Q2
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 ten years with the implementation of the Future of Financial Advice (FOFA) reforms. 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

-4%

Reduction in adviser workforce over the FY23.

418

Number of advisers who moved to a new licensee over the quarter.

-9%

Decline in the number of advisers from privately-owned licensees FY23.

366

Number of new advisers who joined the profession in the FY23 financial year.

88%

Percentage of newly established licensees that are privately-owned.

68%

Proportion of ceased licensees this quarter that had been operating for six years or more.

The long and winding road: adapting to adversity, remaining resilient and reaping the rewards

At BT, we're committed to helping quality financial advice to thrive.

Financial advisers face a myriad of challenges – including legal, compliance and regulatory changes, cost increases, challenging global market conditions, and recruiting and retaining staff – according to BT's own research, the BT Adviser Sentiment Index 2023.

Thriving in these conditions can feel like an uphill battle, but I'm optimistic.

Comparing this year's Adviser Sentiment Index results with those from the previous year, the severity of the challenges advisers are facing has lessened somewhat. Advisers are becoming more resilient to change.

Positive developments are afoot in the advice industry. The Quality of Advice Review promises to simplify advice processes and make advice more accessible, opening up growth opportunities for advice practices.

We are seeing total adviser numbers stabilise.

Platforms providers are dedicated partners of advisers – we're in this together – and we have a good working rhythm in terms of providing support.

At BT we are helping by offering and building on our great products and services, such as managed accounts that are tailored to clients' needs, and enable advisers and investment managers to respond swiftly to market volatility.

We are advocating for advisers by sharing our analysis and making recommendations on streamlining advice processes, to reduce the cost to serve.

As a large organisation, with a broad network of industry relationships, we can leverage our expertise and insights into attracting, retaining and developing talent, and forge connections between advisers and graduates. My colleague Jason Brown discusses this further in an article in this report.

To the advisers who have entrusted us on their journey, we are grateful to be your platform provider of choice, and we are determined to help you succeed for years to come.

Matt /.

BT | *Matt Rady*
CEO, BT

Industry overview

In the last financial year, almost one-in-10 advisers decided to call time on their advice careers. While the headline numbers sound high, they're actually far lower than we've seen in previous years. In 2021-22, more than one-in-five advisers departed, either permanently or temporarily. In other words, the exodus trend is slowing. While we are not at the point of forecasting growth in adviser numbers, the avalanche of exits we've witnessed since 2019 should be a thing of the past.

There are several reasons for this renewed hope. First, our data indicates that advisers will find it ealiser to deliver advice once the newly endorsed Quality of Advice Review measures are introduced. Changes to Statements of Advice and compulsory disclosures will take pressure off practices. At the same time, the majority of advisers have either completed their education requirements or are on their way to finishing and have channelled money and energy into building their client base. They've invested in their advice futures and are expecting a return. Finally, the introduction of the long-awaited experience pathway could potentially boost adviser number, but most definitely slow down exits.

While the end of financial year brought its usual, seasonal uptick in departures, a third of the 1,500 exits in 2022-23 happened in September, as the final exam deadline approached. Advisers who had twice failed had until the end of that month to either pass or leave the industry – and over 500 advisers left.

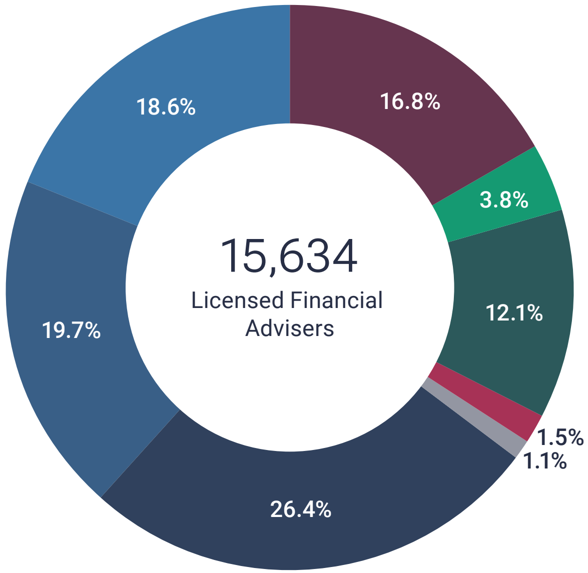
At an industry level, much of the talk throughout the year related to which of the Quality of Advice Review changes would be adopted and when the promised experience pathway for advisers would become a reality. The latter was an election promise before the Labor Government took power in May 2022. Now that we have clarity on both matters, with legislation in motion for the experience pathway and a Quality of Advice reform roadmap, advisers have a better opportunity to make informed decisions about their futures. While many advisers have had favourable responses to the government's advice plans, there has been controversy about allowing non-relevant providers and super funds to increase their advice remit.

On a positive side, there had been 366 new advisers joining the industry during finacial year 2022-23. Whilst still not enough to cover those exiting, is showing a positive sign growing 20% year-on-year.

> *By the end of the financial year, advisers had a reform roadmap to help plan their next moves.*

Industry overview Q2, 2023

Source: Adviser Ratings



Diversified	16.8%	2,625
Industry super fund / Not-for-profit	3.8%	596
Stockbroker	12.1%	1,891
Bank	1.5%	238
Limited licensee	1.1%	166
Privately-owned (1 - 10)	26.4%	4,129
Privately-owned (11 - 100)	19.7%	3,074
Privately-owned (100+)	18.6%	2,915

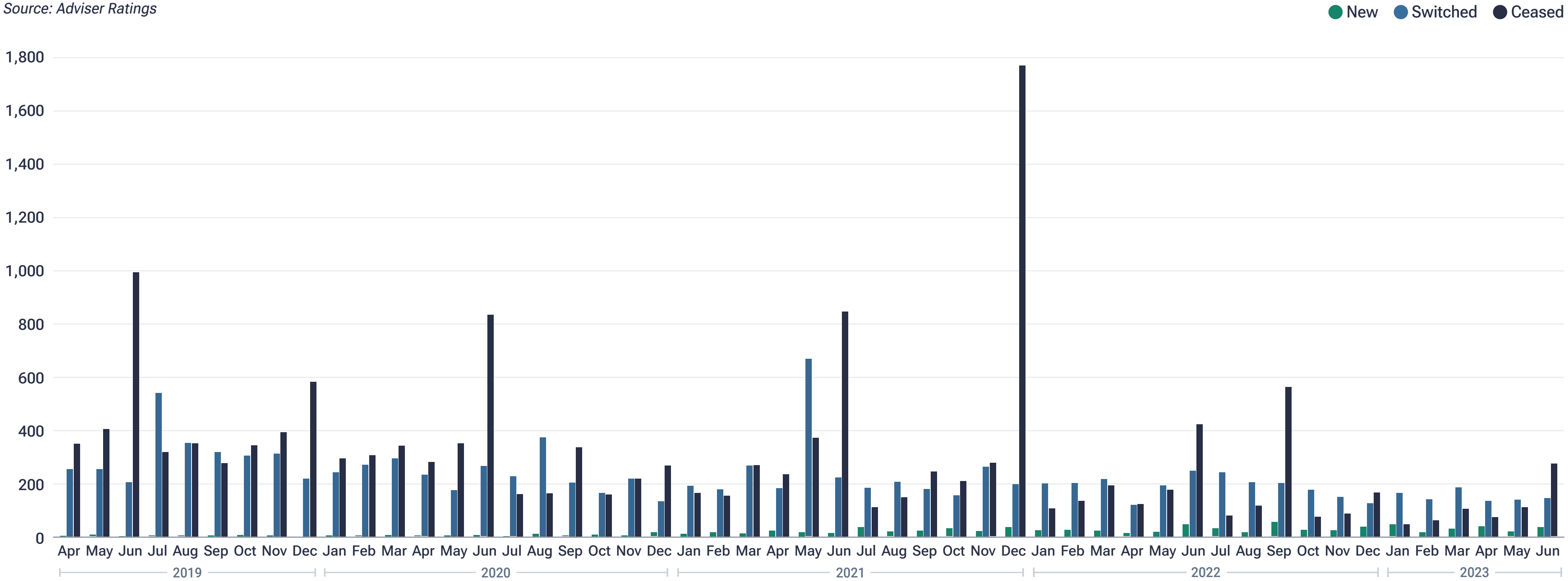
Adviser movements

With fewer than 100 new adviser arrivals across the quarter, much more progress is needed to replenish the industry after years of decline. At a Financial Services Council event at the start of Q3, Assistant Treasurer and Financial Services Minister Stephen Jones said he could see the industry reaching heights of 30,000 advisers, but it wouldn't happen in the next few years. We've consistently seen dozens of new entrants per quarter, but never hundreds.

Again, several hundred advisers left in the second quarter, with most choosing June to make their exit. We've seen this same pattern historically, in efforts to avoid the Australian Securities and Investments Commission levy, which is charged on a headcount basis.

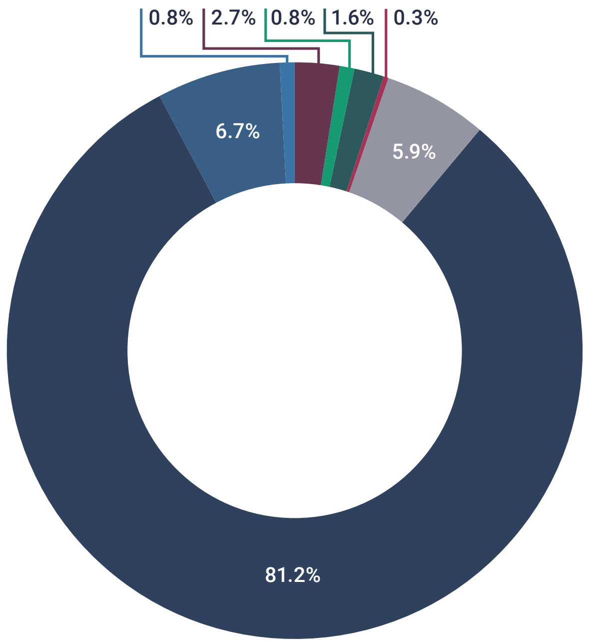
Adviser movements by type

Source: Adviser Ratings



Current licensee distribution by segment

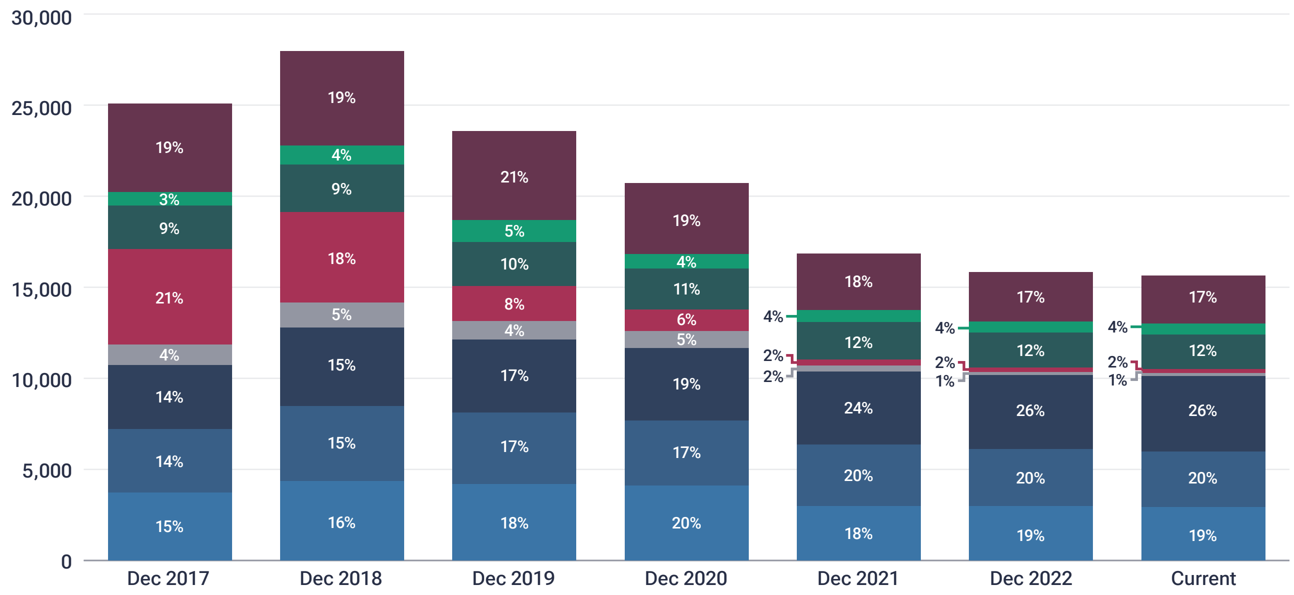
Source: Adviser Ratings



Diversified	2.7%	50
Industry super fund / Not-for-profit	0.8%	15
Stockbroker	1.6%	29
Bank	0.3%	5
Limited licensee	5.9%	107
Privately-owned (1 - 10)	81.2%	1,483
Privately-owned (11 - 100)	6.7%	123
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	2727	2,625
Industry super fund / Not-for-profit	753	1,050	1,191	808	665	610	596
Stockbroker	2,370	2,600	2,430	2,230	2,054	1899	1,891
Bank	5,256	4,960	1,912	1,192	327	247	238
Limited licensee	1,104	1,385	1,013	940	320	172	166
Privately-owned (1 - 10)	3,531	4,295	4,017	3,956	4,014	4052	4,129
Privately-owned (11 - 100)	3,477	4,143	3,932	3,588	3,380	3152	3,074
Privately-owned (100+)	3,732	4,341	4,183	4,101	2,984	2,974	2,915

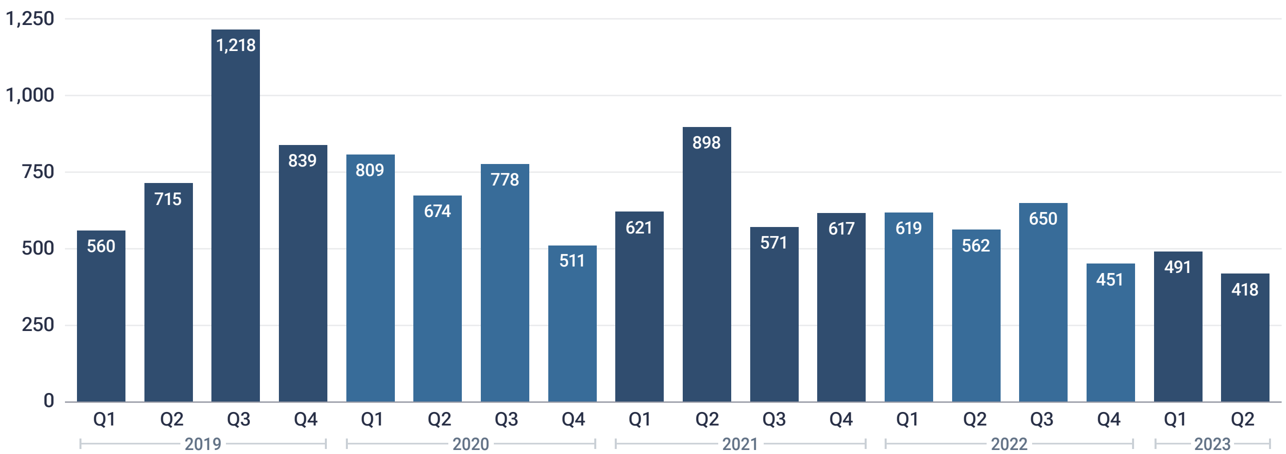
Switching advisers

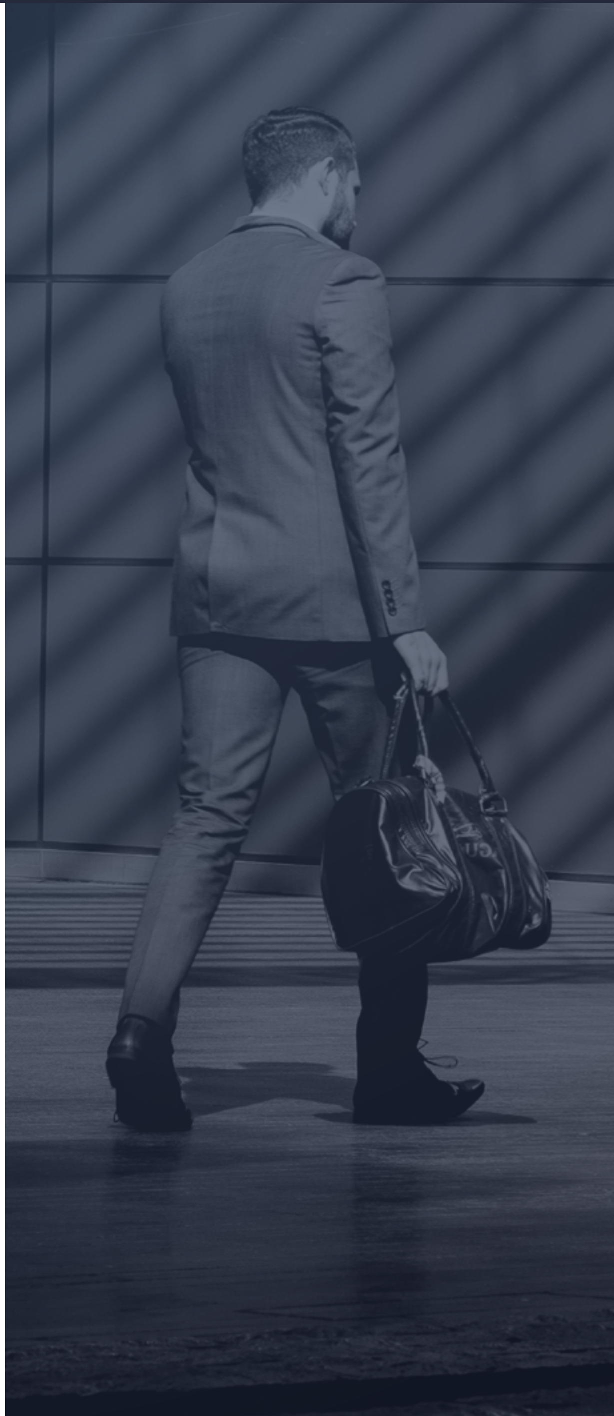
The second quarter of the calendar year was the quietest for switching activity in more than four years. Just 418 advisers found new homes across the three months. The past three quarters have brought a slowdown in licensee musical chairs, with less corporate activity to drive the mass moves we've seen previously. As such, most of the shifts have been on an individual level, as advisers look for licensees that fit their circumstances slightly better. As advisers continue to demand value, we may see a bit more activity in the new financial year.

> *With corporate activity retreating, only a few hundred advisers sought new licensees during the quarter.*

Switching advisers

Source: Adviser Ratings





Tackling the advice industry's talent shortage

Sponsored feature

Finding and recruiting staff is one of the top five challenges for advice practices, according to the over 200 advisers who participated in BT's Adviser Sentiment Index survey this year.

Australia's labour shortage is perhaps more intensely felt in advice, compared to other industries, because there are other very significant business challenges advisers are dealing with.

Deteriorating economic and market conditions (86% of all survey respondents) and legislative and regulatory changes (86%) were cited by advisers as the leading challenges they are facing, followed closely by rising cost bases and pressure on profitability (83%).

This unique set of challenges make for a difficult operational environment, resulting in reduced adviser numbers. Many advice practices who have proven to be resilient are seeing their growth ambitions hampered because they are under-resourced.

Moreover, they are in a war for talent against other employers, such as accounting and other professional services firms, who are experiencing more favourable business conditions.

At BT, we are committed to helping quality financial advice to thrive. Advisers are telling us they need to overcome their human resources challenge in order to succeed and grow. So how can we help?

BT has relationships with around 39% of all advisers in Australia.[1] We are one of the leading platform providers, with 16.8% market share,[2] owned by one of the largest banks in Australia. We are well-placed to share our knowledge and expertise, as well as help advisers make connections with potential recruits.

BT's team of business development managers actively work with over 2,000 practices and conduct over 12,000 agenda-driven meetings with advisers every year, to identify how we can best support advice practices to serve their clients. These include detailed fact finds about how businesses are run.

We gain valuable insights into best practice and trends regarding how advisers are finding new staff, training them and retaining them. We can collate the best ideas and bring them to advisers.

A benefit of being a large organisation is that we have our own learning and development plans that are well-documented and discussed regularly in our business. We can share the key themes and our learnings with smaller business owners.

When advisers do bring on new staff, we can provide access to modularised training either virtual or face-to-face, to ensure new staff can maximise the features and benefits of BT Panorama to complete their work for clients.

This year we commenced a collaboration with Striver, a tech-based human resources platform specialising in helping guide graduates and those who are in the early stages of their careers.

Together, BT and Striver have held four speed networking events across Australia, attended by graduates and representatives from advice practices, which have resulted in over 100 first-round job interviews for new entrants to the profession.

The collaboration also involves mentoring programs, with BT employees assisting graduates with identifying and navigating career paths – the world is their oyster, and we are championing financial advice so graduates can consider a career in this noble profession alongside other opportunities.

We understand that advice practices' support teams are integral to business success. We invest in regular training and development days tailored for support staff. These events also bring support staff together, giving them the opportunity to share best practice ideas.

This year, the BT Adviser Sentiment Index research gave us some insights into what younger advisers want. For advisers under the age of 40 years, products and services that meet their needs is the most important attribute of a wealth management provider. But providers need to do more than that to gain the respect of younger advisers. They need to be trustworthy, honest and innovative.

At BT, we are reflecting on how we can meet the needs and expectations of the younger generations of advisers, and help them thrive as they rise through the ranks within their advice practices.

Advisers and their platform provider of choice are partners in this journey, to ensure resilience, success and longevity – to thrive.

By Jason Brown
Head of Platforms Distribution, BT

Sources:

1. Based on adviser data from the Investment Trends Adviser Technology Needs Report 2023

2. According to Plan For Life Platform Wrap Report, March 2023; platforms market excluding corporate superannuation

SPECIAL FEATURE

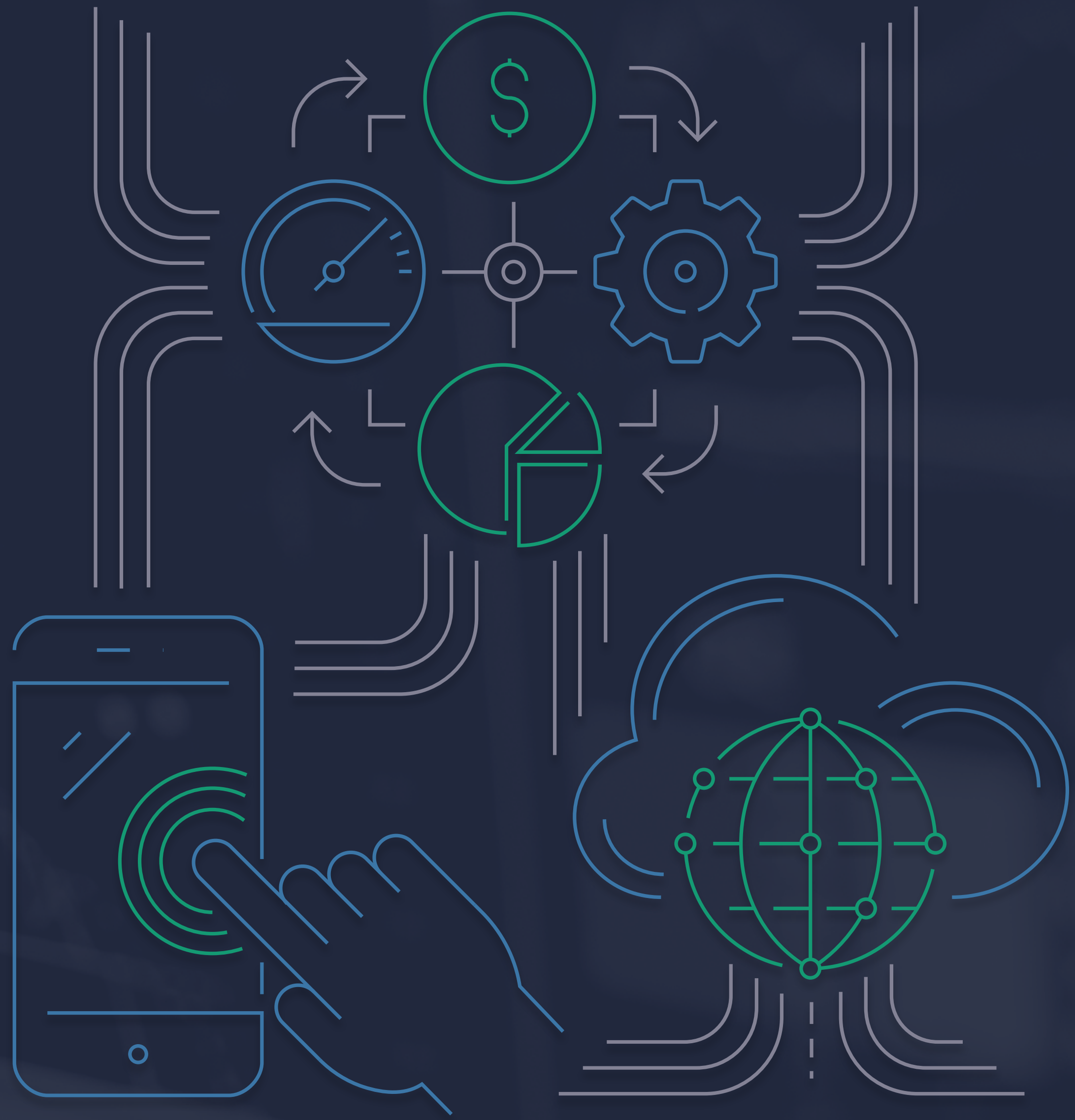
The platforms poised to win future flows

If there has been one recurrent theme in the platform space in the last five years, it's been this:

> *Adviser sentiment has increasingly favoured newer and nimbler market challengers over incumbents, but the longstanding players still have market dominance.*

In the last two years, however, a few things have changed. The market challengers are continuing to innovate and build out their investment menu, while introducing features to improve both the adviser and client experience. At the same time, the financial advice workforce has become smaller and advisers have become a more powerful arbiter of the investment tools they use. As a result, we're now seeing a shift.

The platforms advisers prize for their overall experience, functionality and support are also now capturing a much greater share of the flows. To further explore this theme, we recently surveyed advisers about their platforms of choice, as part of our new Platform Quarterly Driver Analysis Benchmarking. The criteria established over 5 years are the primary drivers advisers look for when entertaining a new platform or looking to say on an existing platform. We then used it in conjunction with our proprietary Future Flow Intention metric to forecast where adviser flows are heading next.



Platform winners and market flow

Once again, there were three standouts when it came to advisers' platform experience: HUB24, netwealth and CFS FirstChoice, although Insignia's eXpand and Macquarie Wrap are seeing inroads from their recent investment.

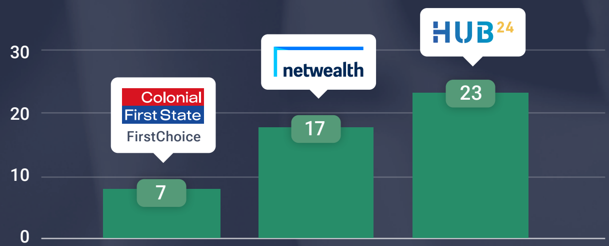
The NPS is derived by tallying platforms' promotors and subtracting detractors. Advisers are asked to rate platforms across the categories of adviser experience, client experience, functionality, ease of onboarding, adviser support and investment options.

Both HUB24 and netwealth received particularly high scores for their range of investment options, and were also among the top-rated platforms on adviser experience and functionality. Meanwhile, CFS FirstChoice was commended by advisers for its client experience and ease of onboarding, and earned relatively high scores across the other metrics, too.

> *For the second year in a row, the three NPS winners were also in the top five when it came to response rate penetration.*

Platform net promoter score, Q2, 2023

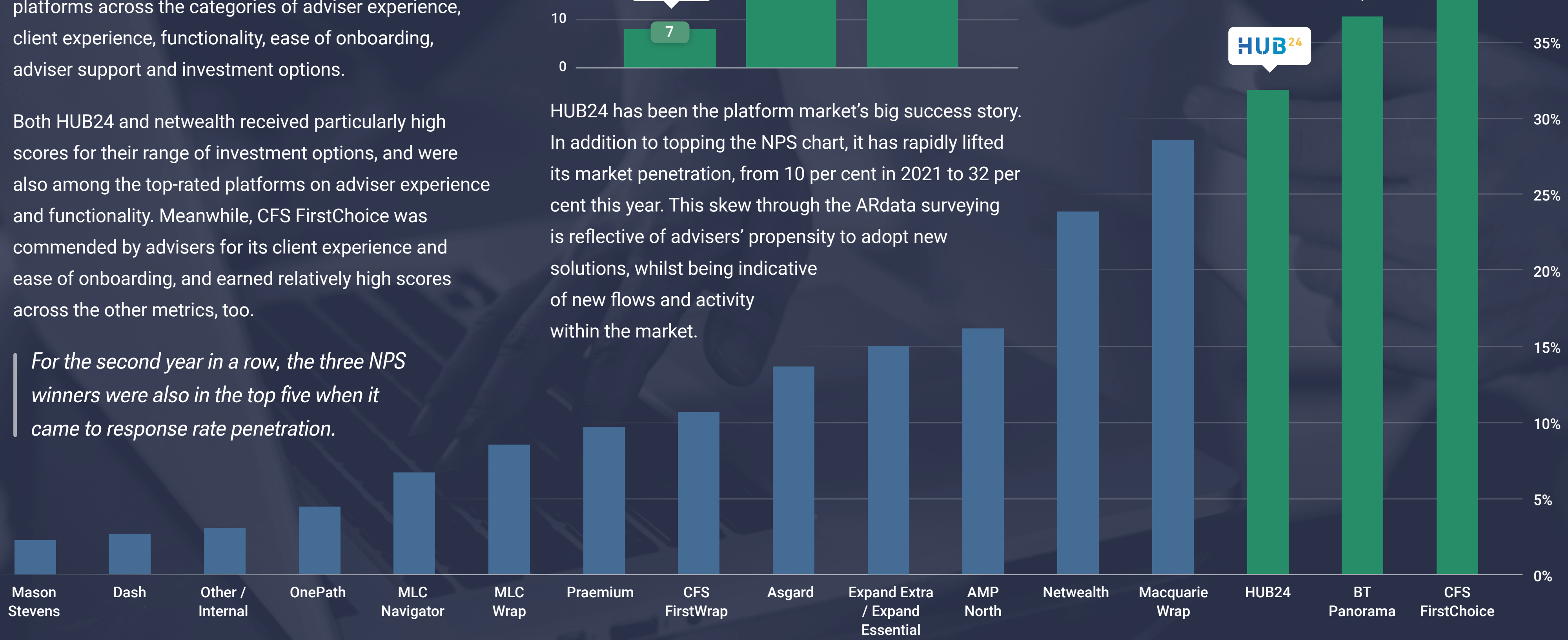
Source: Adviser Ratings Note: Bayesian Statistical Methodology used



HUB24 has been the platform market's big success story. In addition to topping the NPS chart, it has rapidly lifted its market penetration, from 10 per cent in 2021 to 32 per cent this year. This skew through the ARdata surveying is reflective of advisers' propensity to adopt new solutions, whilst being indicative of new flows and activity within the market.

Platform penetration by respondents, Q2, 2023

Source: Adviser Ratings



BT Panorama and CFS (on the back of its launch of Edge) are the platforms the market and advisers are keeping an eye on over the coming six months, given the market share they currently hold. BT Panorama's effective relaunch and CFS Edge's launch with a managed account focus and open architecture will signal a new round of innovation for platforms, just as Mason Stevens hits the IPO market. Despite satisfaction levels remaining high, FirstChoice's new flows have been hindered by innovation and investment choice – could Edge be CFS's saviour?

Where the flows are going next

Given advisers oversee more than $1.5 trillion dollars in super and non-super wealth in Australia and that sum is growing, knowing how they're likely to invest next is an increasingly valuable insight.

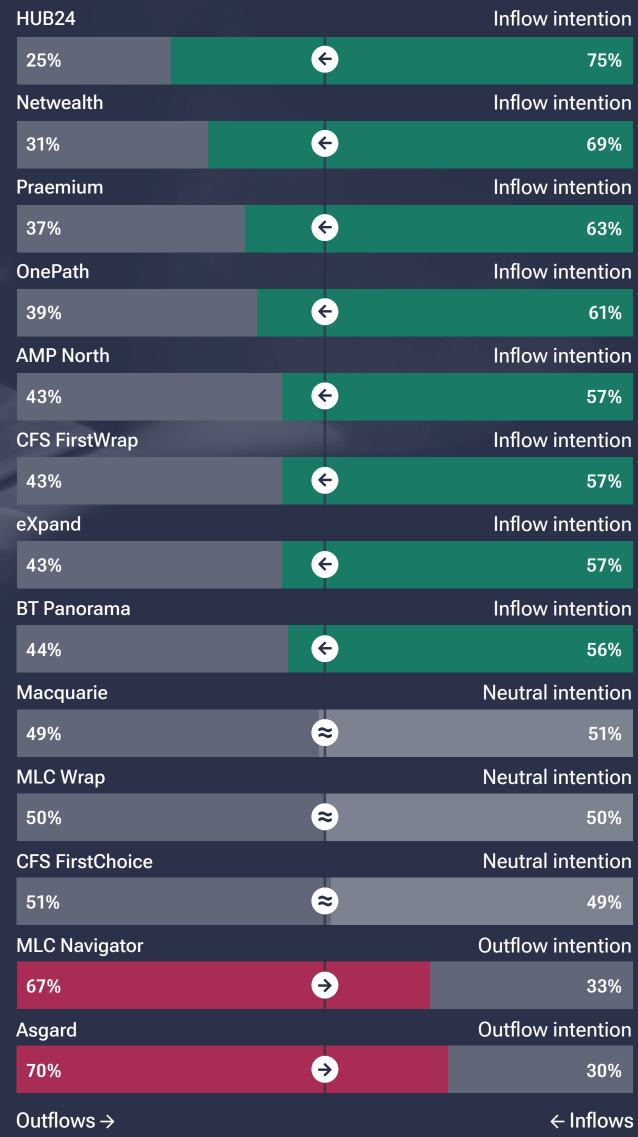
Adviser Ratings' Future Flow Intention (FFI) predicts how platforms will receive retail adviser flows over the short term. It analyses the volume of adviser investment likely to flow onto individual platforms, versus the money likely to flow out.

Our modelling indicates FFI has a strong, positive relationship with NPS and actual market flows as shown on the following graphs. Unsurprisingly then, HUB24 is tipped to receive the highest proportion of adviser inflows over the next three to six months.

In contrast, FFI shows Asgard and MLC Navigator will have a greater proportion of client money flow off their platforms than onto them. No doubt, BT Panorama and Insignia, respectively, would look to be the beneficiaries given their ownership structure, but the intent of those flows is not all one way - with competing platforms expected to earn their fair share.

Whilst superannuations funds grapple with a retiring baby boomer market, the platform space remains ready to capitalise. But how will the super funds respond? The market is shifting rapidly with future flow intentions providing an indicator of potential winners and losers across these two groups.

To learn more about our FFI – and the platforms likely to win – speak to an Adviser Ratings representative.

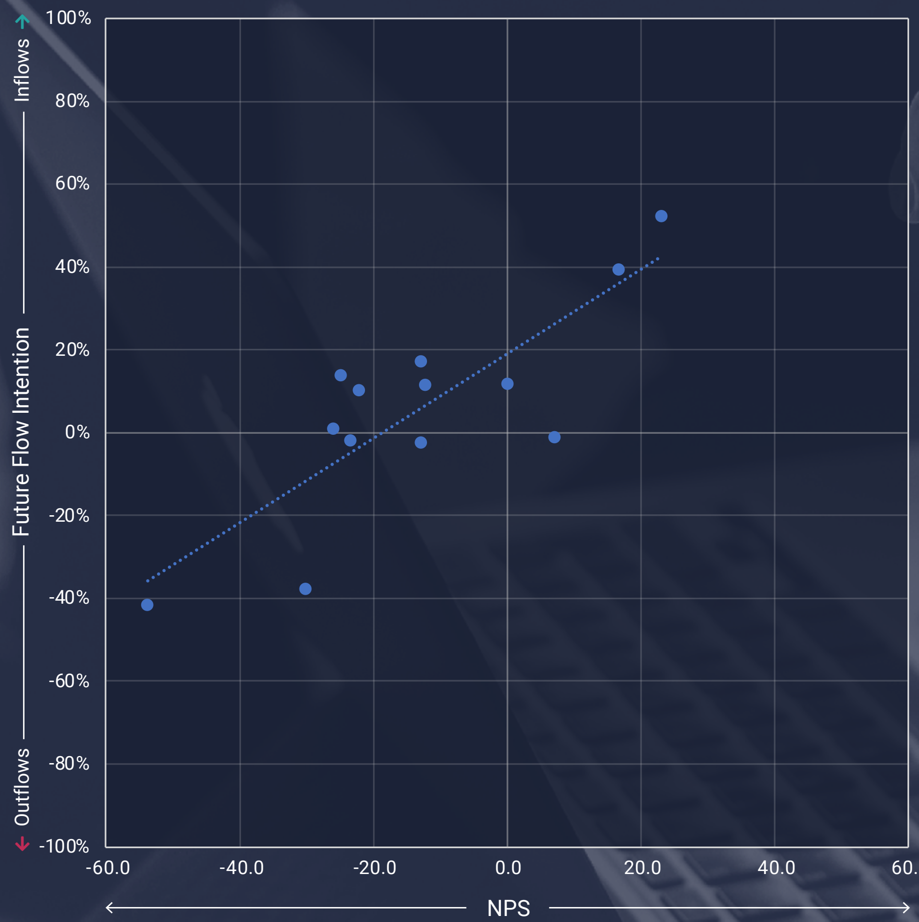


Future Flow Intention (July 2023)

Source: Adviser Ratings (based on ProductRex users)

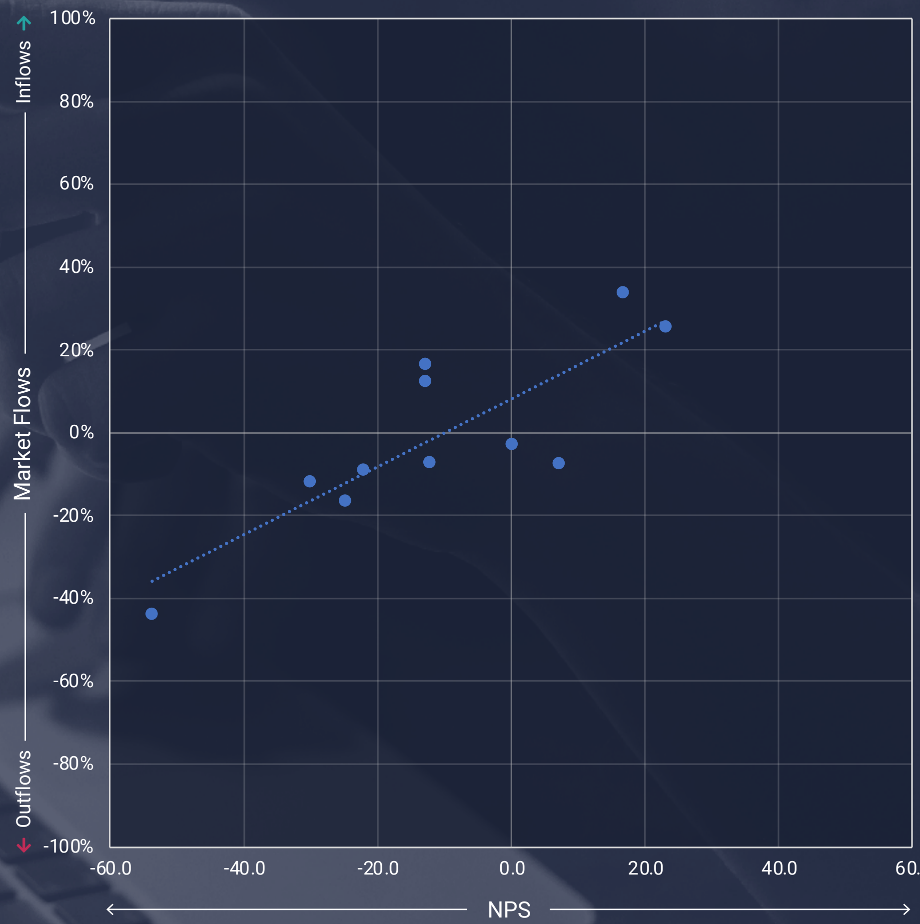
NPS vs Future Flow Intention per platform

Source: Adviser Ratings



NPS vs Market Flows per platform

Source: Adviser Ratings




TerraCapital
Powering Tomorrow, Today:
Future Facing Energy
& Metals Investments
LEARN MORE

Corporate actions

The closure of Lonsdale Financial Group at the end of 2022-23 sent dozens of advisers off to new licensees. Consultum Financial Advisers snapped up several of the former Lonsdale crew and became one of only a handful of licensees to lift its numbers across the quarter. Alliance Wealth was also popular with advisers from a diverse range of licensees.

At the bottom of the table, advisers continued to say goodbye to some of the bigger licensees. Synchron Advice, Infocus Securities and AMP Financial Planning all lost advisers to several different AFSLs.

> *Once again, advisers departed from several large licensees across Q2, 2023.*

Licensees with most adviser additions and reductions in Q2 2023

Source: Adviser Ratings

	Licensee	Segment	Number of Advisers
Most Additions	CONSULTUM FINANCIAL ADVISERS PTY LTD	Diversified	7
	SECURITAS FINANCIAL GROUP PTY LTD	Privately Owned (1 - 10)	6
	NEWADVICE PTY LIMITED	Privately Owned (1 - 10)	6
	BOYCE PTY LIMITED	Privately Owned (1 - 10)	6
	ALLIANCE WEALTH PTY LTD	Privately Owned (100+)	5
	FINTEGRITY WEALTH ADVISERS PTY LTD	Privately Owned (11 - 100)	5
	VIVID FINANCIAL PLANNING PTY LTD	Privately Owned (11 - 100)	5
	AUSTRALIAN EXECUTOR TRUSTEES LIMITED	Diversified	5
	SKYE MONEY PTY LTD	Privately Owned (1 - 10)	5
	FINANCIAL SERVICES GROUP AUSTRALIA PTY LTD	Privately Owned (1 - 10)	4
Most Reductions	RI ADVICE GROUP PTY LTD	Diversified	-7
	POLITIS INVESTMENT STRATEGIES PTY LTD	Privately Owned (11 - 100)	-7
	MILLENNIUM 3 FINANCIAL SERVICES PTY LTD	Diversified	-8
	MWL FINANCIAL SERVICES PTY LTD	Privately Owned (11 - 100)	-8
	LIBERTAS FINANCIAL PLANNING PTY LTD	Privately Owned (1 - 10)	-9
	EASTWOODS WEALTH MANAGEMENT PTY LTD	Privately Owned (1 - 10)	-10
	AMP FINANCIAL PLANNING PTY LIMITED	Diversified	-11
	INFOCUS SECURITIES AUSTRALIA PTY LTD	Privately Owned (100+)	-20
	SYNCHRON ADVICE PTY LTD	Privately Owned (100+)	-30
	LONSDALE FINANCIAL GROUP LIMITED	Diversified	-38

Licensee movements

Licensee discontinuations began to outpace new licensee set-ups once again, but not at the significant rate we've seen previously. Activity on both fronts has been low to moderate for most of 2023.

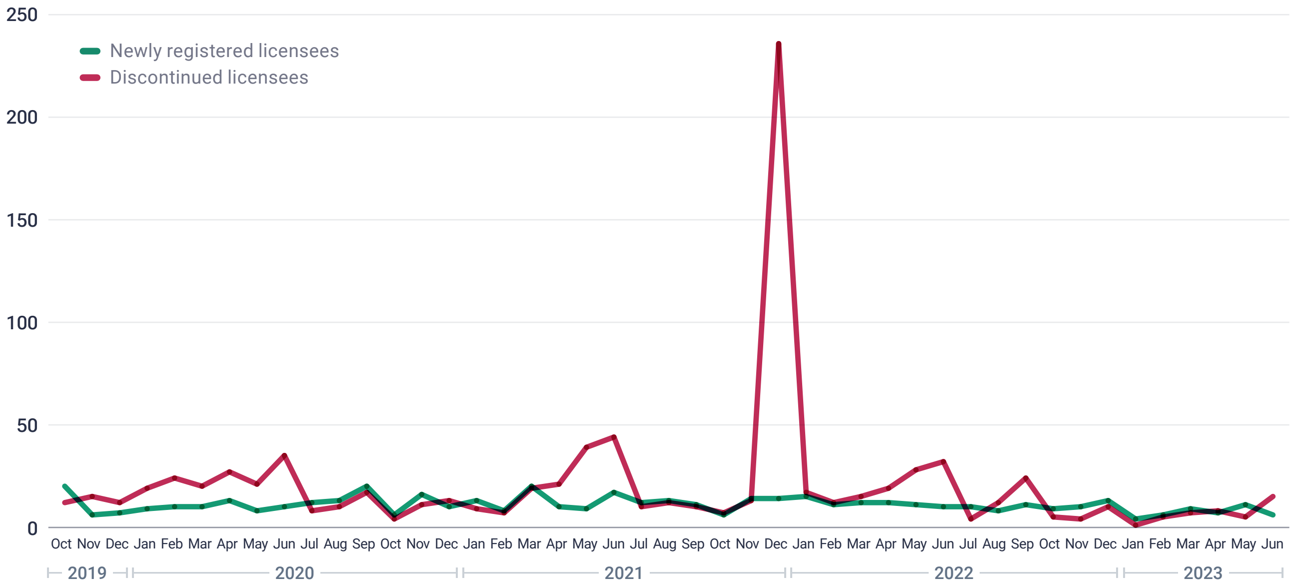
Among licensees that closed, many were in the more mature camp, operating for six years or more. Fewer than one-in-ten had been set up in the last year.

Most new licensees were set up by solo operators, with just a handful established for six or more advisers. Prior to going to a brand-new licensee, most advisers had been part of the large privately-owned network, with just under one-in-three coming from a boutique.

> *Almost 90 per cent of new licensees were established in the private universe.*

Newly registered licensees vs discontinued licensees

Source: Adviser Ratings

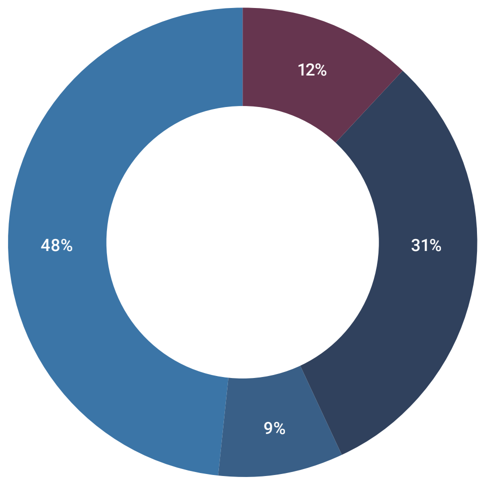


Size of new licensees

Source: Adviser Ratings

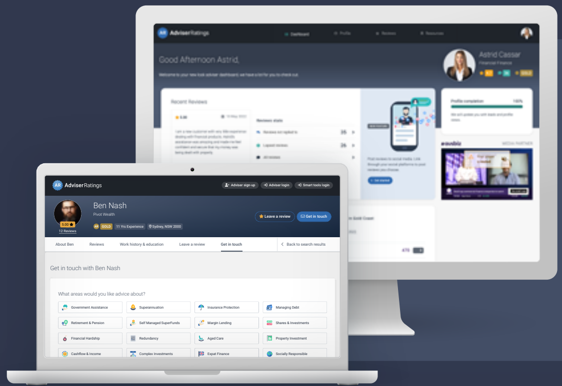
Where advisers were before going to a new licensee

Source: Adviser Ratings



Diversified	12%	7
Privately-owned (1 - 10)	31%	18
Privately-owned (11 - 100)	9%	5
Privately-owned (100+)	48%	28

Our products



Consumer Marketplace

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

Nightingale Analytics

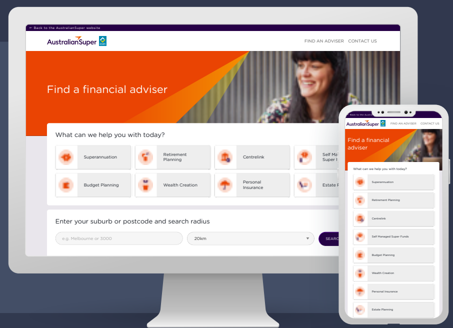
A customisable data service comprising contact and insight intelligence on the universe of advisers, practices and licensees for growth and compliance applications. Data is supplied via various means, including API and SFTP flat files.

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.

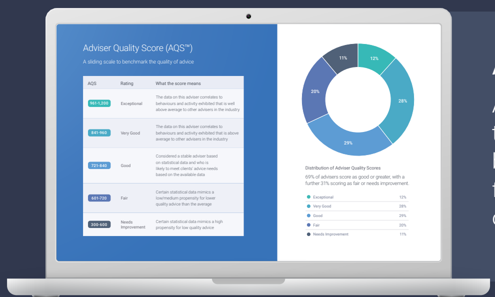


CRM integration

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

April

“Implementing an appropriately targeted experience pathway could help offset the substantial decline in adviser numbers over recent years (down 45% since 1 January 2019). A significant number of older advisers, who might have left the profession, could now stay for longer – which would be good for them and for their clients, who may have gone unserved in the absence of this measure.

- Financial Advice Association Australia (FAAA) CEO Sarah Abood said the experience pathway could boost adviser numbers.

“My goal here, throughout, is a world-class central bank that is more effective, more transparent and more independent, calling on more expertise to make its important decisions.

- Treasurer Jim Chalmers said changes are coming to the Reserve Bank of Australia.

May

“We felt betrayed, we lost hope, some of us lost job opportunities and all of us experienced enormous stress and worry.

- Samuel Boon, the lead plaintiff in a class action against James Cook University, said he and his fellow students were deceived into paying for an unaccredited financial advice major, the Guardian reports.

“There are currently some amendments to the Better Advice Act before parliament that relate to financial adviser registration, and this may impact the timing of ASIC launching its registration system.

- ASIC senior executive leader Leah Sciacca told an FAAA roadshow the regulator's new registration system may take a bit longer than expected.

June

“I'm about to introduce legislation to implement our election commitment to allow experienced financial advisers to continue to provide advice and to improve the qualification framework for the advice industry.

- Assistant Treasurer and Financial Services Minister Stephen Jones broke the long-awaited news of motioning his election promise in a LinkedIn post.

“The government is right to prioritise its ‘Stream One’ reforms, which will lower the cost of providing financial advice and improve consumers' experience when receiving advice.

- Financial Services Council CEO Blake Briggs supported steps to prioritise reducing advisers' cost burden.

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.

YouTube

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

April 2023	May 2023	June 2023
6 Apr	4 May	1 Jun
13 Apr	11 May	8 Jun
20 Apr	18 May	15 Jun
27 Apr	25 May	22 Jun
		29 Jun

Glossary of Terms

Adviser Movements

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

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.

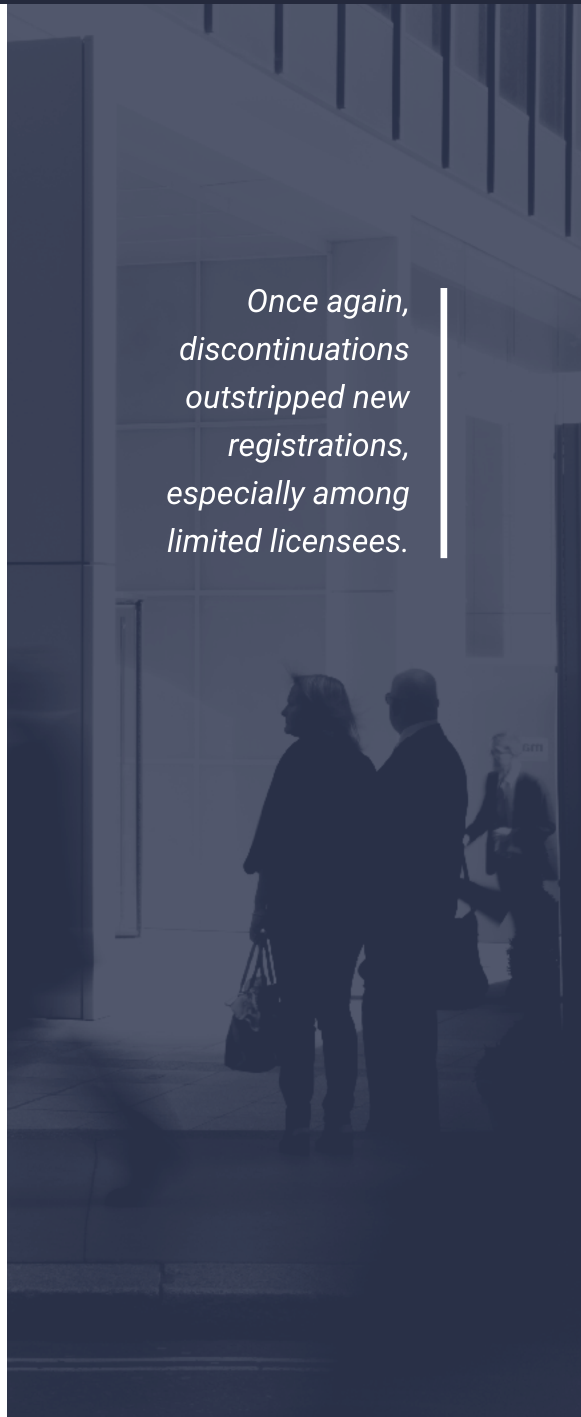
Limited Licensee
As defined through their ASIC registration under specific "classes of securities".

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)*



ARdata

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.

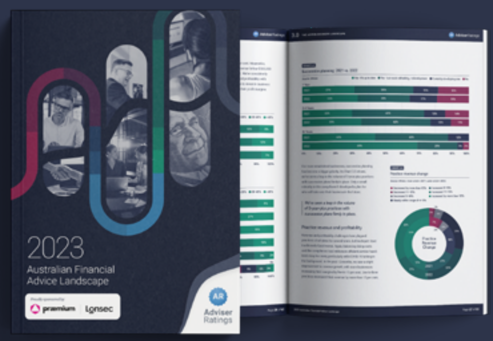
Consolidating ASIC information with our proprietary methods, our data is the most valuable, up to date, and accurate in the market.

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

Contributors

Nicolas Peña Mc Gough
Econometrician
nicolas@adviserratings.com.au

Angus Woods
Founder
angus@adviserratings.com.au