Q3
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

0.35%

Quarterly growth in adviser numbers in Q3, 2023.

122

Number of new advisers who joined the profession in Q3, 2023.

-5.9%

Decline in advisers licensed by diversified AFSLs this quarter.

89%

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

-1%

Percentage reduction in the total adviser workforce since December 2022.

29%

Percentage of new licensees set up in Q3, 2023 with one adviser. for six years or more.

Evolution enables quality financial advice to thrive

The future of advice is bright. After a tumultuous period, there are indications that the advice industry is bouncing back.

For instance, for the first time in over four years, the number of financial advisers in Australia increased in early 2023, with record numbers joining the industry this year.[1] Further, the level of trust in the broader financial services sector has improved, rising to 45% in 2022, nearly doubling the score from 2020.[2]

Growth in the advice industry – if it can be sustained – along with increased consumer trust in financial service providers are both welcome developments, as these factors can boost Australians' ability and willingness to access financial advice.

Demand for financial advice may well increase as, according to the recent 2023 Intergenerational Report, Australia's population is continuing to age: over the next 40 years, the number of Australians aged 65 and over will likely more than double; and those aged 85 and over, triple.[3]

This means that the number of Australians entering the retirement phase is growing rapidly, with fewer working Australians able to fund support for these retirees. More Australians will need to explore options for self-funding for their retirement, which may lead to an increased need for advice.

For advisers, as well as platform providers who support them, a key challenge is catering to the evolving needs of clients. Technology will continue to be a great enabler in allowing better access to financial advice.

BT is committed to continuously improving the efficiency of advice delivery through the evolution of platform technology. On BT Panorama, we are automating time-consuming manual processes, improving information on investment research and increasing product choice.

Importantly, at BT we are attuned to consumers' strong preference for access via mobile devices. Australians prefer using digital financial products and services, with 85% of respondents to a recent survey saying that using online financial technology saves them time.[4]

We continue to invest in mobile technology, and have staked our place as market leader: the BT Panorama mobile app has been named by Investment Trends as the best in the wealth management industry, for five years in a row.[5]

The platforms market looks very different to what it was 20 years ago, as my colleague Sharyn Baker discusses in her article. We have shifted our competitive strategy accordingly and continue to evolve.

We are excited about our future together with the advice practices of Australia who choose BT as their platform provider.

Sources:

1. According to Adviser Ratings Musical Chairs Report, Q3. 303 advisers joined this year, the most of any previous 3 quarters since 2018.

2. Investor Trust Study, CFA Institute. Report

3. Intergenerational Report 2023. Report, Report summary

4. Australian Government 2021, National Financial Capability Survey, cited in Australian Government 2022, Quality of Advice Review, p.11.

5. Platform Competitive Analysis and Benchmarking Report, Investment Trends 2022, released in 2023.

Matt Rady
CEO, BT

Industry overview

In recent quarters, we've seen hopeful signs of a long-awaited recovery in adviser numbers. The trend continued in Q3, as the profession recorded marginal growth, driven by the highest number of new entrants – and the second-lowest number of exits – in five years. While the growth figures are small, several months of data suggest the workforce is certainly stabilising.

Since December 2022, financial advice has contracted less than 1 per cent, with total advisers settling just above 15,500. This period of relative steadiness is good news for advisers, who have said farewell to thousands of their colleagues in the past few years and dealt with the aftermath in myriad ways. That has often included being approached by orphaned clients seeking new advice relationships (and turning them away at times), and facing cost pressures from a profession changing shape.

With legislative clarity on the profession's direction as well, we're now at a point where we may start to see further growth in numbers. In September, the Federal Government's promised experience pathway passed parliament, which gives advisers with a clean record and 10 years' experience an avenue to practising. Of course, we don't expect every adviser who has left to return, as many have retired or moved on to other ventures; however, the pathway should move the needle somewhat.

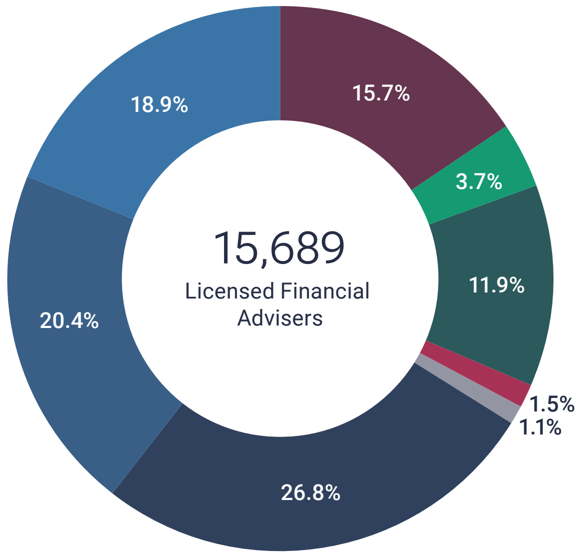
We've also seen the licensee market change shape, with the continued migration of advisers to privately owned licensees from virtually every other segment. Mid-sized licensees (11-100 employees) showed the greatest growth this quarter. Almost two-thirds of advisers are now privately licensed. On average between 2019-2022 there was an average net loss of 60 licensees per year, nevertheless, this year we're seeing un uptick of 24 licensees gained.

In practices across the country, advisers tell us clients continue to be concerned about balancing current cost-of-living stresses with long-term goals. Higher interest rates, inflationary pressures and stagnating wages are putting continued pressure on households across Australia, which further highlights the need for a robust financial advice profession, to help guide consumers through both smooth and turbulent economic waters.

> *With more certainty on the regulatory front, the profession's headcount has stabilised.*

Industry overview Q3, 2023

Source: Adviser Ratings



Diversified	15.7%	2,470
Industry super fund / Not-for-profit	3.7%	586
Stockbroker	11.9%	1,873
Bank	1.5%	239
Limited licensee	1.1%	165
Privately-owned (1 - 10)	26.8%	4,197
Privately-owned (11 - 100)	20.4%	3,198
Privately-owned (100+)	18.9%	2,961

Adviser movements

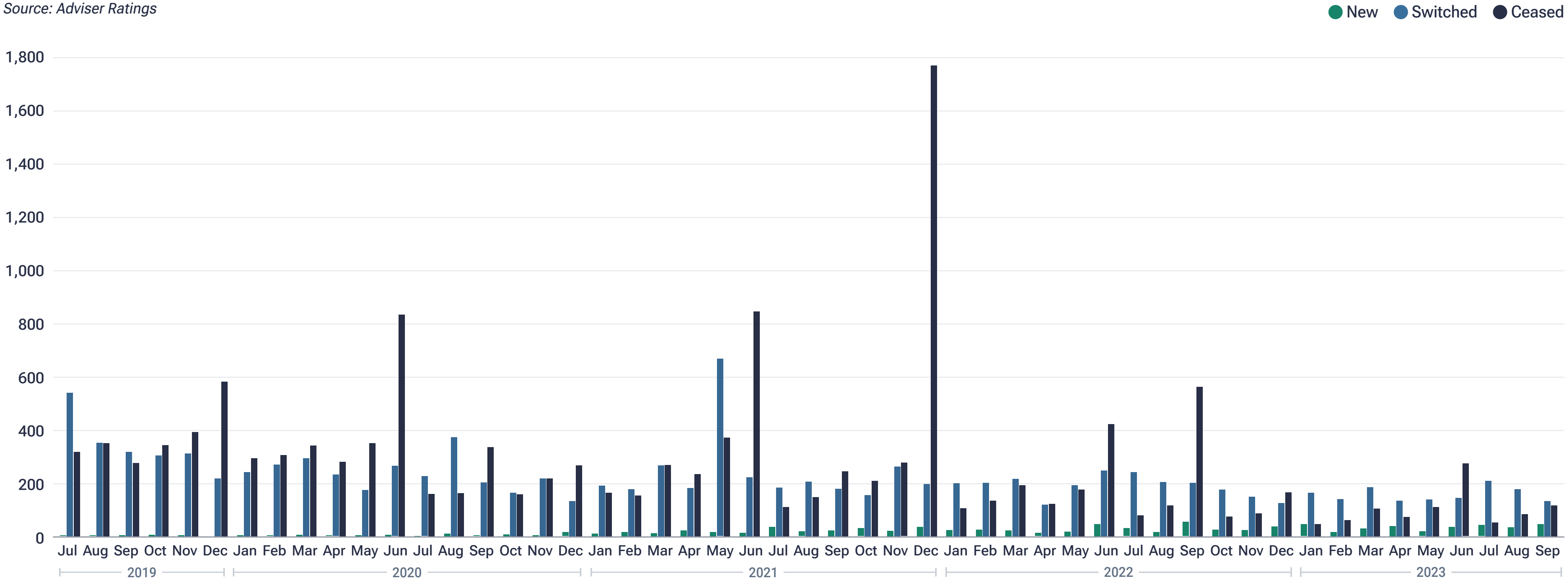
For just the second time in five years, the number of new entrants into the profession hit three digits this quarter. There were 122 arrivals between July and September, compared with 91 in the previous quarter. As we've said in the past, it's still well below the volume needed to replace the outflow of 12,000 advisers over the past few years.

Similarly, the departures in Q3 were historically low, with 251 ceased advisers recorded across the three months. It's worth noting we usually see a drop off in the third quarter, as the end of financial year is often a more popular time to exit.

While there were still more exits than entries, the gap between the two figures has continued to narrow.

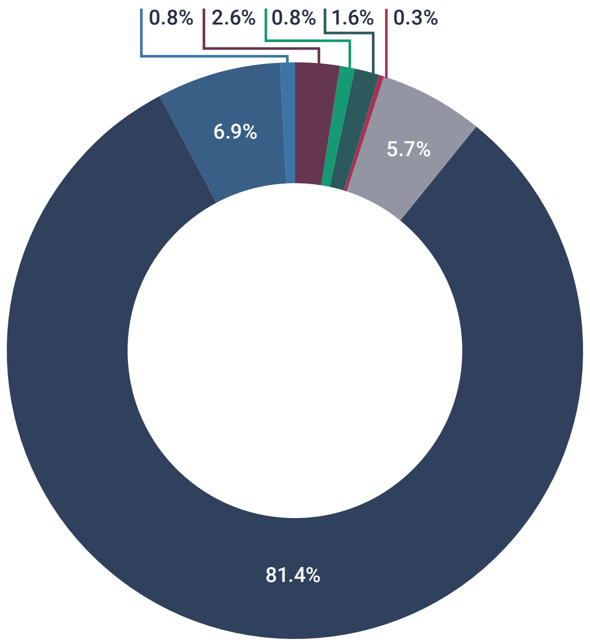
Adviser movements by type

Source: Adviser Ratings



Current licensee distribution by segment

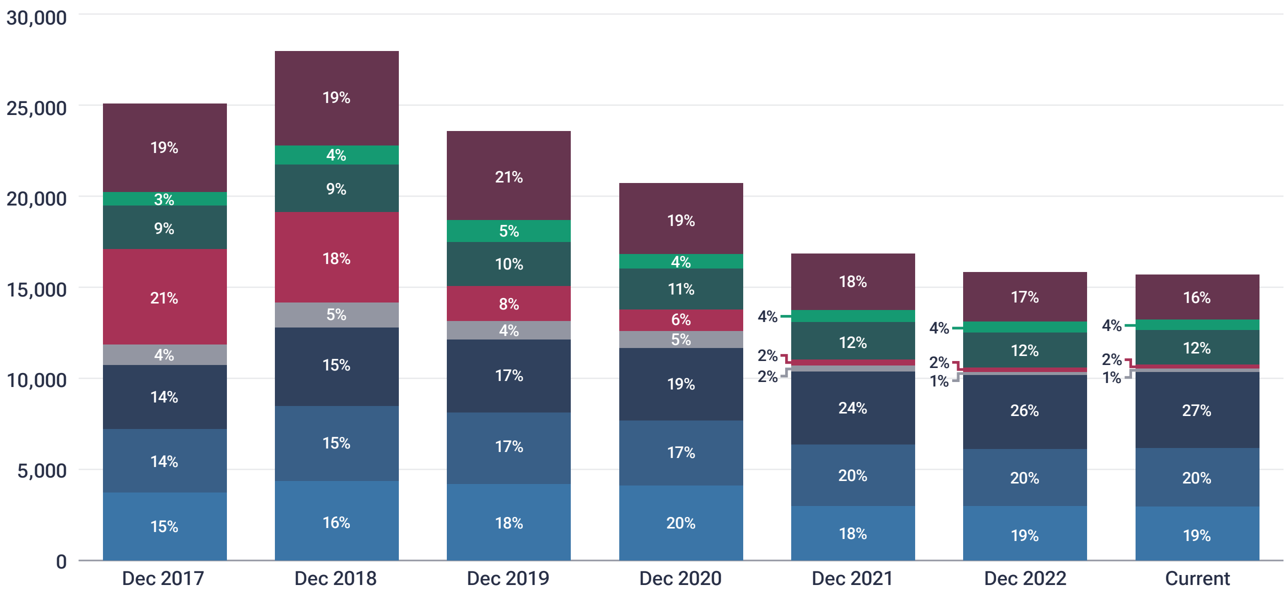
Source: Adviser Ratings



Diversified	2.6%	48
Industry super fund / Not-for-profit	0.8%	15
Stockbroker	1.6%	29
Bank	0.3%	5
Limited licensee	5.7%	106
Privately-owned (1 - 10)	81.4%	1,506
Privately-owned (11 - 100)	6.9%	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	2,470
Industry super fund / Not-for-profit	753	1,050	1,191	808	665	610	586
Stockbroker	2,370	2,600	2,430	2,230	2,054	1,899	1,873
Bank	5,256	4,960	1,912	1,192	327	247	239
Limited licensee	1,104	1,385	1,013	940	320	172	165
Privately-owned (1 - 10)	3,531	4,295	4,017	3,956	4,014	4,052	4,197
Privately-owned (11 - 100)	3,477	4,143	3,932	3,588	3,380	3,152	3,198
Privately-owned (100+)	3,732	4,341	4,183	4,101	2,984	2,974	2,961

Switching advisers

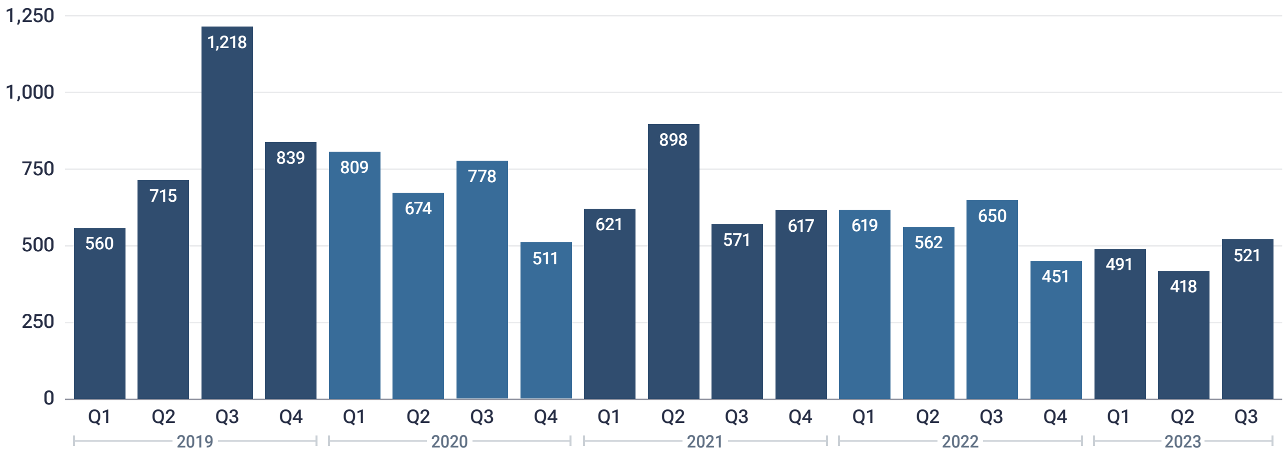
Licensee switching activity was elevated in Q3, compared with earlier in the year. More than 500 advisers made the shift to a new licensee, with most of the action happening early in the quarter.

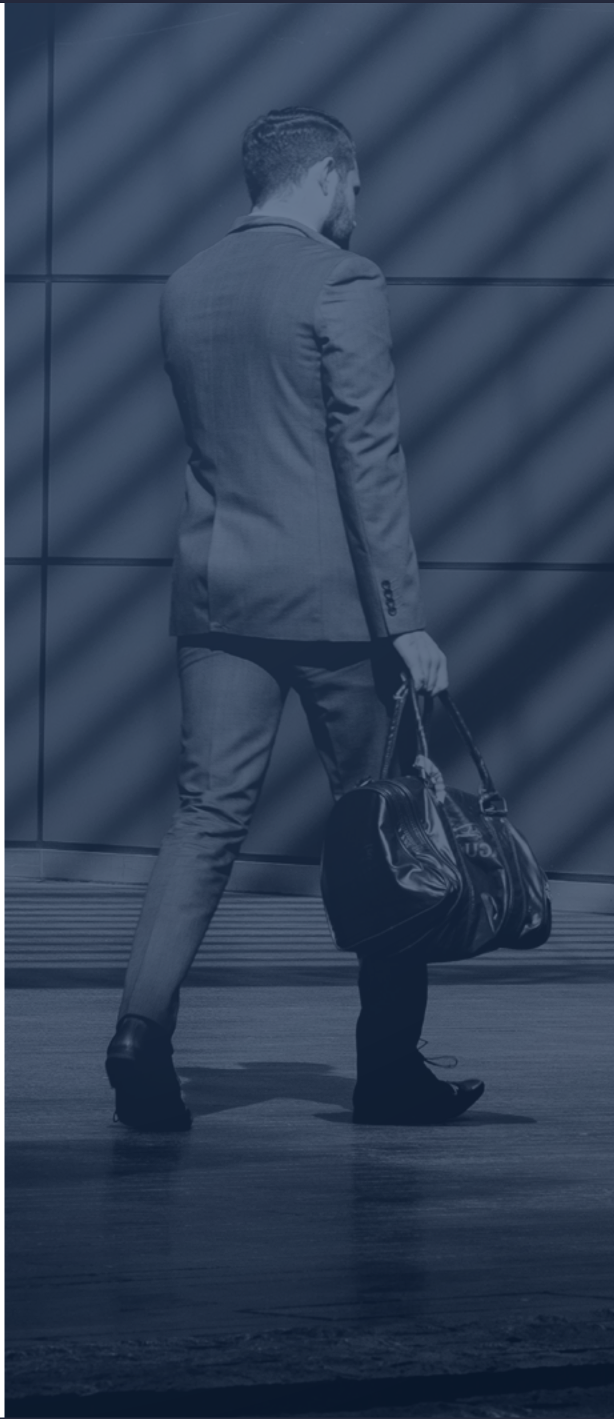
Diversified licensees lost the greatest number of advisers across the quarter, while privately owned licensees continued to grow their market share. Banks and limited licensees now collectively oversee just a few hundred advisers. Both once-popular segments have become casualties of changing regulations and adviser preferences. Industry superfunds now license fewer than 600 advisers, after losing a handful during the quarter.

> *We saw a rise in adviser musical chairs at what's typically a favoured time of year to move licensees.*

Switching advisers

Source: Adviser Ratings





Customer-centred design is never out of style

Claiming to be 'customer-centric' is so common that it has become a corporate buzzword and at risk of losing meaning.

It's often referred to as a key differentiator but, ultimately, it's what our customers think of us, not what we say about ourselves, that is the determining factor.

At BT we always welcome and listen to feedback, especially complaints which we consider a "gift" – informing us where we need to be better. In addition, we analyse industry research, set up focus groups, run pilot programs, keep a close eye on our net promoter score and circle back to work on areas for improvement.

These are the top three things that advisers say they want:

1. Help to **reduce the cost** of delivering advice – including easing the regulatory burden;
2. Help our businesses **thrive** – improve platform features to enable advisers to achieve greater efficiency and manage higher volumes of clients; and
3. **Reduce admin** for advice support teams and **save time**, by addressing known sticking points.

This article outlines how we're responding to meet and anticipate advisers' needs.

Our customer-centred roadmap

It's useful to go back in time, to when we made a conscious decision to put the customer at the heart of what we do, giving us clear direction on our competitive strategy.

Regulatory upheaval, technological advances and economic circumstances have made the platform sector far more competitive than what it was 20 years ago. Banks and specialist platforms have competed to earn the business of independent financial advisers, placing their needs (and that of their clients) at the centre of what platforms do.

BT recognised the need to be competitive on cost as well as quality of service, being the first to market to be transparent about the fees we charge and proactively competing on price for the first time, through an initiative called BT Open.

Since then, our customer-centric journey has included collating "Voice of the Customer" data from internal and external sources, understanding how and why advisers contact BT, creating actionable insights that we translate into improvement.

BT Panorama service initiatives

Recent platform updates that address advisers' feedback include:

- Generating Centrelink schedules – as advisers can now generate these via the platform without having to call us, turnaround times have reduced from days to minutes, and call volumes relating to this request have reduced by 87%.
- Allowing customers to consent, digitally – over 100,000 advice clients have used the digital consent feature in relation to updating advice fees and a range of other actions, saving them and their advisers time and paper.
- Tracking service requests – according to Investment Trends' latest Adviser Technology Needs Report[1], advisers identified the Service Request Tracker as one of the most beneficial enhancements to the platform. Usage of the feature grew by 44% in the six months to June 2023, with 68% of all advice practices on BT Panorama having used it. Advisers and their teams have told us the time savings have been significant, with some reporting that for simple transactions the time savings have been around 10 minutes; and for more complex transactions, 25 minutes.
- Linking external bank accounts and BT Panorama accounts – in addition, advisers can now add linked accounts to super and pension accounts after they have been onboarded.
- BT's virtual assistant, our chatbot Blue – in the year to September 2023, Blue conducted around 109,000 conversations with almost 28,000 advisers and investors.

Where we are going

We are continuing to "peel the onion", making our service better and better. It's a critical priority for our business. Whether it's the outside in or the inside out, we're looking at every part of the business and everyone in our organisation.

Looking further ahead, we see a time when platforms will be sending predictive "nudges" to advisers to help serve their clients. For example, if a client makes two or more calls directly to the contact centre, or looks up their portfolio balance more than five times in a month, this could mean that they have concerns about their portfolio or market volatility. The adviser will get a nudge and can elect to connect with their client to address any issues.

Meanwhile, we recognise the need to continue to get the basics right, combined with the need to do more around digital service and engagement – and we're doing that.

Advisers tell us that they would like to see further improvements in our service, and the overall user experience and platform functionality. And now, with insights from focus groups, we're about to undergo a large program of process re-design and automation to improve quality and create efficiency gains, uplifting customer experience.

I also believe you need to look outside your own company and industry to be the best at what you do, which is why we look at leaders in other sectors for inspiration, as well as gain insights. We are really pleased that for the second year running we are finalists for four awards in the Customer Service Institute of Australia's Service Excellence Awards, which includes all industries such as fast-moving consumer goods, fashion, retail and financial services.

> *When it comes to service, we get it, we're on it. Arriving at the right solution results from our talented team who are committed to having a constructive relationship with advisers.*

BT

By Sharyn Baker
Head of Service and Operations

Sources:

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

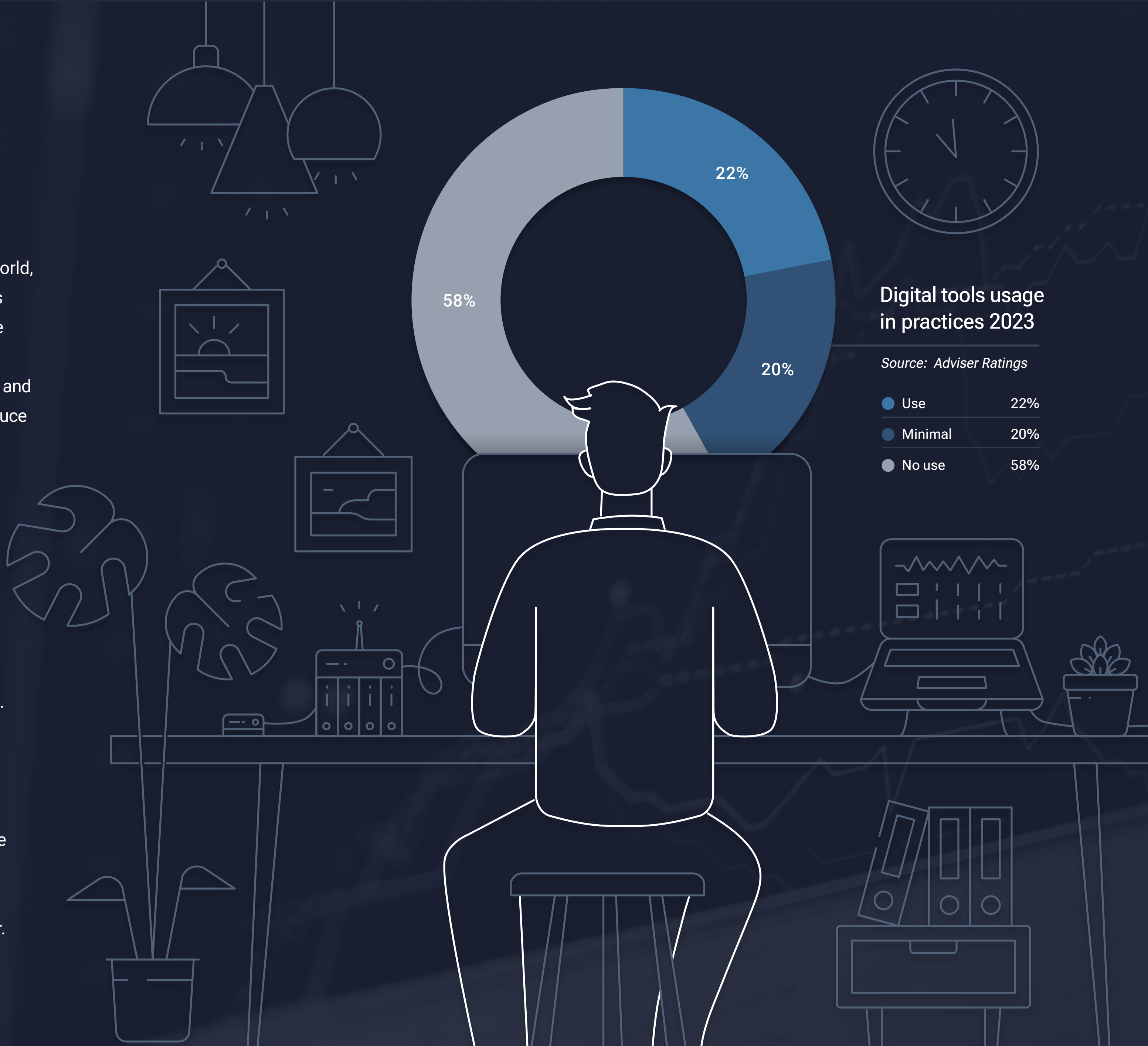
SPECIAL FEATURE

How advisers are using digital tools

Digital tools are nothing new in the financial advice world, but for the past few years, we've seen different trends emerging in what they promise and how practices are embracing them. These changes are partly driven by clients' demand for greater transparency and oversight and partly due to practices' desire to improve efficiency, reduce costs and spend more face-to-face time with clients.

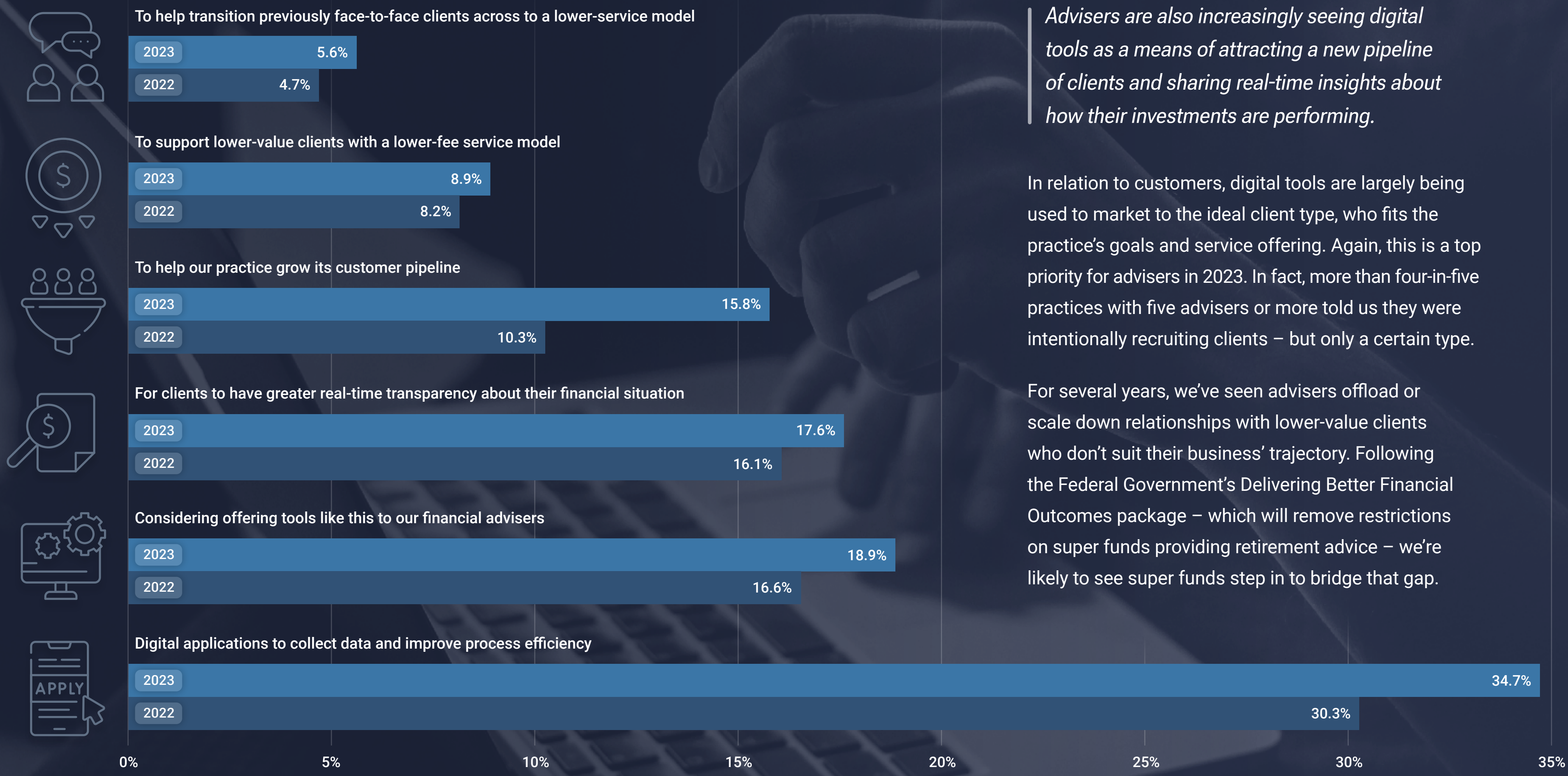
More recently, Adviser Ratings data shows practices' adoption of digital tools – and their key reasons for doing so – evolving further. Nevertheless, adoption is still relatively low, but there is potential for strong growth in coming years. From 2022 to 2023, we saw an increase in practices considering how they could incorporate new applications into their service model.

So, why are practices expanding their digital tool menu? A growing proportion of practices are using technology applications to collect data and improve process efficiency. It's unsurprising, given advisers we surveyed for our annual Adviser Ratings Landscape Report listed material process efficiency as their number one business goal for the 2023 calendar year.



Practice usage patterns: digital tools – 2023 vs. 2022

Source: Adviser Ratings

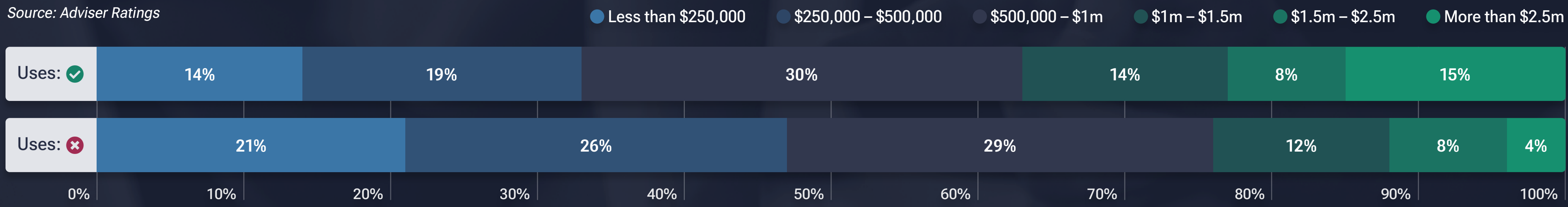


> *Advisers are also increasingly seeing digital tools as a means of attracting a new pipeline of clients and sharing real-time insights about how their investments are performing.*

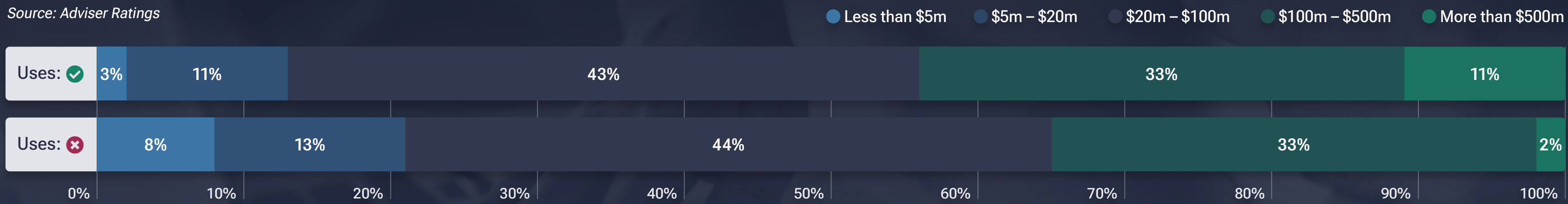
In relation to customers, digital tools are largely being used to market to the ideal client type, who fits the practice's goals and service offering. Again, this is a top priority for advisers in 2023. In fact, more than four-in-five practices with five advisers or more told us they were intentionally recruiting clients – but only a certain type.

For several years, we've seen advisers offload or scale down relationships with lower-value clients who don't suit their business' trajectory. Following the Federal Government's Delivering Better Financial Outcomes package – which will remove restrictions on super funds providing retirement advice – we're likely to see super funds step in to bridge that gap.

Practice revenue and usage of digital tools



Practice FUM and usage of digital tools



At the moment, the strongest predictors of profitability in advice tend to be size and scalability – something that may evolve with new technological offerings and when Delivering Better Financial Outcomes changes are bedded down in practices.

Our Landscape Report research showed larger businesses tend to have higher profit margins, due to scale, with about 40 per cent of practices with five advisers or more achieving a profit margin of 30 per cent or more, compared with one-in-five single-adviser businesses.

Nevertheless, our surveys show that the higher the penetration of digital tool solutions, the higher the revenue and funds under advice for the practice. This shows how larger practices in terms of FUM and revenue investing in digital tools to feed the funnel for future complex advice. We're seeing a shift in use of technology and way to provide advice, largely optimistic in this space.

Corporate actions

After several quieter quarters, we saw an uptick in corporate activity in Q3. Count's acquisition of Affinia Financial Advisers Limited moved an additional 19 advisers under the Count Financial umbrella. The growing privately owned licensee also added three new advisers from Fitzpatrick Private Wealth.

Interprac also continued to attract new advisers from a variety of AFSLs, with the mid-sized licensee picking up practitioners from nine licensees.

At the other end of the table, the wind up of NextGen Financial Group splintered off 33 advisers to different licensees, with almost a third finding a new home at LFG Financial Services. NextGen was wound up in September after the Federal Court ordered the group to pay $270,000 to an SMSF trustee, which followed an unpaid Australian Financial Complaints Authority (AFCA) determination.

Licensees with most adviser additions and reductions in Q3 2023

Source: Adviser Ratings

	Licensee	Segment	Number of Advisers
Most Additions	COUNT FINANCIAL LIMITED	Privately Owned (100+)	21
	INTERPRAC FINANCIAL PLANNING PTY LTD	Privately Owned (100+)	20
	ALLIANCE WEALTH PTY LTD	Privately Owned (100+)	12
	LIFESPAN FINANCIAL PLANNING PTY LTD	Privately Owned (100+)	10
	LFG FINANCIAL SERVICES LTD	Privately Owned (11 - 100)	10
	FINANCIAL SERVICES GROUP AUSTRALIA PTY LTD	Privately Owned (11 - 100)	10
	WEALTH TODAY PTY LTD	Privately Owned (11 - 100)	8
	MORGANS FINANCIAL LIMITED	Stockbroker	7
	AIA FINANCIAL SERVICES PTY LIMITED	Diversified	7
	AUSTRALIAN MORTGAGE AND FINANCIAL ADVISERS PTY LTD	Privately Owned (11 - 100)	7
Most Reductions	NEO FINANCIAL SOLUTIONS PTY LTD	Privately Owned (1 - 10)	-7
	MERIT WEALTH PTY LTD	Privately Owned (100+)	-8
	AAN WEALTH MANAGEMENT PTY LTD	Privately Owned (11 - 100)	-8
	LONSDALE FINANCIAL GROUP LIMITED	Diversified	-8
	FITZPATRICKS PRIVATE WEALTH PTY LTD	Privately Owned (11 - 100)	-9
	AWARE FINANCIAL SERVICES AUSTRALIA LIMITED	Industry Superfund / Not For Profit	-11
	AMP FINANCIAL PLANNING PTY LIMITED	Diversified	-14
	BRIDGES FINANCIAL SERVICES PTY LIMITED	Stockbroker	-26
	AFFINIA FINANCIAL ADVISERS LIMITED	Privately Owned (11 - 100)	-27
	NEXTGEN FINANCIAL GROUP PTY LTD	Privately Owned (1 - 10)	-33

Licensee movements

Throughout the quarter, the establishment of new licensees outpaced discontinuations; however, we saw fairly low activity on both fronts, compared with historical averages.

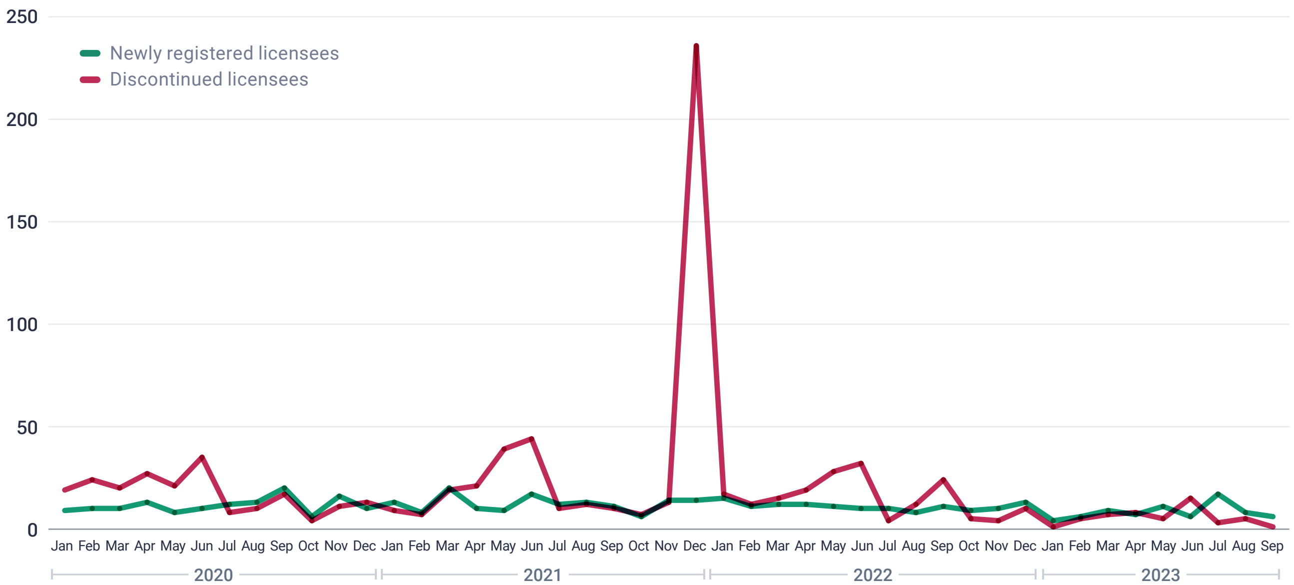
Fewer than 10 licensees closed across the three months, but most in that group had been operating for six years or more. In fact, a few had been around for decades, including Lonsdale Financial Group and Zammit Partners Investments.

Most newly registered licensees were set up for between two and five advisers, with fewer than a third established by solo operators. Consistent with general licensing trends, all new set-ups were in the private space.

> *Several discontinued licensees had been around for more than 10 years.*

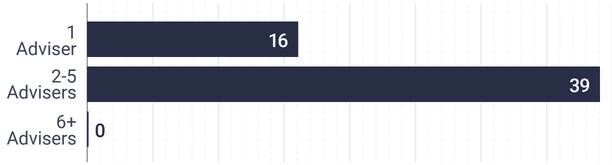
Newly registered licensees vs discontinued licensees

Source: Adviser Ratings



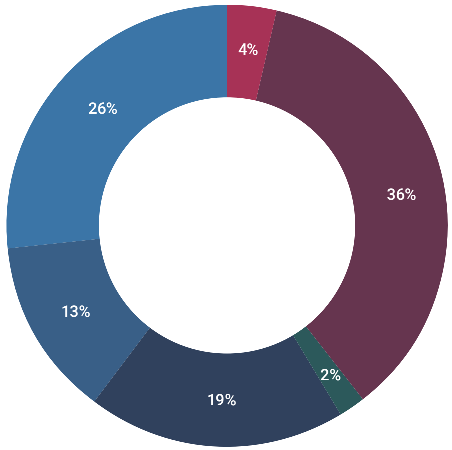
Size of new licensees

Source: Adviser Ratings



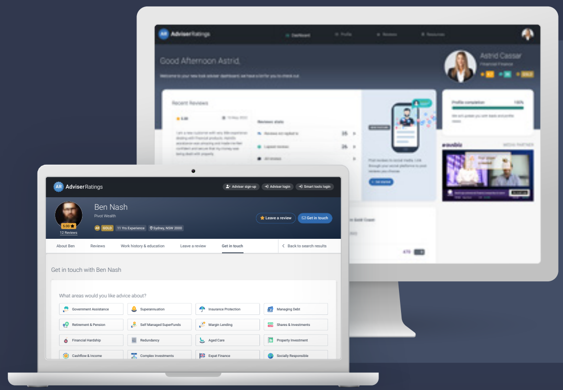
Where advisers were before going to a new licensee

Source: Adviser Ratings



Bank	4%	2
Diversified	36%	19
Stockbroker	2%	1
Privately-owned (1 - 10)	19%	10
Privately-owned (11 - 100)	13%	7
Privately-owned (100+)	26%	14

Our products



Consumer Marketplace

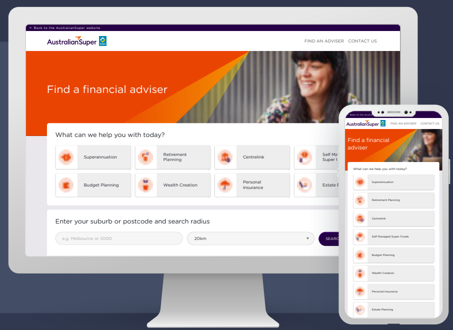
A public website that connects consumers with 17,000 financial advisers, through articles or research, and lead generation.

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”

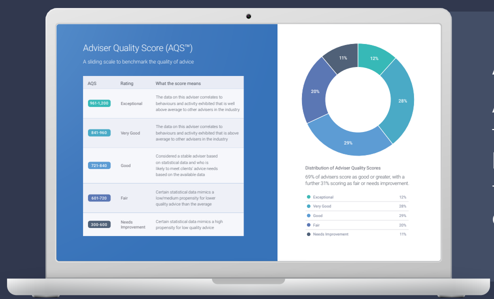
A customisable web service including design, hosting and data to help clients with customer retention and acquisition.

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

July

We have been raising our concerns about claim delays with insurers for over 12 months now. It is disappointing that this continues to be a concern. While we acknowledge the challenges insurers have faced, the bulk of complaints in the past year were not about natural disasters but about regular claims. We would like to see insurers take the necessary steps to ensure fewer policyholders have to take a complaint to AFCA.

- Australian Financial Complaints Authority (AFCA) Chief Ombudsman David Locke said insurers need to improve their performance after a rise in complaints to the ombudsman.

August

The FSC encourages consumers to seek financial advice before making changes to their investment strategies following today's performance results, to ensure changes align with their individual circumstances and take into account tax implications.

- Financial Services Council CEO Blake Briggs said consumers may not be able to move out of underperforming investment products for tax reasons, following the release of performance test results for MySuper and trustee-directed products.

What that really means is people are living more frugally than they need to. There's not enough confidence in their balances, there's not enough diversity or flexibility in products in the market, or literacy or advice or strategies to match people with these products.

- Treasurer Jim Chalmers told a Financial Review event that retirement income strategies are not up to scratch, which means many Australians could die with super remaining.

September

This will help address the mess left by the last government, which oversaw an industry that lost over 10,000 financial advisers [from] 2019. Ongoing advice fees also increased by 41 per cent between 2018 and 2021. This left Australians without access to affordable and quality financial advice.

- Financial Services Minister and Assistant Treasurer Stephen Jones said legislation to recognise experienced advisers was designed to repair past mistakes.

Laws have been in place for a decade requiring super funds to proactively identify multiple accounts. It's not good enough that Australia's biggest fund didn't have processes in place to identify and merge these accounts.

- Super Consumers Australia Policy Manager Rebekah Sarkoezy welcomed the Australian Securities and Investments Commission's legal action against AustralianSuper over alleged failures to address members' multiple super accounts.

Weekly Adviser Movements

Adviser Ratings has a Weekly Adviser Movement video series that keeps you up to date 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:**

July 2023	August 2023	September 2023
06 Jul	03 Aug	07 Sep
13 Jul	10 Aug	14 Sep
20 Jul	17 Aug	21 Sep
27 Jul	24 Aug	28 Sep
	31 Aug	

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.

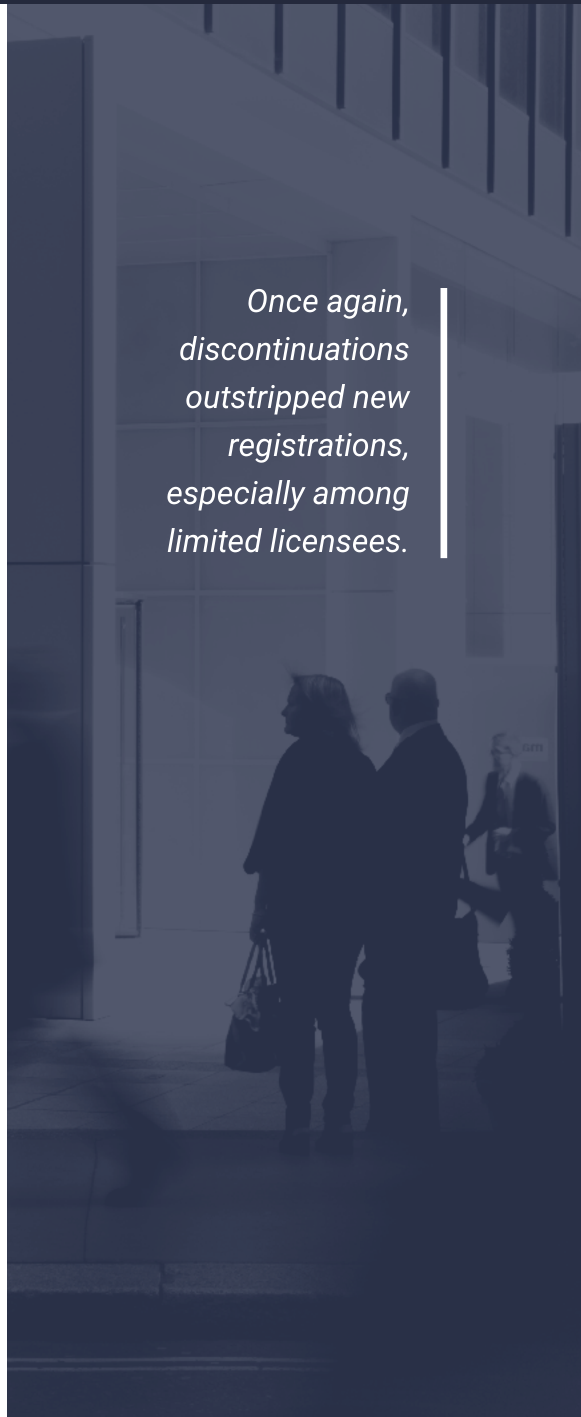
Limited Licensee
As defined through their ASIC registration under specific "classes of securities".

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.

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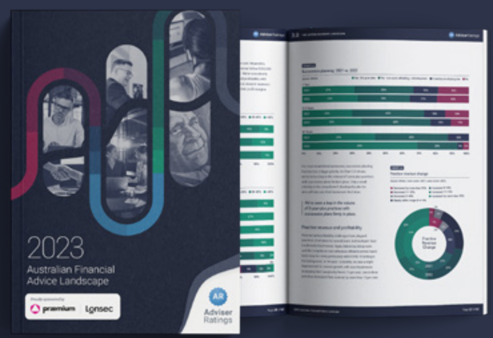
2023 Australian Financial Advice Landscape Report

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.



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