

Q1

2023

# Adviser Musical Chairs Report

Industry research on financial adviser and licensee movement

This research report offers insights that will help key market players, such as fund managers, super funds, life insurers, platform and software providers, to identify key focus areas to improve sales and marketing strategies. The financial planning and investment advice industry has undergone significant changes over the past five years with the implementation of the Future of Financial Advice (FOFA) reforms and the creation of the Financial Adviser Standards and Ethics Authority (FASEA). More recently, the introduction of the new FASEA requirements on education and professional standards for financial advisers and the Royal Commission into misconduct in the banking, superannuation and financial services industry changed the industry dynamics substantially. Financial advisers continuously enter and exit the industry, as well as switch from one licensee to another. This report shows some of Adviser Ratings analysis and insight into these movements, for the benefit of those providing products and services to the industry.



## Key Findings

+ 24

Number of advisers by which universe increased during Q1 2023.

 90

Number of new entrants to the profession this quarter.

 65%

Proportion of advisers who are privately-licensed.

 97%

Percentage of Association of Financial Advisers and Financial Planning Association members who voted for a merger.

 \$1,500

The cost to sit the financial adviser exam in 2023.

## Industry overview

After several years of upheaval, there are early signs the 2023 calendar year may bring renewal for financial advisers. The Quality of Advice review findings have been made public, including several recommendations to ease the compliance and cost burden the industry faces. While we await the final word from the Federal Government, the Assistant Treasurer’s office is also consulting on its promised changes to how experienced advisers are recognised under education standards. In an election promise, the now-government said advisers with 10 years’ experience and a clean record would be deemed qualified under new legislation.

Adviser numbers went up this quarter, for the first time in five years. There were fewer than 300 departures across Q1 and once we factor in new arrivals and previously ceased advisers who have returned, the net number is positive. It represents a new record minimum in number of advisers leaving the industry on a quarterly basis. This follows a relatively quiet Q4, 2022, with the remaining advisers who had failed the exam making their exit earlier in the year. It means we’re starting to see stability in adviser numbers. We’re still seeing a slight lift in the number of new entrants, but as we’ve said previously, much more work is needed to bring career starters into the profession.

After years of speculation, Australia’s two peak advice associations – the Financial Planning Association and the Association of Financial Advisers – merged during the first quarter. They’ll now be known as the Financial Advice Association of Australia and say they’ll be a stronger advocate in Canberra representing over 50 percent of all active advisers.

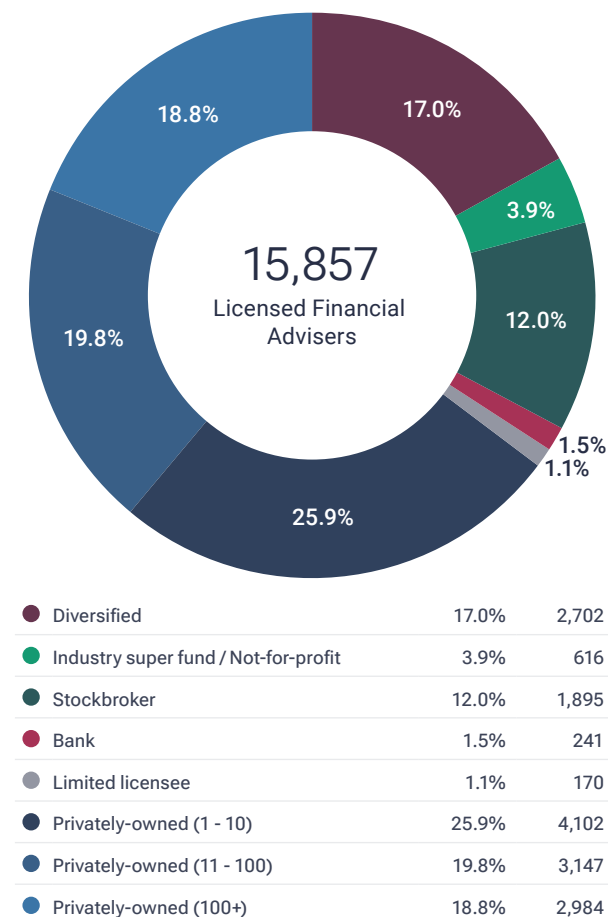
Advisers tell us they spent the first few months of the year helping clients navigate slightly treacherous financial waters. The combination of rising interest rates, turbulent markets and inflation was dominating the news cycle and some client conversations. We expect this to be a recurrent theme for much of the year, even if the Reserve Bank puts the lid on further rate rises.

While data from our latest Australian Financial Advice Landscape Report 2023 shows advisers took a conservative approach to fee rises last year, we expect that to change in the coming 12 months. With inflation bumping up supplier costs, more than nine-in-10 advisers have told us a further fee hike is on the cards.

*Adviser numbers increased this quarter, for the first time since 2018.*

## Industry overview Q1, 2023

Source: Adviser Ratings



## Adviser movements

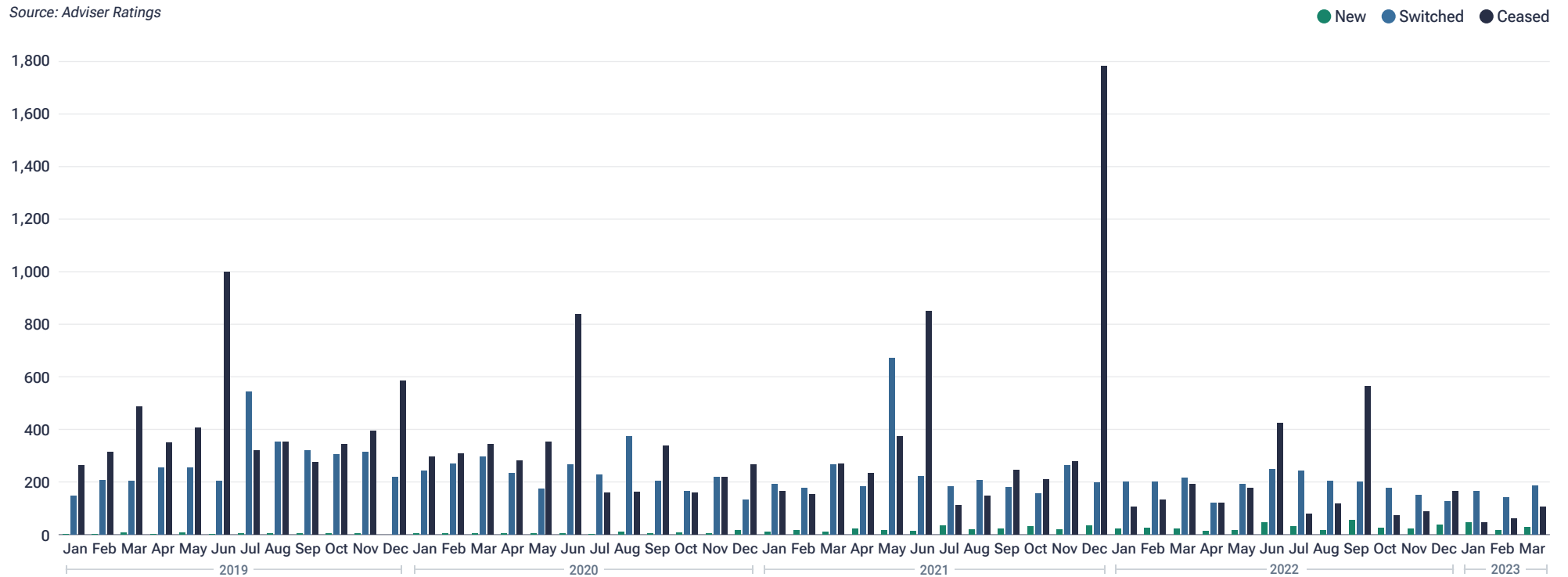
With fewer adviser departures, the gap between entering and exiting advisers is narrowing. This quarter, 90 advisers joined the profession, while just over 200 became “ceased”. In other words, there is almost one new entrant for every two exits. What a significant change. To put that into context, just two

years ago, there was one arrival for every 30 exits. For licensees, it has meant relatively little change to the landscape. There was a slight drop in the number of diversified-licensee advisers, with gains in the boutique, privately-owned market segment. The yearly picture looks a little bit starker for

some segments: Limited licensees and banks lost 47 per cent and 26 per cent of their advisers, respectively. Only small privately-owned practices had a gain in numbers across the past 12 months.

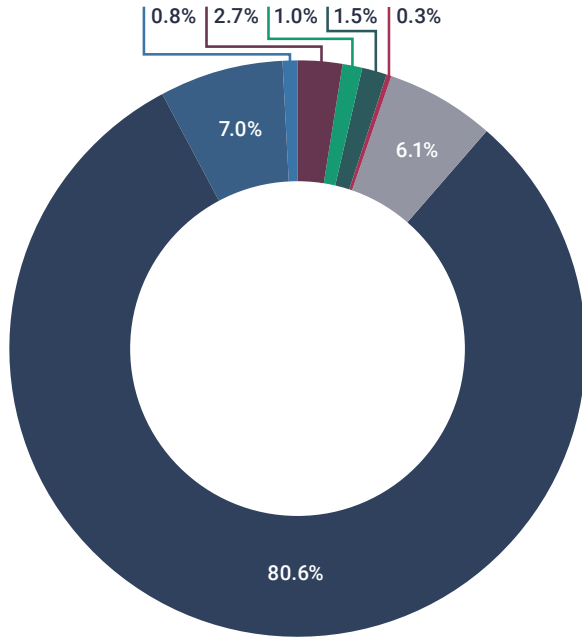
## Adviser movements by type

Source: Adviser Ratings



### Current licensee distribution by segment

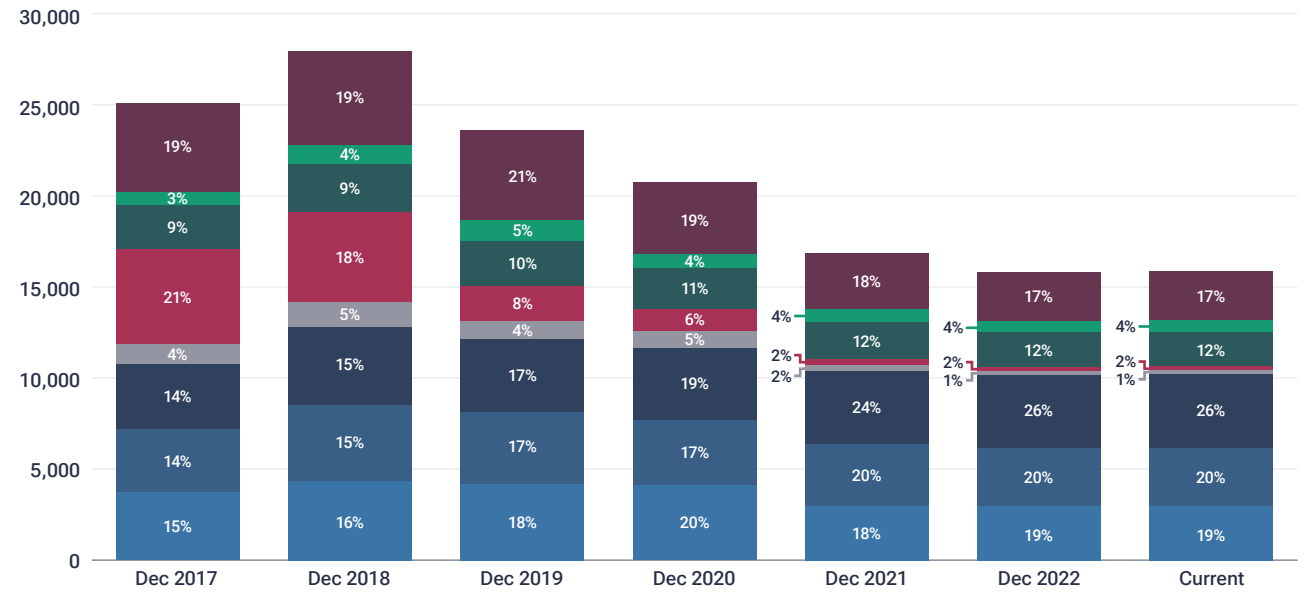
Source: Adviser Ratings



Diversified	2.7%	50
Industry super fund / Not-for-profit	1.0%	18
Stockbroker	1.5%	28
Bank	0.3%	5
Limited licensee	6.1%	112
Privately-owned (1 - 10)	80.6%	1,472
Privately-owned (11 - 100)	7.0%	127
Privately-owned (100+)	0.8%	14

### Change in number of advisers by licensee segment

Source: Adviser Ratings



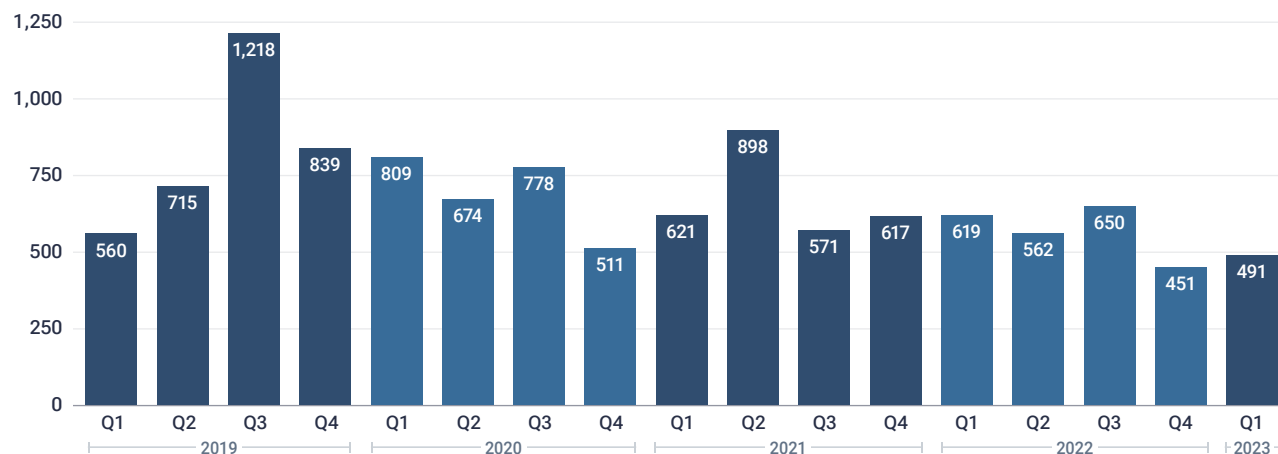
	Dec-17	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22	Current
Diversified	4,860	5,179	4,912	3,900	3,102	2,727	2,702
Industry super fund / Not-for-profit	753	1,050	1,191	808	665	610	616
Stockbroker	2,370	2,600	2,430	2,230	2,054	1,899	1,895
Bank	5,256	4,960	1,912	1,192	327	247	241
Limited licensee	1,104	1,385	1,013	940	320	172	170
Privately-owned (1 - 10)	3,531	4,295	4,017	3,956	4,014	4,052	4,102
Privately-owned (11 - 100)	3,477	4,143	3,932	3,588	3,380	3,152	3,147
Privately-owned (100+)	3,732	4,341	4,183	4,101	2,984	2,974	2,984

## Switching advisers

After a quiet Q4, 2022, there was a small jump in switching activity. Just under 500 advisers found a new licence, a relatively modest number for this time of the year. Traditionally, we've seen a rise in switching in the first quarter, as advisers settle into the new year and mark out their business and growth intentions for the next 12 months. We expect activity to pick up in the next two quarters, which are typically the busiest of the year for licensee switches.

## Switching advisers

Source: Adviser Ratings

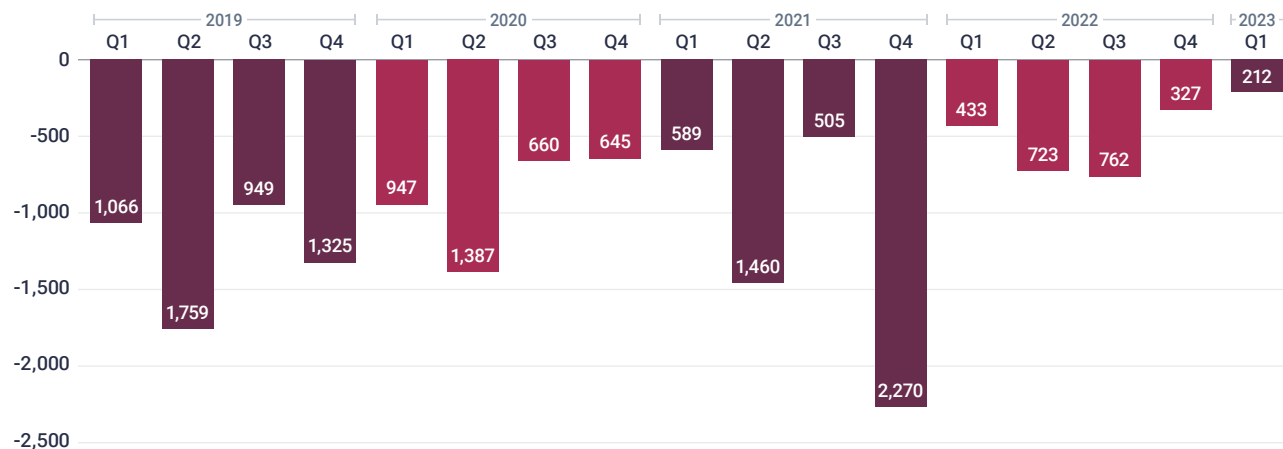


## Ceased advisers

The ceased adviser cohort was benign with only over 200 advisers deciding to leave the industry this quarter. This is half of what occurred during the same period of 2022 and 35% less compared to last quarter. We expect a continuation of relatively low number of ceased advisers given the waiting on the Quality of Advice Review and the experience pathway Draft Bill in consultation phase.

## Ceased advisers

Source: Adviser Ratings



## Special Feature:

### Key Insights from the 2023 Australian Financial Advice Landscape Report

Last month we released our 2023 Australian Financial Advice Landscape which gives a deep-dive into the current state of the financial advice industry. It includes research on consumers, advisers, advice businesses, platforms & business technology, and lastly, investment.



[Download the report](#)

## The Advice Business Landscape

Advice businesses have become more efficient and motivated to pursue new clients in the past year. Many have also lifted their revenue and profits, but vulnerabilities around succession planning have continued.

### Key findings

- Improving material process efficiencies is still the top priority for almost half of advice businesses.
- However, most practices say they are now on top of compliance, with a sharp year-on-year fall in the number of businesses seeking help in this area.
- More than one-in-three practices say they'll actively pursue new business in 2023, with most clear about the type of clients they'd like to recruit.
- Practices have invested more in advisers: The adviser-to-staff ratio has increased significantly, as businesses slightly reduced their spending on outsourced paraplanning.
- Around two-thirds of young businesses (<5 years old) don't have an up-to-date succession plan, compared to a third of more established businesses (>5 years old).

- Business revenue improved in 2022, with most practices lifting their revenue margin by five to 15 percent.
- Profitability is still a challenge for boutiques, with one-in-four solo practices reporting no profit. Almost two-thirds of larger businesses increased their profits by 20 percent or more.
- As markets challenge mum-and-dad investors, advisers are slightly changing how they invest. Managed accounts (off-the-shelf), managed funds (custom) and ESG look set to be the big winners.

### The advice market ecosystem

Source: ARdata



### Platforms

Investment platforms play a major role in the life of most advisers. The role of platforms has become an essential tool for most advisers, with more and more investment flow moving “on platform” as platforms have continued to evolve with the changing landscape, especially as it relates to advisers building their own product in the form of MDAs or custom managed funds.

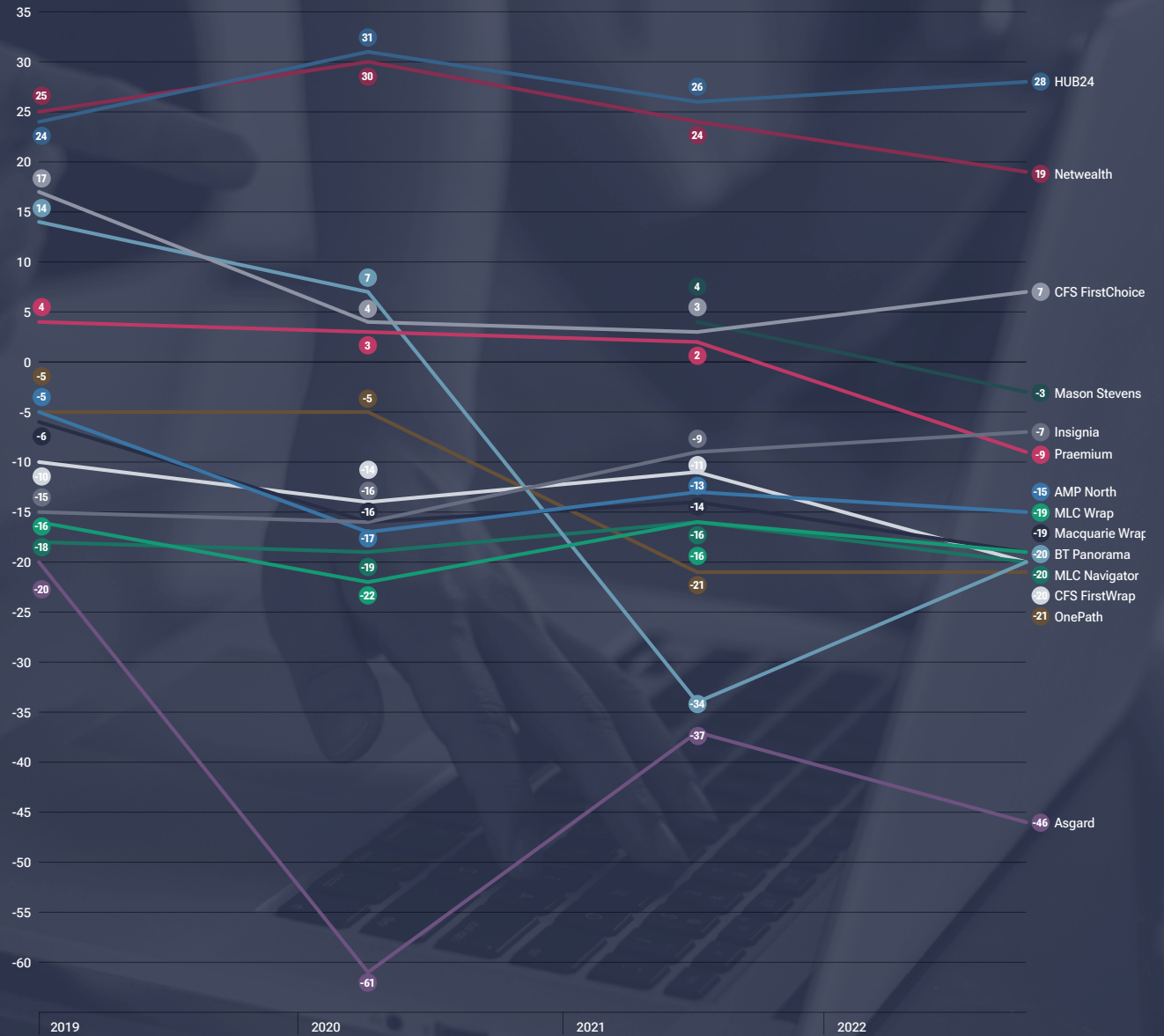
Hub24 took a leap forward in 2022 on the back of continuous improvement, with advisers mentioning functionality as key a leap forward for the platform, especially with improvements to advice fee consents.

BT Panorama is starting to move on from the BT Wrap migration, as is Insignia as it consolidates its multiple platforms. This was recognised by advisers in the survey conducted to end of Jan 2023.

CFS brings out its long awaited Edge platform in May, which should prompt even greater improvements across the highly competitive sectors. Continued investment in this space is a win for advisers and clients, as efficiencies and practice profitability remain in focus for 2023.

### Chart Right: Platform satisfaction (net promoter) scores 2019 - 2022

Source: ARdata Note: Bayesian statistical analysis applied across all years (n = 3,210 reviews, Sample period = Nov 22 - Jan 23)





### Software

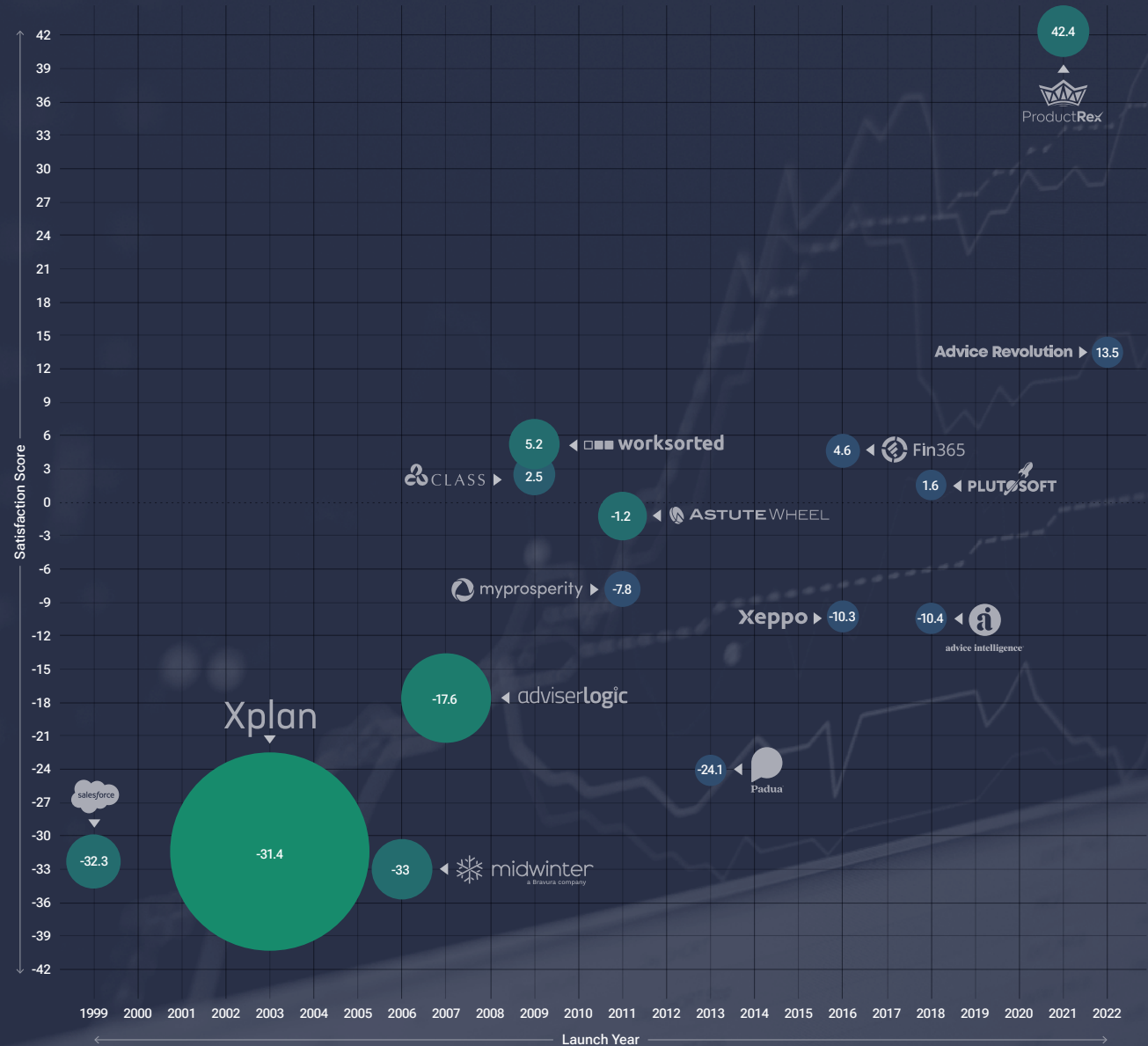
More than 30 software solutions were reviewed by more than 1,300 advisers, with 16 of these solutions achieving statistically relevant data. Whilst software solutions are comparably different, they all play their own role in delivering efficiencies for their users.

The standout software tool for 2022, capitalising on 2021, was ProductRex. The software solution is a dedicated system to handle all of advisers' superannuation and investment product recommendations. Its users commented on the ease of use of the platform, the agility and continuous enhancements, not to mention the fact it is free.

As highlighted in the chart, generally the newer providers earn favour from advisers, unencumbered by legacy technology and the ability for newer solutions to be built far more cost effectively with those savings passed onto advisers and advisers' clients.

Chart Right: Software satisfaction scores v response rates (relative size of users)

Source: ARdata. Notes: Ball sizes are reflective of response rates (general usage), only software solutions with statistically relevant response rates and scores have been included. The results have been subject to Bayesian and random forest regression techniques.



## Corporate actions

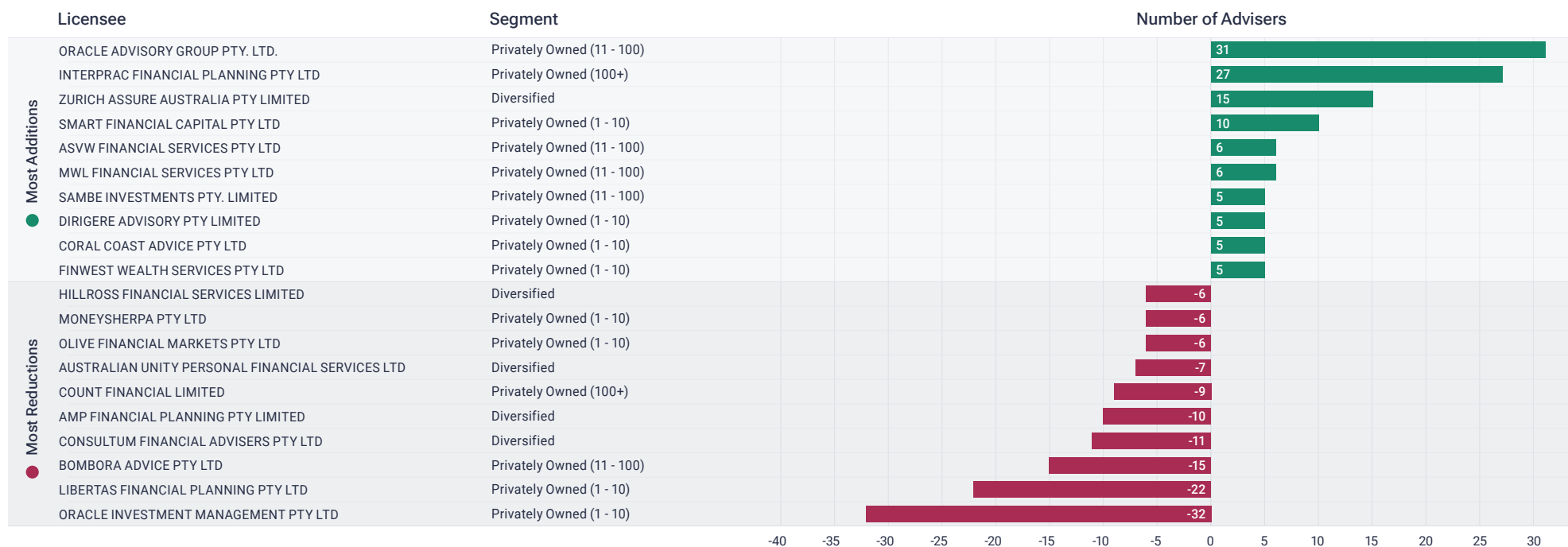
There was a bit of musical chairs on the corporate front in Q1, with dozens of advisers shifting en masse from one licensee to another, in some cases due to rebranding. Oracle Investment Management’s team moved to Oracle Advisory

Group, while Bombora’s advisers re-emerged at the new Zurich Assure. Once again, AMP-aligned licensees lost more than a dozen advisers, while Count Financial continued to record losses, too.

*Much of the movement can be attributed to lateral shifts as licensees re-brand.*

## Licensees with most adviser additions and reductions in Q1 2023

Source: Adviser Ratings



## Licensee movements

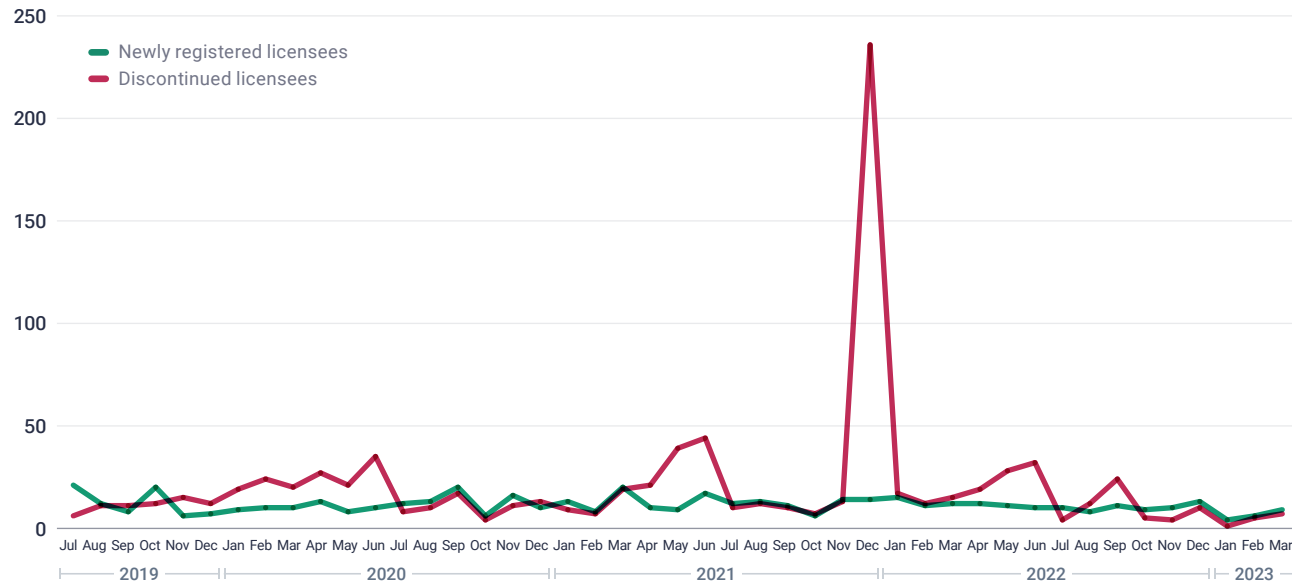
New registrations are now tracking at the same pace as licensee discontinuations, which is consistent with the other trends we've seen with adviser numbers. With fewer departures, we're also seeing fewer voluntary wind-ups.

There were only a handful of new licensees registered across the quarter, most of which had between two and five advisers on the books.

With the banks now virtually eliminated from the advice space, new licensee registrations are coming primarily from the privately-licensed space; however, close to one-in-three set ups are from the advisers who were previously under a diversified licensee.

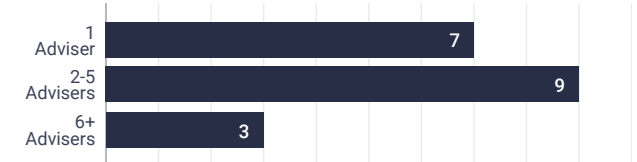
### Newly registered licensees vs discontinued licensees

Source: Adviser Ratings



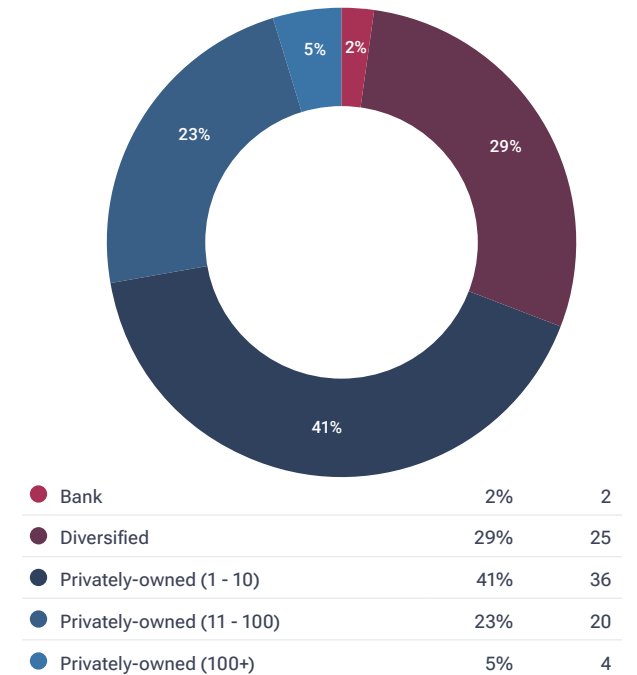
### Size of new licensees

Source: Adviser Ratings

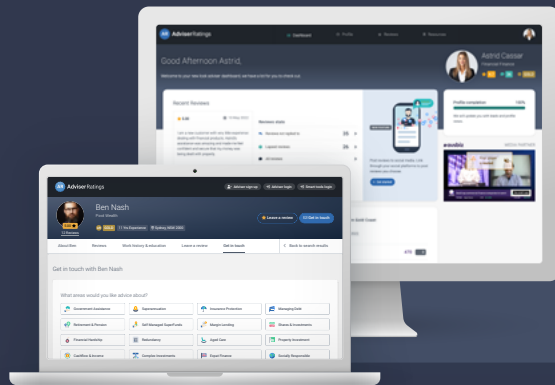


### Where advisers were before going to a new licensee

Source: Adviser Ratings



## Our products



### Consumer Marketplace

A public website that connects consumers with 17,000 financial advisers, through articles or research, and lead generation.



### Nightingale Analytics

A customisable data service comprising contact and insight intelligence on the universe of advisers, practices and licensees for growth and compliance applications. Data is supplied via various means, including API and SFTP flat files.

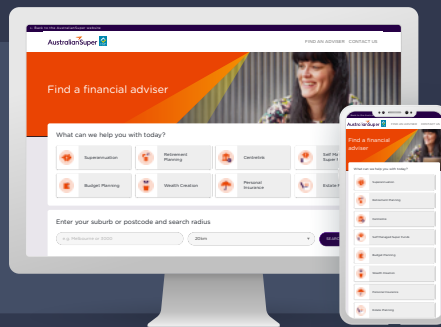


### Market Research

Essential fact-based research powered by our unique data insights. Featuring staple industry reports (free and paid), including the Financial Advice Landscape report and the quarterly Musical Chairs report.

### White-Label "Find An Adviser"

A customisable web service including design, hosting and data to help clients with customer retention and acquisition.



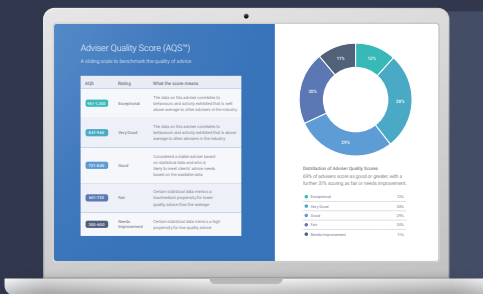
### CRM integration

Certified CRM experts that use inhouse solution design packages that fully leverage the Nightingale Analytics and Fund Flow data. Data updates can be automated via our API. Tactical, specialist and flexible CRM support is available with long term agreements.



### Fund Flow Reporting

An outsourced solution for fund managers for preparation of monthly reporting on financial adviser applications and redemptions through fund products held on investment platforms.



### Adviser Quality Scores

A proprietary scoring systems to determine "quality of advice" benchmark and standard on financial advisers. The 'credit score' of the financial advice industry.



## Quotable Quotes

### January

“ Consumers rarely seek financial advice and when they do, they do not want to pay for it – or they do not want to pay an appropriate fee for it.

- Griffith University's Dr Gavin Northey found consumers aren't ready to replace financial advisers with artificial intelligence.

“ So the fundamentals won't change, the tax concessionality will still be there. But we do need to consider whether we can afford the degree of tax concessionality for people who've got very big balances.”

- Treasurer Jim Chalmers said capping tax concessions for people with multimillion-dollar super balances was on the table in January.

### February

“ There is increased demand for sustainability-related financial products, and with that comes the growing risk of misleading marketing and greenwashing.

- ASIC Deputy Chair Sarah Court said greenwashing is on the regulator's radar, as the watchdog initiated court proceedings against super fund Mercer.

“ The Board's priority is to return inflation to target. High inflation makes life difficult for people and damages the functioning of the economy.

- Reserve Bank governor Philip Lowe said a February rate rise was necessary to curb inflation.

### March

“ I am absolutely committed to ensuring we pick and run with the recommendations of Michelle Levy's important review, in addition to a bunch of other things we have running in the sector.

- Financial Services Minister and Assistant Treasurer Stephen Jones told a Conexus Financial roadshow he was sticking by Ms Levy's proposals.

“ A collapse of banks is always something that not only surprises markets but also concerns markets because banking is a confidence game more than anything else.

- Perpetual's head of investment strategy, Matt Sherwood, told Sky News the fall of Silicon Valley Bank put the banking system under pressure.

## Weekly Adviser Movements

Adviser Ratings has a weekly Adviser Movement video series that keeps you up to data with the latest statistics on advisers joining, switching and leaving the industry.



These videos are posted on the Adviser Ratings YouTube channel each Thursday / Friday. You can also link to the videos below:



### January 2023

- 5 Jan
- 12 Jan
- 19 Jan
- 27 Jan

### February 2023

- 2 Feb
- 9 Feb
- 16 Feb
- 23 Feb

### March 2023

- 2 Mar
- 9 Mar
- 16 Mar
- 23 Mar
- 30 Mar

## Glossary of Terms

### Adviser Movements

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#### **New adviser**

A new entrant who is newly registered as a financial adviser on ASIC's financial adviser register (FAR) in the sample period.

#### **Ceased adviser**

A financial adviser whose AFSL Authorisation with a licensee has ceased during the sample period.

#### **Switched adviser**

An existing or previously licensed financial adviser who has switched-in to a new practice/licensee in the sample period.

#### **Returning adviser**

A financial adviser whose AFSL Authorisation was de-registered prior to the sample period and has switched-in to a new practice/ licensee in the sample periods.

### Licensee Types

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#### **Bank**

Where a bank owns the advice licensee although advisers can be self-employed.

#### **Stockbroker**

Where stockbroking is the primary business line even if owned by a bank.

#### **Industry Superfund / Not for Profit**

Includes mutual building societies, credit unions and banks.

#### **Diversified**

Where other core business lines exist within the broader group.

#### **Limited Licensee**

As defined through their ASIC registration under specific "classes of securities".

#### **Privately owned (100+ advisers)**

Any firm not captured in the other categories with 100+ advisers.

#### **Privately owned (11-100 advisers)**

Any firm not captured in the other categories with 11-100 advisers.

#### **Privately owned (1-10 advisers)**

Any firm not captured in the other categories with 1-10 advisers.

*Note: Licensee type, and accordingly adviser type, is defined by its ability to authorise products and its ownership structure (we note many accountants reside in a full licence)*

*Once again,  
discontinuations  
outstripped new  
registrations,  
especially among  
limited licensees.*



ARdata provides insights to the financial services eco-system. We operate as a stand alone service to assist fund managers, super funds, platforms, insurers, and other industry service providers reach advisers they want to work with.

Consolidating ASIC information with our proprietary methods, our data is the most valuable, up to date, and accurate in the market.

Our Nightingale data service can be customised to any specific scope, including monthly reports on advisers switching, entering or exiting the industry.

[Learn more about ARdata](#)

## 2023 Australian Financial Advice Landscape Report

Key insights within this edition of the Musical Chairs Report has been taken from the 2023 Australian Financial Advice Landscape Report. This report gives a deep-dive into the current state of the financial advice industry. This report is available as a free download via the link below.



[Download the report](#)

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