, F., & Saunders, P. (2017). Exploring Financial Wellbeing in the Australian Context. Centre for Social Impact & Social Policy Research Centre – University of New South Wales Sydney, for Financial Literacy Australia

Why money matters matter

Money matters a lot to most Australians. Financial advice is a proven way of addressing the stress and anxiety that often accompany money matters.

Financial wellbeing is a critical component of overall wellbeing

Australians regularly worry about money. If it's not creeping into their thoughts every day, then they're thinking about it at least once a month. And money worries are not restricted to those who might be thought of as financially disadvantaged — around two in five (38.6%) Australians with at least A$1 million of investable assets say they worry about money at least monthly.

65.7% of Australians say they worry about money at least monthly.

23.5% of Australians say they worry about money daily.

Less than one in five (19.1%) Australians rate their financial wellbeing as either 'very high' or 'high'. Poor financial security fuels a range of concerns and issues. Less than a quarter (22.6%) of Australians think they would be financially stable if they lost their job tomorrow. But not all the issues that stem from poor financial security are purely financial. Financial issues also lead to physical and mental health concerns.

37.4% of Australians say financial issues have affected their physical health.

52.8% of Australians say financial issues have affected their mental health.

And unsurprisingly, they also lead to relationship issues. Almost half (48.0%) of Australians say financial issues have affected how they get along with family and friends. And less than one in four (24.7%) think they would be financially stable and able to support themselves and their dependants if their relationship/marriage ended tomorrow.

But when Australians think about wellbeing, they don't necessarily think about financial wellbeing

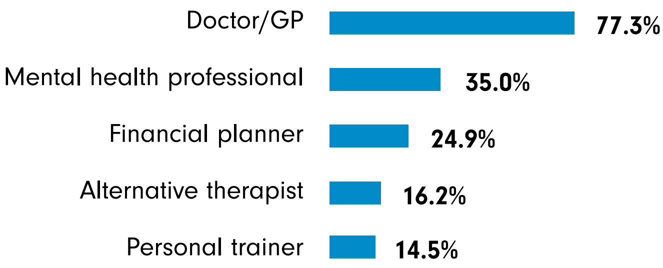
Given the link between financial wellbeing and other aspects of wellbeing, it is perhaps surprising that more Australians don't join the dots and see addressing financial issues as a step towards improving their overall wellbeing.

While around three-quarters (77.3%) of Australians have been to see their GP to address personal wellbeing issues, and more than a third (35.0%) have been to see a mental health professional for the same reason, only a quarter (24.9%) of Australians have been to see a financial adviser.

That figure is even greater when it comes to women. While 42% have sought help from a counsellor or psychologist for their personal wellbeing, only half that number have visited a financial planner (21.7%). And women are as likely to have visited an alternative therapist for their personal wellbeing as they are to have visited a financial planner.

There are also differences when it comes to the advised and non-advised. Australians who have never directly experienced the benefits of financial advice are often unaware of its importance in addressing overall wellbeing. Unadvised individuals are more likely to seek out a dietician, life coach, personal trainer or alternative therapist than they are to turn to a financial adviser for help with their personal wellbeing.

Which of the following professional services have you ever sought for your personal wellbeing?



*Multiple answers allowed

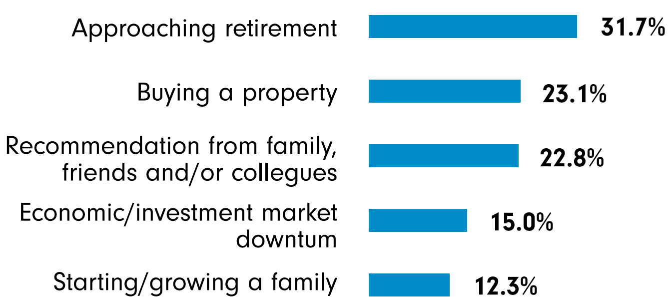
n = 2,228

The drivers of seeking financial advice

Australians seek financial advice for a range of reasons and they're often linked to a specific event or trigger. In fact, more than four in five (81.7%) unadvised Australians say that specific events – such as approaching retirement, buying a property or starting a family – could trigger them to start seeking financial advice. Financial advice has a constructive role to play at each of these trigger points. The value of advice is addressed directly in Chapter 2.

Motivations for seeking advice vary greatly and depend on the circumstances of the individual. Nevertheless, understanding what motivates people is the key to advisers communicating with them in a way that makes sense to the individual and is more likely to result in them taking up the adviser's services and implementing an advice plan.

Which of the following triggered you to first seek financial advice from a financial adviser?



*Top 10 responses

*Multiple answers allowed

n = 502; respondents who are currently receiving financial advice or receiving as needed

The value of advice

The benefits of advice are many and multi-dimensional, often extending well beyond the simply financial.

Australians recognise the financial benefits of advice — even those who are unadvised

Seeking financial advice generally has a positive impact on an individual's financial wellbeing. Almost three-quarters (74.3%) of Australians currently receiving financial advice say their financial wellbeing has improved as a result.

88.5% of Australians receiving advice believe it has given them greater peace of mind financially.

86.2% of Australians receiving advice believe it has given them greater control over their financial situation.

More than seven in 10 (71.3%) Australians currently receiving advice believe it has generated more value to them than it has cost. Even those who are unadvised recognise the potential benefits of advice, with the majority thinking that receiving advice would give them greater peace of mind financially (64.4%) or greater control over their financial situation (63.3%).

The benefits go beyond the financial

The negative effects of financial issues can also affect other parts of people's lives, including relationships with friends or family. Receiving financial advice provides benefits to people beyond the expected financial aspects, with mental health, family life and physical health often positively influenced.

49.9% of Australians receiving financial advice say their mental health has benefited.

37.8% of Australians receiving financial advice say their family life has improved as a result.

18.1% of Australians receiving financial advice say their health has improved as a result.

Even Australians who are currently unadvised say they can see the potential non-financial benefits of advice. More than one in three (35.8%) say their mental health could benefit from receiving advice. Three in 10 (30.3%) say their family life could be improved, while one in six (16.6%) say their physical health could benefit.

The tangible and intangible differences made by financial advice

Individuals receiving financial advice say they have greater financial security and believe that they could cope for longer if they were suddenly unable to earn an income from working. Two in five (40.1%) advised Australians believe they could sustain themselves for more than six months compared to one in five (20.7%) of those who do not receive advice.

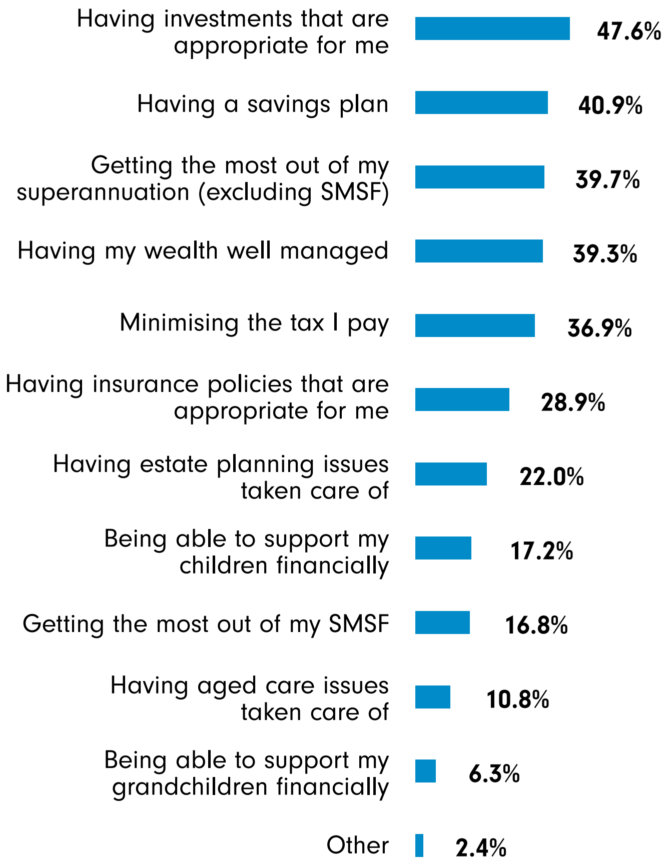
The sense of control gained through financial advice causes people to worry less about money. While just over half (56.1%) of Australians receiving advice say they worry about money at least monthly, the figure jumps to seven in 10 (71.5%) for those who do not receive advice. In addition, Australians receiving advice are twice as likely to rate their level of financial wellbeing as high or very high (31.6%) as those who are not receiving advice (15.1%).

Advice helps Australians achieve their personal and financial goals

The majority of Australians who seek advice do so in response to a specific event or trigger. A corollary to this finding is that four in five (79.9%) Australians who receive advice say they have been able to achieve their financial goals with the help of that advice. And people want advice tailored to their situation. Almost half (47.6%) say they have achieved the goal of having investments that are appropriate for them.

A key insight from Fidelity International's Financial Advice Survey is that more than three-quarters (77.1%) of Australians receiving advice were able to achieve their personal goals using financial advice. The ability to live to their expectations was key, as well as fewer stressors and achieving improved mental wellbeing.

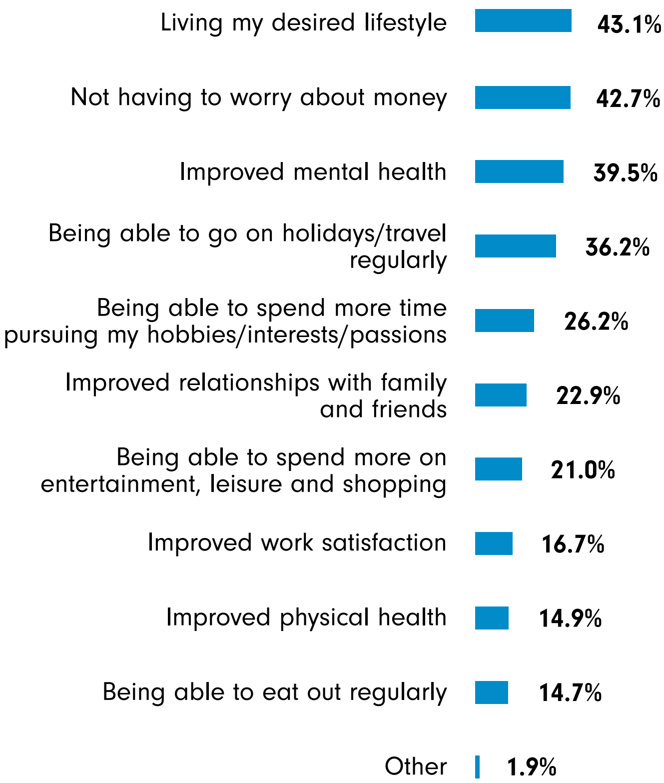
What financial goals has receiving financial advice helped you achieve?



*Multiple answers allowed

n = 404; respondents who have received financial advice that helped them reach their financial goals

What personal goals has receiving financial advice helped you achieve?



*Multiple answers allowed

n = 379; respondents who have received financial advice that helped them reach their personal goals

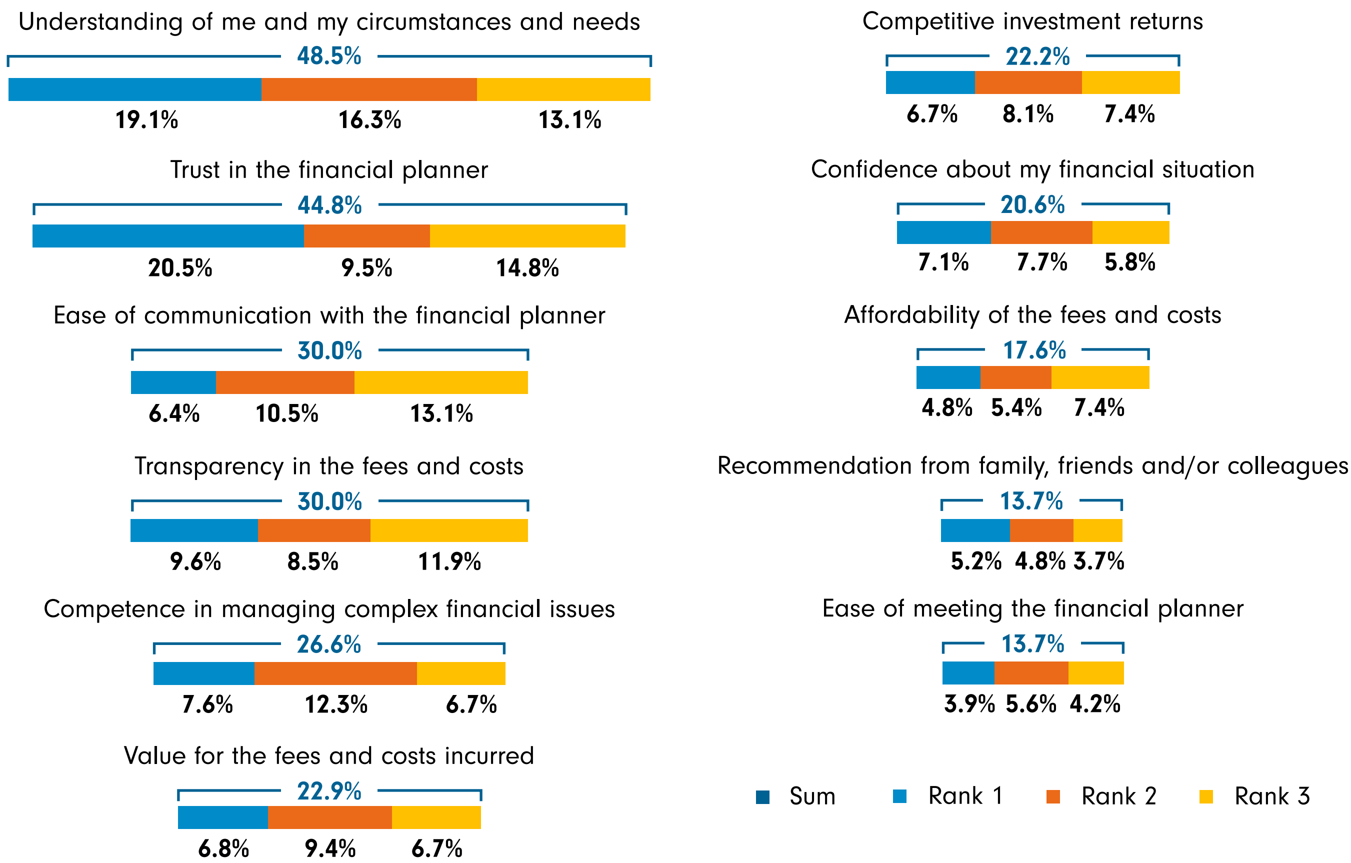
How clients value financial advice

The number one concern for Australians when dealing with a financial adviser is whether the adviser understands their personal needs and circumstances. While clients' needs and circumstances may share some similarities, each set is unique. A fundamental role of the adviser is to effectively define the set of needs and craft a strategy and solution to match each client. The solution needs to be couched in terms that resonate with the way the client perceives the value of advice.

Clients ascribe value to advice in different ways, depending on a range of factors, including personality type, specific situation and needs, and prior experience. Fidelity International's Financial Advice Survey reveals that these factors can be grouped into four key themes that drive client behaviour and preferences:

- Capability, competency and ability of the financial adviser.
- Value for money driven by competitive investment returns and transparency in costs.
- Relationship, communication and rapport with the financial adviser.
- Low cost and affordability of the financial advice.

Which of the following factors would you use to assess the quality of your relationship with your financial adviser?



*Top 11 responses only

n = 502; respondents who are currently receiving advice or receiving as needed

Why do some Australians never seek advice?

A recurring theme among Australians who have never sought advice before is that they cannot see the value in it. More than a third of Australians who have never sought advice say they believe it is too expensive – that they cannot afford it. Advisers face the hurdle of convincing prospective clients that the benefits will be worth the outlay. Additionally, of those who have never received advice, more than a third believe that their circumstances do not justify it.

Again, advisers face the challenge of convincing individuals of the broad value of advice and that seeking advice can address issues beyond the financial, having a positive impact on overall wellbeing.

37.0% of Australians have never received financial advice because they do not believe they can afford it.

35.8% of Australians have never received financial advice because they do not believe their circumstances justify the need.

Individuals can also be put off seeking advice by a perceived lack of transparency of cost. In the face of uncertainty, their questions are often left unanswered or, worse, filled by misinformation.

Common barriers to seeking advice

What is the outlay?

Almost two in three (66.0%) Australians who have never received advice want more information about the fees and costs of advice.

What am I getting?

Close to half (44.6%) of Australians who have never received advice want to know more about the products and services that advisers can offer.

Where is my money going?

More than two in five (43.9%) Australians who've never received advice want to know how their money might be invested.

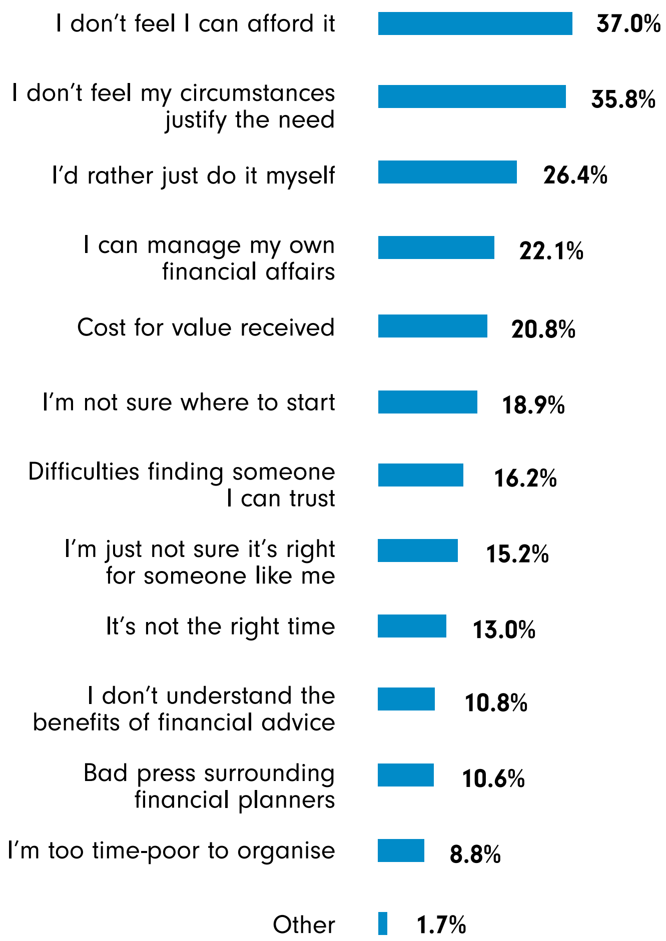
What is the value to me?

More than two in five (41.4%) Australians who have never received advice want to know more about the benefits of financial advice.
Will they at least get back what they pay in terms of value?

How did the adviser perform?

Two in five (40.7%) Australians who have never received advice want to know more about their adviser's track record with clients similar to themselves.

What are the key reasons you have never received financial advice from a financial planner?



*Multiple answers allowed

n = 1,156; respondents who have never received financial advice

Who are we talking to?

Everyone is built differently, relates to money in a different way and is looking for something different in an advice relationship to help them navigate to their goals.

The specific financial advice needs of Australians can vary greatly depending on their personal and financial circumstances. Overlaying these financial needs are a range of other factors that dictate how an individual relates to money and what they're looking for from a relationship with an adviser – and whether they are looking for a relationship at all or would be just as happy with a more transactional engagement.

To build strong rapport with any client requires a good understanding of how the client will be most comfortable navigating from where they are now to where they want to be. Sometimes the journey is as important as the destination itself.

Identifying an individual's characteristics and preferences is a critical step in tailoring an advice offering to the individual. Fidelity International's Financial Advice Survey identifies four clear client clusters, or segments, each of which demonstrates distinctive characteristics and is looking for an advice relationship with a particular focus.

In addition to solving the technical aspects of an individual's financial needs, advisers must also understand what drives each of the segments, what they are looking for from the adviser, what their key needs and wants are and, crucially, how they define value.

These segments are based on behavioural traits and characteristics, including what a client values, what motivates them around money and what they expect from an adviser. It transcends a common existing approach to segmenting clients, which is based on the value of the client's investments.

A segmentation model based on asset values runs the risk of aggregating into a single segment clients with quite different motivations, ideas of value and expectations from an advice relationship.

The research suggests that identifying and segmenting clients into the following 'Navigation Styles' may help advisers communicate more effectively with clients.

Introducing the four 'Navigation Styles'

Celestial navigators

Focus on competency and trust to solve their specific complex jobs to be done/needs. Think big-picture and beyond the horizon.

GPS navigators

Focus on evidence of value for money and transparency in costs/benefits. Want here-and-now issues pinpointed with accuracy.

Radio navigators

Focus on building rapport and evidence of positive client reviews. Require more intuitive guidance, with human interaction.

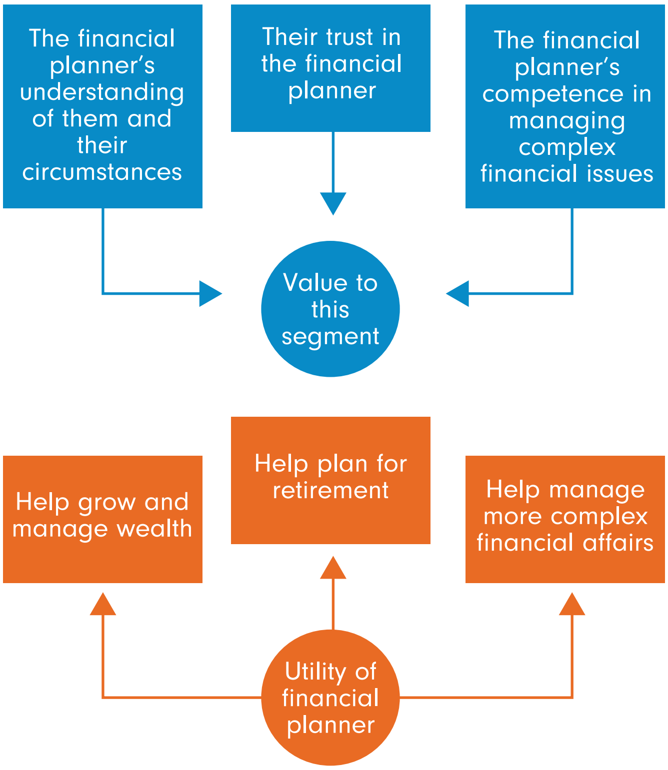
Compass navigators

Focus on low/scaled fees and personal referral through family and friends. Want to be pointed in the right direction.

Getting to know the segments

Celestial navigators

Look to financial advisers as a trusted source of information. Think big-picture and beyond the horizon.



About a third (30.9%) of clients may be defined as Celestial navigators. They are generally reasonably affluent individuals, on the home stretch to retirement or at least with retirement on their minds.

These individuals find value in:

- An understanding of them and their circumstances.
- A financial adviser they feel they can trust.
- Competence in managing more complex financial issues.

Celestial navigators place their trust in their financial adviser and look to them as a key source of financial information and decision-making support.

They typically use financial advisers to:

- Help grow and manage wealth.
- Help plan for retirement.
- Help manage more complex financial affairs.

Celestial navigators tend to be mature individuals with sizeable investment portfolios

- Tend to be older, with a significant proportion aged 60 or above.
- Majority still working, although tend to have more retirees than the other groups.
- Tend to have children who have already grown up and left home.
- Highly educated, with a diploma or certificate being the most likely tertiary qualification.
- Tend to have mid-range income but will usually have large investment portfolios, likely driven by age and a greater amount of time to accumulate wealth.

They have strong financial engagement and literacy

Celestial navigators have sound financial knowledge and typically have well-organised finances that are equipped to handle any emergency costs. They tend to:

- Be reasonably confident about making financial decisions, although sometimes look for assurances from their financial adviser.
- Be financially prepared, with the ability to sustain themselves for long periods of time if they were suddenly unable to work.
- Worry least often about money compared to other groups.
- Feel prepared for retirement.
- Be least likely to have financial issues that affect physical health, mental health or relationships.
- Be least likely to believe that they will be working past retirement age.

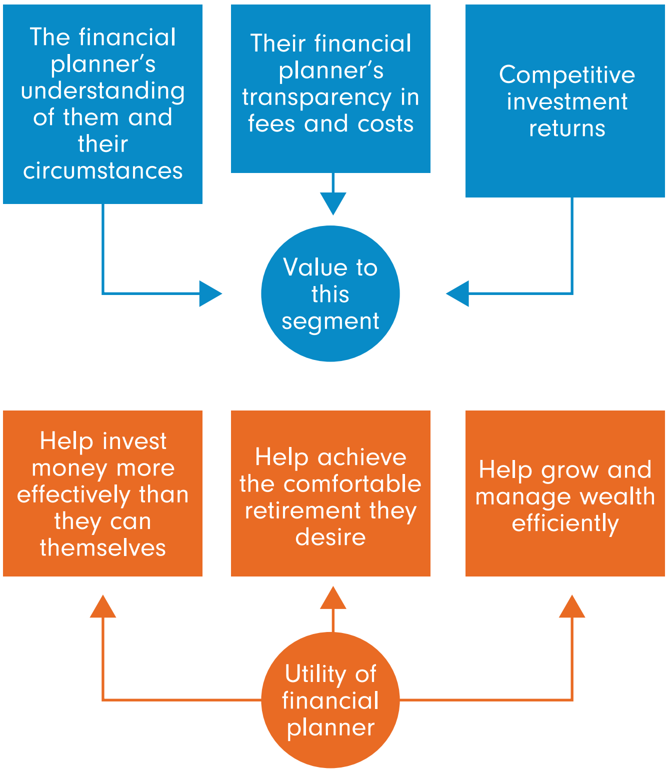
They have a long, trusted relationship with their adviser

They tend to:

- Rely on financial advisers as a critical source of information and decision-making support.
- Funnel most of their financial decisions through their adviser.
- Believe and trust that their adviser will act in their best interests.
- Be very satisfied with their financial adviser exceeding their expectations.
- Be likely to continue the relationship and unlikely to consider switching advisers.
- Have irregular contact with their adviser, as they prefer contact as needed.
- Prefer to talk to their adviser in person.

GPS navigators

Look to financial advisers as a trusted source of information. Want here-and-now issues addressed quickly, and with accuracy.



About four in 10 (42.1%) clients may be classified as GPS navigators. They are generally fairly affluent individuals who tend to be older, although they are not clearly defined solely by their age. These individuals find value in:

- Transparency in fees and costs.
- A deep understanding of them and their circumstances.
- The value they receive for the fees and costs incurred.
- Competitive investment returns.

GPS navigators are mainly focused on hard cost/benefit numbers. Their main motivator is to ensure they can achieve the comfortable retirement they aspire to (which they worry about). They focus on maximising their returns while minimising fees. But they don't necessarily want the cheapest service available.

They typically use financial advisers to:

- Help invest money more effectively than they can themselves.
- Help achieve the comfortable retirement they desire.
- Help grow and manage wealth efficiently.

GPS navigators tend to be highly educated individuals building wealth for their family

- Generally older, although can be quite spread throughout age groups.
- Majority still working.
- Tend to have children still living at home.
- Tend to be the most educated group, with a significant proportion obtaining post-graduate qualifications.
- Tend to have average to high income and generally have the largest investment portfolios.

They are financially engaged and literate but worried about future returns

GPS navigators are looking towards their financial future. They are engaged and financially literate but still worry about their investment returns, specifically whether they will have enough to fund their desired retirement.

They tend to:

- Be reasonably or extremely confident about making financial decisions.
- Look to their emergency funds in case of sudden expenses.
- Worry about money sometimes.
- Agree that preparing for retirement adds to the financial stress they are under.
- Agree that they are not on track for their dream retirement.
- Believe that there may be a chance that they will need to work past retirement age.

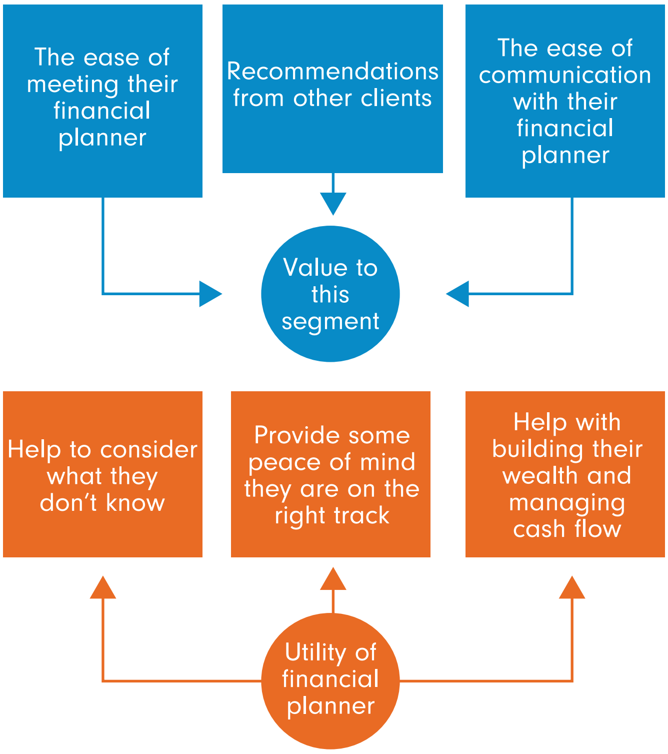
They have a short to medium-term relationship with their adviser

They tend to:

- Do regular financial reviews to ensure they are making the most of their money.
- Use their adviser for high-level advice and as a critical source of information and decision-making support.
- Be satisfied with their financial adviser meeting their expectations.
- Continue the relationship with their adviser and are unlikely to consider switching advisers.
- Have moderately frequent contact with their adviser, preferring their contact to be quarterly or every six months.
- Prefer to talk to their adviser in person.

Radio navigators

Look to financial advisers to build rapport and see this as integral to the advice experience. Require more intuitive guidance, with human interaction.



Just over one in 10 (11.4%) clients may be classified as Radio navigators. They are generally younger individuals who have average to high disposable income. They are typically independent and are less likely than the general population to have children. These individuals find value in:

- Ease of meeting their financial adviser.
- Recommendations from other clients.
- Ease of communication with their financial adviser.

Radio navigators value the rapport and ease of communication between themselves and their adviser to drive the financial advice experience.

They typically use financial advisers to:

- Help consider what they don't know.
- Provide some peace of mind they are on the right track.
- Help with building their wealth.
- Help manage cashflow.

Radio navigators tend to be young, independent individuals with disposable income

- Tend to be younger.
- Most likely of all the segments to be male.
- Almost all are currently working.
- Tend not to have children, and a significant proportion also live alone.
- Tend to have mid to high income but will usually have smaller investment portfolios, likely a factor of age.

Engaged but unsure about the optimal financial strategies

Radio navigators have high financial engagement but may not necessarily have an equivalent level of financial literacy. They have high disposable income but may not know the best thing to do with their money.

They tend to:

- Be confident about making financial decisions.
- Worry regularly about money.
- Have had financial issues affecting physical health, mental health and relationships.
- Believe that they will be working past retirement age and are stressed about what to do about retirement.

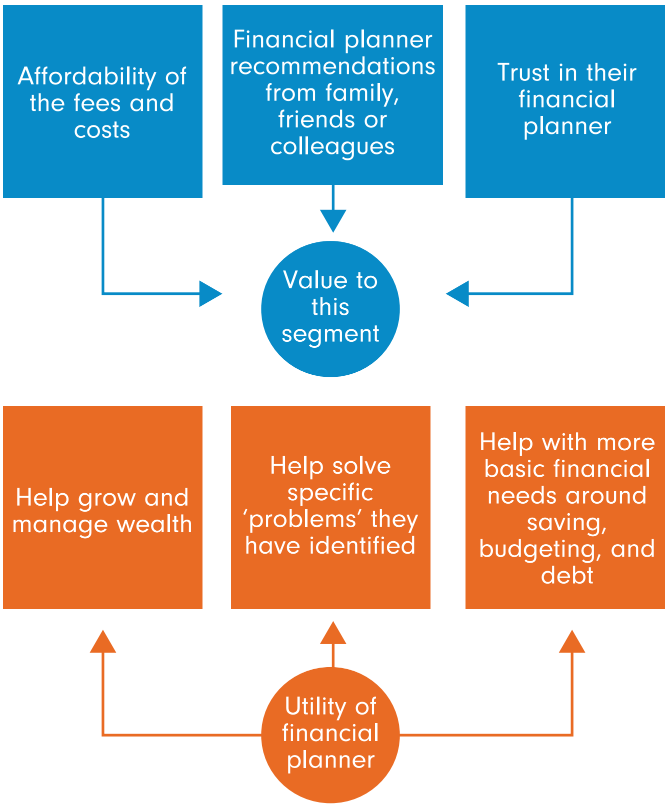
They have a medium-term relationship with their adviser

They tend to:

- Be human-focused, driven by finding an adviser they can relate to, get along with easily and who 'fits' them.
- Have some unmet expectations because they may be still searching for 'Mr or Ms Right'.
- Partially rely on advisers to explain and provide options as they have an idea of what they want and are using the advisers for reassurance.
- Consult their adviser for most or all of their financial decisions.
- Have the most frequent contact with their adviser, preferring their contact quarterly or more frequently.
- Prefer to talk to their adviser in person.

Compass navigators

Look to financial advisers to make advice low-cost and accessible. Want to be pointed in the right direction.



Between one in six and one in seven (15.7%) clients may be classified as Compass navigators. They are generally younger individuals who have restricted budgets. A significant proportion live with others to help reduce living expenses and are less likely than the general population to have children. These individuals find value in:

- Affordability of fees and costs.
- Financial adviser recommendations from family, friends or colleagues.
- A financial adviser they feel they can trust.

Compass navigators look for the cheapest advice that will meet their needs. They are less sure about how to assess the value of advice, so they fall back on fees and trusted recommendations as key evaluation criteria. They have identified a need to seek advice but front of mind is whether they can justify paying for it given their modest savings and lack of complexity in financial affairs and needs.

They typically use financial advisers to:

- Help grow and manage wealth.
- Help solve specific 'problems' they may have identified.
- Help with more basic financial needs around saving, budgeting and debt.

Compass navigators tend to be younger individuals with a budget-conscious lifestyle

- Tend to be younger.
- Majority still working.
- Generally will have dependants but a large proportion do live in shared households (for example, room-mates, siblings, parents).
- Highly educated, with a bachelor's degree being the most likely tertiary qualification.
- Tend to have average to low income and similarly have smaller investment portfolios than the other groups.

They are engaged but unsure about the optimal financial strategies

Compass navigators are typically reasonably engaged and literate. Their financial advice evaluation is often driven by price as, typically, they are the least wealthy segment.

They tend to:

- Not plan for emergencies, possibly driven by having the least wealth.
- Rely on family and friends in case of an emergency.
- Worry about money.
- Have financial issues likely to affect physical health, mental health and relationships.
- Feel the least prepared for retirement and admit that they might need to work past retirement age.

They have short-term relationships with financial advisers

They tend to:

- Focus on price as a key factor and are willing to switch advisers if they can get the same value at a more affordable price.
- Not rely on financial advisers for all of their financial decisions.
- Have a short-term transactional relationship with their adviser.
- Only consult for some financial decisions which may be driven by the cost of advice.
- Readily consider switching advisers.
- Have moderately frequent contact with their adviser, preferring their contact to be quarterly or every six months.
- Prefer talking to advisers on the phone to resolve specific 'problems'.

How to articulate an advice offer

First impressions last and lasting relationships are based on mutual trust and respect. A strong bond between adviser and client depends on quickly and accurately recognising what's really important to the client and reflecting that in all interactions.

Experienced financial advisers know there are ways of communicating and interacting with clients that work well and ways that work less well. All segments of clients respond positively to certain adviser behaviours, including:

- Actively listening.
- Asking questions to uncover any underlying emotional needs and goals.
- Demonstrating understanding of their needs and goals.
- Considering the client's own ideas and plans in discussing strategies.

Fidelity International's Financial Advice Survey finds that overall client satisfaction is driven by four main issues:

- Proactivity in following up with clients after a meeting.
- Overall standards of communications with clients.
- The performance of investments over the previous 12 months.
- Putting the interests of the client first.

And the probability of a client continuing a relationship with an adviser is driven by three main issues:

- Overall standard of communication with clients.
- Value of services.
- How easy an adviser is to understand.

Each of these factors can be reinforced by recognising the relevant client segment and tailoring communications, services and actions accordingly.

Even though there has been considerable focus in recent years on the education, professional and ethical standards of advisers, clients seeking advice regard qualifications and technical competence as hygiene factors.

However, there are subtle differences between the client segments in how they evaluate an adviser's competence and qualifications. Radio and Compass navigators are likely to be less focused on the details and to fall back on more qualitative tick-the-box assessments. Celestial navigators are most likely to engage in the detail of an adviser's qualifications and education. GPS navigators are focused more on the evidence of results.

In any discussion of qualifications and competence, advisers should be wary of overwhelming clients by focusing on previous achievements. Qualifications, education and competence are, after all, only a means to an end, namely delivering high-quality advice. Qualifications and education standards are only of interest to any client segment insofar as they can help a client achieve their goals.

The four client segments identified in the Fidelity Financial Advice Survey respond best to other actions and approaches. Once an adviser has identified which segment a client falls into, there are a number of ways they can build rapport and develop trust and confidence, as outlined on page 24.

Celestial navigators

Advisers should:

- Actively listen and act as a sounding board for client ideas and plans.
- Demonstrate relevant knowledge and expertise, particularly for more complex needs.
- Be available when the client requires contact and wishes to discuss ideas and plans.

GPS navigators

Advisers should:

- Discuss holistic wealth strategies.
- Disclose fees and costs clearly and proactively.
- Disclose investment returns openly, honestly and proactively.
- Make it clear and easy to check fees and returns.
- Conduct regular reviews to check in with the client (eg quarterly or six-monthly).

Radio navigators

Advisers should:

- Take the lead in discussing holistic strategies.
- Provide education on recommended strategies.
- Provide assurances that the client is on the right track/will be on the right track.
- Get to know clients well to build personal rapport.
- Be available when the client contacts them with concerns and questions, be easy to meet.

Compass navigators

Advisers should:

- Disclose fees and costs clearly and proactively.
- Make it clear and easy to check fees.
- Discuss basic, limited or specific needs only.
- Uncover other potential needs and proactively discuss other services.

How to talk to clients

Understanding the individual who walks through the door is the first and really important step in making sure an adviser builds effective rapport and lasting trust.

Many advisers have a story to tell about the unassuming individual who walks into their office and turns out to be a multi-millionaire, becoming one of the adviser's best and most loyal clients. The segment into which a client falls isn't always immediately obvious.

An essential part of an adviser's skill set is the ability to ask the right questions to size up a client and determine the best way to engage with them. Each of the client segments identified in this report has a particular set of characteristics. How they answer particular questions, or express their requirements of a financial adviser, provide strong clues as to which segment they most likely fit into.

Questions to ask to identify clients from each segment

1. What stage of life is the client currently navigating?
2. What is the client's level of income or wealth?
3. What kind of financial adviser relationship is the client looking for?
4. What is the client's degree of financial literacy?
5. What kind of financial worries does the client have?

What to look for in the answers

Celestial navigators

1. Celestial navigators tend to be older, with plenty of life experience. Expect this segment to be in the later stages of working life and on the home stretch to retirement, or to at least have retirement on their mind. It is very unlikely that they will have any dependants – their children, if any, will have left home quite some time ago, and they are well past the starting-a-family stage of life. Being well-equipped for their personal retirement expectations is the most common objective for Celestial navigators.
2. This segment is generally reasonably affluent. They tend to have only average incomes, a healthy combined household income and substantial investment portfolio or assets. They have had the advantage of time to accumulate their wealth over many years.
3. Celestial navigators are looking for a financial adviser who has the capability to deal with more complex financial affairs. They want someone they know they can rely on and trust, as they will most likely look to use their adviser as a key source of financial information.
4. This segment has a strong level of financial literacy, so expect more advanced enquiries from the client. They are engaged with their finances and are financially well-prepared. They look for expert assurances to back up some of the financial decisions they are already thinking about.
5. They do not typically worry very often about money. A common objective is to further strengthen an already healthy financial position to achieve their financial and personal goals.

GPS navigators

1. GPS navigators tend to be middle-aged or older and perhaps not yet on the home stretch to retirement. Many of them have dependants, whether it be their partner, children or other family members. They are typically past the early stages of starting a family and have the financial means to live quite comfortably. They are getting older and see the need to strengthen their wealth to ensure financial security for themselves and their family in the future. A common objective of GPS navigators is to see improved returns on their money.
2. This segment tends to be the wealthiest in terms of investable assets. They generally have average to high incomes and have skilled job roles, as they are the most educated group and have gained considerable experience through age.
3. GPS navigators are looking to make the most of their financial adviser. They want regular and insightful reviews to ensure that their investments are on track. They have an idea of what they want and will likely float their own ideas and seek validation. They will utilise everything at their disposal in order to maximise their returns.
4. GPS navigators exhibit strong financial literacy. They have good knowledge on financial matters and have a good idea of what they are after. It's the financial adviser's role to validate their ideas and, when possible, suggest more advantageous strategies to maximise returns and minimise unnecessary costs.
5. GPS navigators are often worried about returns and fees and whether they will have enough for the future. They regularly seek advice to ensure they are making the most of their money.

Radio navigators

1. Radio navigators tend to be younger individuals who do not have any dependants and live alone. They are likely more career-oriented people, who have had a moderate amount of experience in the workforce. Retirement is far from their minds. There may not be a 'most common goal' for Radio navigators; it depends heavily on the individual. Goals could vary from settling down and starting a family to going on a dream holiday.
2. This segment earns high incomes but has relatively lower levels of investable assets. They have not had the benefit of time to build up their wealth. They have large disposable incomes which is typically due to the fact they do not have families to support.
3. Radio navigators are looking for a financial adviser to guide their financial journey through an uncertain or fast-changing period in their lives. They desire a strong rapport with their adviser who 'fits' their personal needs. Until they find the right adviser, they will likely be feeling unsatisfied and be open to switching advisers if they do not feel it's the right fit.
4. This segment tends to be low in financial literacy. They are engaged in their finances and recognise that they should be doing something with their money but may not have the financial acumen to do it themselves.
5. Radio navigators regularly worry about money. They are uncertain about their current financial situation and are aware that financial troubles will impact other aspects of their lives such as their healthand relationships if they do not act. They look to be guided on their financial journey to ease their worries and ensure that they will be financially healthy.

Compass navigators

1. Compass navigators tend to be young individuals whose lifestyles are restricted by their budget. They are typically nearer to the start of their careers and have limited workplace experience. These individuals are most likely to be living in shared accommodation to reduce expenses and are unlikely to have dependants.
2. Compass navigators have low disposable income and low investment portfolio values. These are young individuals at the beginning of their careers with fewer assets than the other segments.
3. Compass navigators are primarily driven by the cost of financial advice. They want to use advisers as a professional source of financial information but are willing to supplement this with recommendations from trusted people in their lives, including family and friends. They tend to have an ad-hoc relationship with advisers and will seek advice that is typically transactional.
4. They are reasonably financially engaged and literate, and will seek advice that is within their means. Often price and the value of their investable assets will dictate the type or amount of advice that they seek.
5. Compass navigators often worry about money and generally do not have any back-up plans in case of financial emergencies. They will commonly rely on family and friends in case of emergencies. They have many worries regarding health and relationships, specifically arising from financial issues.

Making advice relevant

Understanding what the client values ensures the advice offered is relevant and therefore more likely to be acted upon.

Different people seek advice for different reasons and respond favourably to different aspects of a financial advice offer. This report has identified four common client segments, based on personality types, perceptions of value and attitudes towards money and finances.

A value proposition aimed at any of the segments must be structured to contain the elements that appeal to each segment and be presented to the individual in the right way, in all communications and face-to-face meetings.

Critically, an adviser must position themselves personally as being the right adviser for the individual concerned. Based on what the Fidelity's Financial Advice Survey has revealed about the four client segments, there are specific ways advisers can present themselves to clients:

Celestial navigators

- I'll be your trusted expert validator, there when you need me.

GPS navigators

- I'll deliver valuable advice to help you reach your investment goals and needs.

Radio navigators

- I'll be your trusted advice partner for life.

Compass navigators

- I'll provide the right advice for you at the right price.

Positioning financial advice, and improving financial wellbeing as an integral aspect of improving an individual's overall wellbeing, is an approach that will resonate with all segments of clients identified in the survey.

The financial benefits of financial advice are well understood and are reinforced by the research underpinning this report. The benefits for each segment are positioned accordingly to support the development of effective service offerings.

The benefits of financial advice extend further than solely financial – to greater peace of mind, a sense of control and confidence, and lower levels of stress and worry about financial issues. Addressing financial wellbeing is a critical component of improving people's overall wellbeing.

The client segments identified in the survey respond to the benefits of financial advice to varying degrees. Where a segment responds less positively to a particular benefit or tends to feel the effect of the benefit less, advisers should not ignore it. Instead, they may usefully emphasise other benefits of advice, to which the segment is more naturally inclined to respond positively.

Perceptions and attitudes to look out for within the four navigtion styles:

Financial peace of mind

The overwhelming majority of Australians feel greater peace of mind after receiving financial advice. However, advisers should recognise that fewer Radio navigators will tend to feel this when compared with the other segments.

Control over their financial situation

Greater control was felt most by Radio navigators, with almost all (95.6%) feeling this way having received financial advice. This segment has a natural tendency to feel more in control after consulting a professional adviser. However, advisers should recognise that GPS navigators are the most likely of the segments to not feel advice has increased control of their financial situation, possibly driven by their focus on investment returns.

Confidence in making financial decisions

Relatively few GPS navigators felt greater confidence in making financial decisions when compared with the other segments. Conversely, Radio navigators tend to exhibit the greatest confidence in making financial decisions after receiving financial advice.

Living their desired lifestyle

Generally, around three quarters of advised Australians believe that advice allows them to live their desired lifestyle. More Celestial navigators believe that financial advice allows them to live their desired lifestyle than those in other segments, while Radio navigators are the segment with the lowest proportion of people who believe this.

Financial worries and stress

As mentioned earlier in this report, financial worries and stress are diminished when an individual receives quality financial advice. However, Compass navigators tend to feel more worries and stress, possibly driven by their demographics (younger, lower income, fewer assets) but also the nature of their preferred advice relationship. They tend to be more transactional and their financial issues may not all be dealt with effectively due to budgetary constraints.

Understanding of how to live within their means

Clearer understanding of how to live within financial means is reported by individuals across all segments but is relatively higher among Compass navigators, where a greater proportion of people agree with this statement. Advisers should be aware that this is a significant driver of value for Compass navigators as they tend to seek advice in order to make the most of what they have.

Achieving their financial goals

This is relevant for all Australians seeking advice. Advisers should be aware that Celestial navigators tend to see slightly more value in achieving financial goals when compared with the other segments. Advisers should focus on helping with more complex financial issues and the aspects of achieving goals that Celestial navigators cannot perform themselves.

Achieving their personal goals

Again, advice is extremely relevant for all Australians looking to achieve their personal goals. Advisers need to be aware that Radio navigators perceive more value in achieving personal goals as they are driven by emotive issues as opposed to hard numbers. On the other hand, Compass navigators place less emphasis on personal goals. It would be more beneficial as their adviser to place more empahsis on achieving financial goals, due to limited advice budgets.

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