CORE DATA

NEW MODEL ADVISER - AUGUST 2019

ABOUT US

CoreData Research is a global specialist financial services research and strategy consultancy, founded in 2002 and headquartered in Australia, with operations in Sydney, Perth, London, Boston and Manila.

It provides clients with bespoke and syndicated research services through a variety of data collection strategies and methodologies, along with consulting and research, database hosting and outsourcing services.

CoreData provides both business-to-business and business to-consumer research, while the group's offering includes market intelligence, guidance on strategic positioning, methods for developing new business, advice on operational marketing and other consulting services.

GLOBAL PRESENCE, LOCAL FOCUS

THE TRANSFER OF WEALTH

BABY BOOMERS ARE TWICE AS LIKELY TO BE RICH

2 per cent of baby boomers are high net worth baby boomers, while 1 per cent of total population are HNWI

Wealthy baby boomers

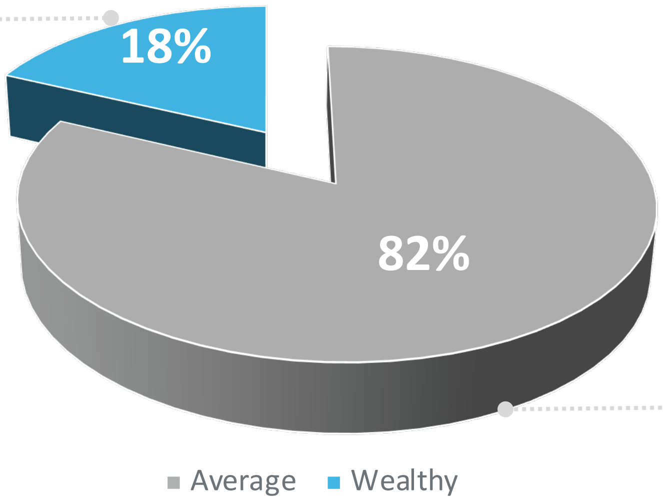
$600 billion total assets

Approx. number of individuals passing on wealth: **78,300**

Average Net Investable Asset per such individual: **$2.6 million**

$3.9 Trillion

Total inter-generational wealth



Average baby boomers

$3.3 trillion total assets

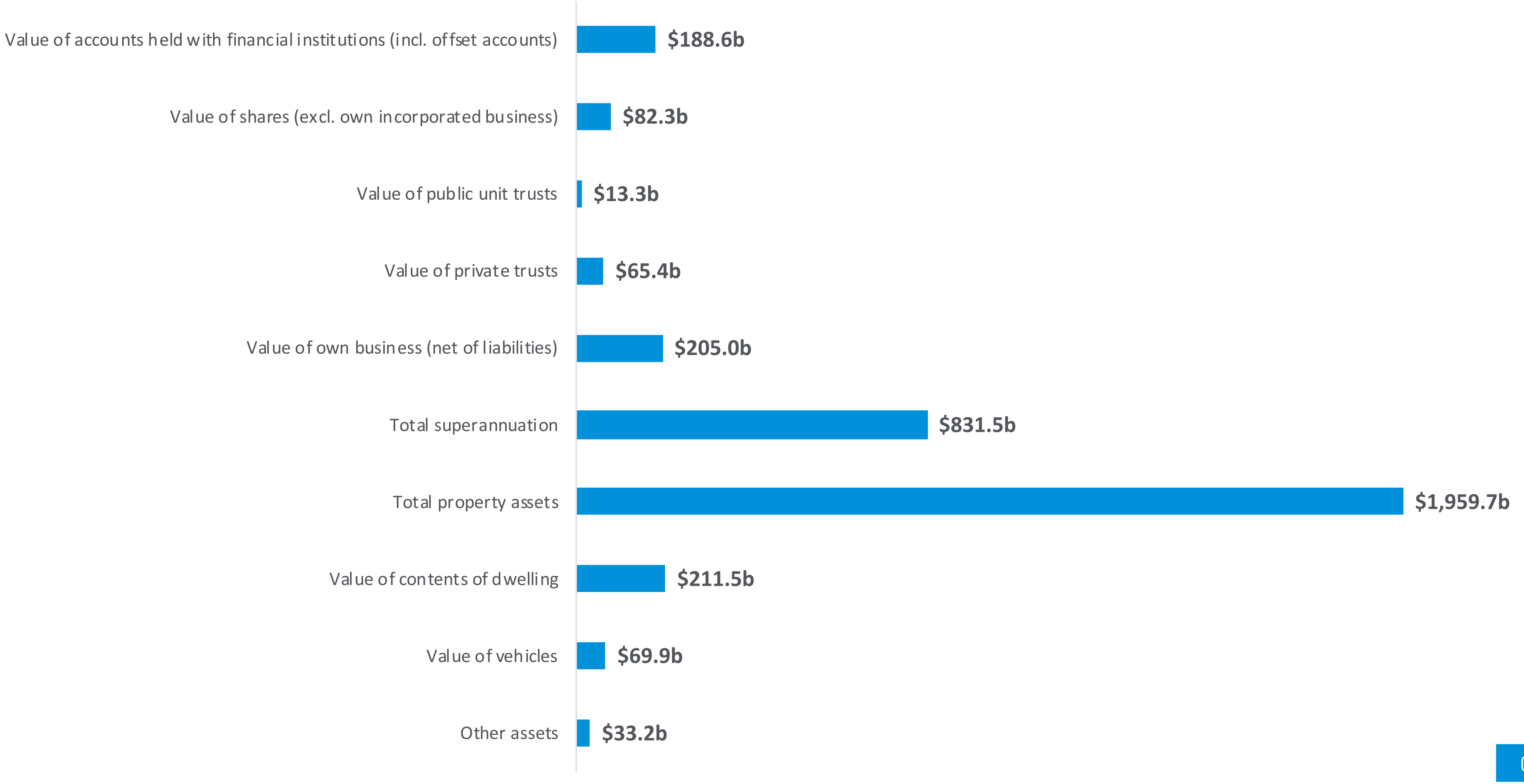
Approx. number of individuals passing on wealth: **4 million**

Average Net Investable Asset per individual : **$400,000**

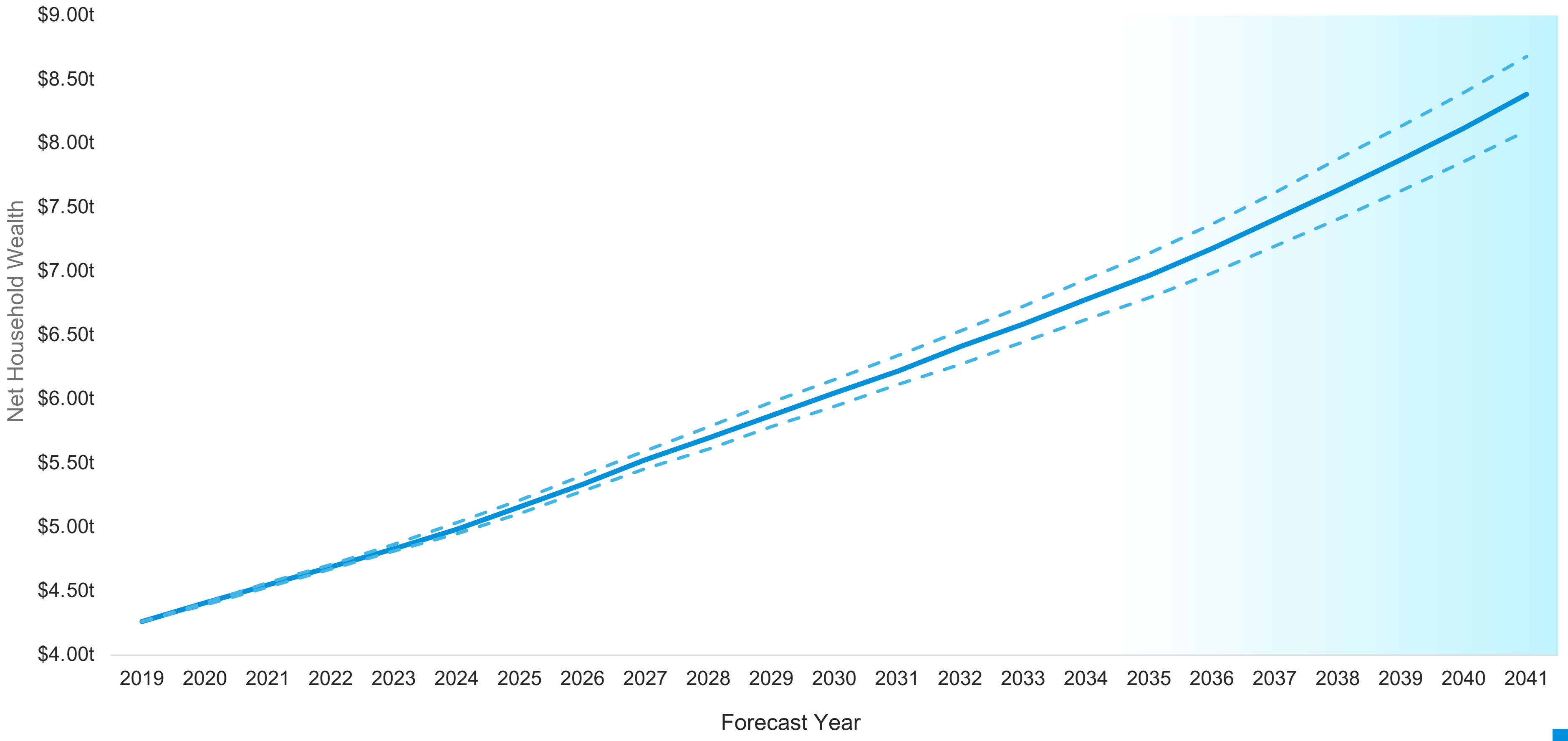
WHICH SEGMENT DO YOU PLAY IN?

Age	15-24	25-34	35-44	45-54	55-64	65-74	75+
Mean net household wealth	$121.5k	$334.0k	$678.4k	$1,220.7k	$1,374.6k	$1,396.7k	$1,088.9k
Total net wealth	$185b	$596b	$1,074b	$1,834b	$1,887b	$1,490b	$888b
National wealth	2.3%	7.5%	13.5%	23.1%	23.7%	18.7%	11.2%
Population	12.8%	15.0%	13.3%	12.6%	11.5%	9.0%	6.9%

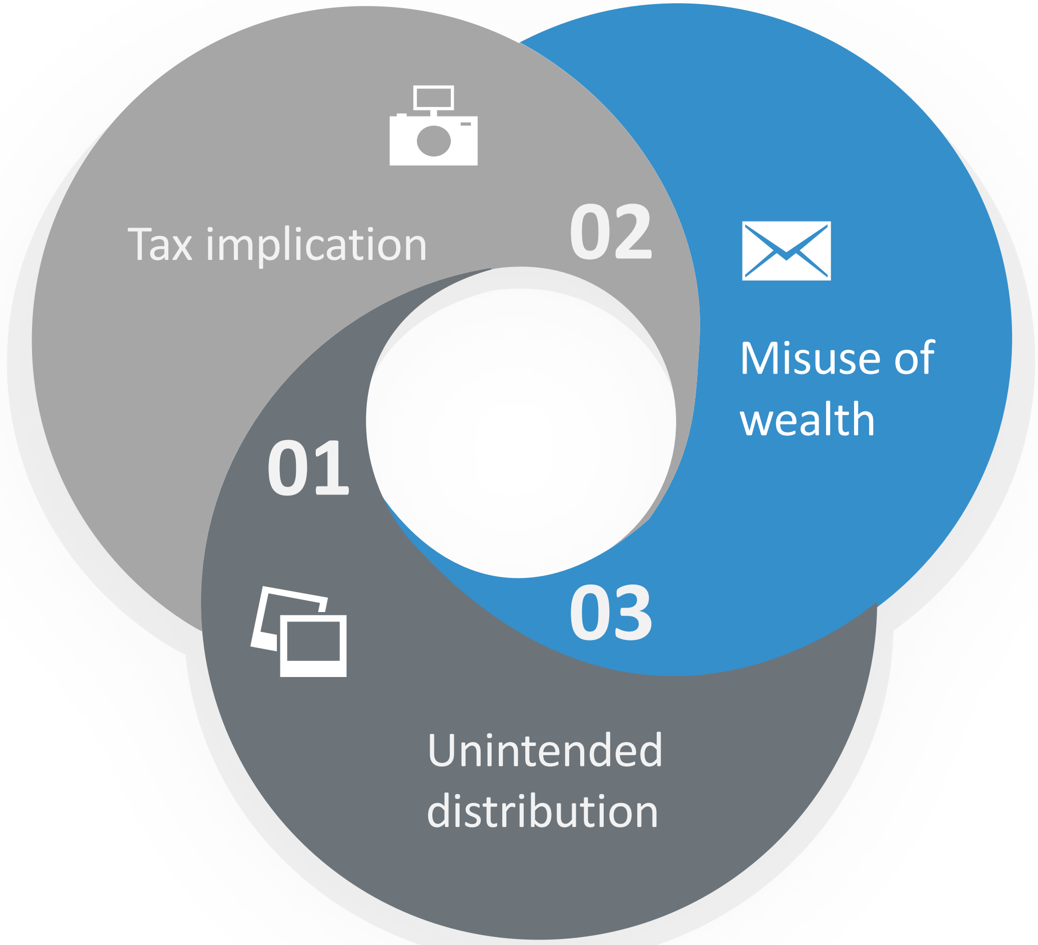
THE ASSETS IN PLAY



THE PACE OF CHANGE



THE TOP FEARS OF THE RETIRING RICH



Start the conversation now

NEW MODELS OF ADVICE

HNW PRACTICE MODEL

- Private client service
- Typically larger revenue business – turnover of $1million +
- Small number of clients relative to traditional financial planners – can be 50 to 100
- Clients generally have either high income or larger asset base
- Mix of ongoing and transactional revenue – transactional revenue can still make up a significant portion of total revenue
  - Broking/trade fees, IPO placement fees etc.
  - Very little insurance revenue due to type of client
  - Ongoing advice fees charged through chosen platform
- Full service suite - debt, insurance, estate planning
- Facilitates other services, i.e. legal services
- Bespoke investment offer
- Focus on sophisticated and private investment offer – IPOs, structured products, some private equity offers
- Many aligned to premium brand, i.e. Investment banks or accounting Brands
- Typically lower age than traditional planners
- Many have investment banking background - or within private banks

LARGE CORPORATE FINANCIAL PLANNING BUSINESS

- A lot of legacy attached to these business
- Usually represent larger turnover practices of $1-1.5 Million and above revenue
- Large number of clients that the practice has on its books – Many 1000+ clients
- Large Pension book – lots of retiree clients with FUM flows out with pension payments
- Usually a couple of main principles who have been in the business for a long time
- Some junior equity owners but not voters or contributors to strategy currently
- A couple of key advisers and then a number of client service managers
- Large amount of infrastructure and people support
- Full office structure
- Employed planners
- Large corporate offices

- Grown out of traditional large institutional licensees - many may now be own AFSL
- Many do not have a defined succession plan or proper valuation model.
- Fragmented client base with many variations in types of clients
- Can have fragmented fee models
- If properly corporatised then have centralised and controllable fee models
- Can have fragmented advice delivery
- Significant investment in advice process and technology
- In house resources to support advice preparation and delivery

SMALL, ONE- TO TWO-PERSON PRACTICE

- Significant portion of advice market; genesis was the traditional life insurance adviser
- Can have very large number of clients on books – 500 to 1000 or more
- Can vary significantly in turnover – $100k to 350K, 350K right up to $1m+
- Large amount of book still in traditional products – generating grandfathered commission
- Much smaller portion of the client base on ongoing advice
- Clients post-FOFA (July 2013) are on ongoing service agreements, but all other clients on old agreements.
- Limited investment in technology
- Limited resourcing in office – significant tasks outsourced
- Basic investment philosophy
- Limited predominantly to one platform – but many insurers
- Significant key person dependency – typically large family involvement
- Limited referral relationships of strategic alliances
- Generally no succession plan in place
- Education levels tend to be lower, with challenges mounting as they head towards 2024
- Many advisers in this space will not make the 2024 education standards deadline
- Generally low overheads - high profitability in many cases until removal of grandfathered revenue

LARGE SALARIED NETWORKS

- Traditionally the domain of large banks and institutions
- Significant changes in this space - exit of two banks
- Historically larger number of Planners in operation
- Client focus is differs depending on segment
  - Banks: largely mass-market
  - Do have segments of Premium and more HNW operations, i.e. Perpetual
- Historically large focus on new business acquisition
- Significant vertical integration
- Typically one institution platform and limited Insurance differences
- Provide referral as part of model
- Bring significant number of new planners to industry
- Industry Super Funds growth in this segment
  - No a strong belief in advice, yet
  - Retention play for large pension clients potentially leaving the fund

MASS-MARKET, TECHNOLOGY-BASED , SCALED ADVICE OFFER (FUTURE MODEL)

- Future business model – not many offers in the space currently
- Banks have tried to play in this space but largely unsuccessful
- Relies heavily on technology which in large parts can’t support process
- Robo trying to play in this space but does not provide advice rather investment choices
- Needs very efficient advice process
- Requires efficient reg -tech support
- Compliance around documentation critical
    - Most general advice delivery
    - Where limited personal advice documentation can be difficult
    - Finding qualified people is difficult
- Requires largely digital interaction and phone based advice
- Difficult in capturing goals of clients and modelling to them
- Appeals to the mass market low value client - relies on scale for profitability.

FOUR BROAD FEE MODELS

Fee for advice

- This model is a set/fixed fee that is charged to the client for all services:
- Plan preparation
- Implementation
- Ongoing flat dollar fixed fee
- Quite often have an hourly rate for any extra work required
- All Insurance Commission rebated

Commission and product payments

- Large portion of grandfathered revenue from traditional books - smaller percentage of ongoing advice clients
- Large portion of revenue generated from insurance commissions - pressured by drop in life insurance commission rates
- Often no plan or implementation fee charged - make money from insurance commission.

Fixed initial fee plus percentage of funds under management

- Set charge for plan preparation and implementation
- Percentage of FUM that the advice is charged on (anywhere between 0.5 and 1.1 per cent)
- Will generally keep insurance commission if included in the advice
- May still have some grandfathered revenue on pre-FOFA clients

Broking/transactional

- Percentage of the trade made in commission (sometimes agreed flat fee)
- IPO and finance/debt raising issues - commission payments
- Very little ongoing advice as mostly driven out of transactions

ADVICE FEE MODELS

Current state

Four broad models

1. Pure fee-for-service
2. Fixed initial plus % of FUM for ongoing advice
3. Commission plus product payments
4. Broking/transactional

1 to 3 Years

Trends:

1. Move away from asset or % of FUM
2. Trend towards flat fee for initial and ongoing advice
3. De-linking of product and advice payments
4. Focus on client choice for fee model
5. Pay as you go emerging

3 to 5 years +

Future Model:

1. Predominantly a flat/fixed fee advice model
2. Fee collection for advice separate – fees paid by client
3. Likely that all forms of commission banned
4. Significant margin pressure addressed by technology

THE LICENSEE MODELS

LICENSEE FEE MODELS

Model 1	Model 2	Model 3
High Cost: **$80k per AR and up**	**Medium Cost:** **$40 - $55k per AR**	**Low Cost :** **$25 - $35k per AR**
Prices “for risk” Full service Offers capital keel Tight controls	Medium service No capital keel Tight(ish) controls Menu of services	Low service No capital keel Limited controls Menu of services

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