EQT RELEASE

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Gap between what advisers provide and investors expect needs closing

In the debate about adviser remuneration, not enough attention has been given to improving the understanding of what clients can expect for their money, says Mr Philip Galagher, head of wealth management for Equity Trustees Limited (EQT).

“It seems to me that there is a gap between what potential clients think they are going to get and the services that advisers actually provide,” he said.

“In the past it may not have been such a concern for clients as they did not pay the adviser directly for the services given.

“However, now that a direct link between adviser service and cost to client is being established, it will be of great advantage to the adviser sector overall if potential clients had an idea of what they can expect, even before the first meeting that establishes the cost for the services provided.

“There is a great deal of anecdotal evidence that people first visit advisers expecting specific investment advice and opportunities that will give them an immediate return advantage over other investors, or investment knowledge they did not have before.

“Potential clients need to understand that this is not what most advisers do, and that much of the advice role covers aspects such as helping set up finances, explaining what needs to be done to manage and protect wealth, how to avoid paying unnecessary tax, how to take a disciplined, long-term view to wealth creation, and even to look at concepts such as intergenerational wealth transfer strategies and the like.

“The way advisers help investors think about what they are capable of achieving financially, where they want to get to, and how they help develop an approach that brings the two together, is not as widely understood as it should be.

“New clients could be disappointed in their early meetings with a financial planner if deep down they are hoping for suggested investments where they can get in at the ground floor and earn fantastic returns.”

Mr Galagher suggests that the adviser industry needs to communicate that such returns simply don’t exist and that investors should stay away from any adviser who even remotely hints at especially high returns.

“More promotion is needed of the holistic approach to service that many advisers now take – including the skills and experience needed for estate planning, setting up investment vehicles (such as superannuation funds), and selecting an investment approach that suits clients’ individual needs, as part of an overall support package.

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"Potential clients should understand the benefits that they get from the adviser skills that help them achieve their wealth creation aims through approaches that bring discipline to savings patterns, turn savings into investments, and protect wealth and financial interests.

"Australians increasingly need advice and help because of complex tax and superannuation rules, increasing superannuation balances through superannuation guarantee contributions, and the need for increasing retirement savings. Financial planners need to create broad understanding that this is what they are able to help with," Mr Galagher says.

About Equity Trustees: *Equity Trustees is a publicly listed company that provides a range of financial services to corporate and private clients. Its businesses include private client wealth management, funds management, responsible entity appointments, and corporate and personal superannuation.*

The company manages more than $4 billion in its funds management, private client and superannuation businesses and has over $19 billion under responsible entity administration. Equity Trustees employs over 180 people in its Melbourne, Sydney and Brisbane offices.

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