

Advisers or product pushers?



By George Lekakis

PORTFOLIO POINT: Financial planners employed by the big banks are far more likely to push in-house products than give unbiased advice, an investor survey finds.

The public controversy over the market power of major banks is poised to engulf their wealth management businesses, with new research showing that advisers employed by banking groups are perceived by their clients to be among the hardest pushers of in-house products.

Financial planners employed by the major banks and leading wealth management groups have a credibility problem with superannuation investors, according to the latest market research on superannuation advice published by Roy Morgan Research.

Only 14% of financial planners employed by National Australia Bank, Westpac and Commonwealth Bank are perceived to be independent of the product manufacturing arms of each bank.

Investors also do not consider most advisers who market wares through AMP and AXA as independent. Only 28% of AMP planners and 33% of AXA advisers were perceived to be independent by superannuation clients.

The Roy Morgan survey findings come at a sensitive time for the financial planning profession as it scrambles to explain the failure of its alternative remuneration disclosure system and grasp the impact of federal government reforms concerning commission payments.

The survey, which has traditionally been made available only to Roy Morgan subscribers and on a restricted basis to trade publications, has been provided exclusively to Eureka Report.

Investor responses to the latest survey, covering the 12 months to the end of September, confirm anecdotal evidence that most investors do not believe that they are getting unfettered advice from planners who are employed by or connected with the country's major banks and wealth management groups.

In fact, the findings are an indictment of the public standing of financial advisers, who continue to maintain through their peak professional body, the Financial Planning Association, that they do "great work".

Insidious ties

Investor perceptions of the insidious ties between planners and in-house fund managers are highlighted by the survey.

Roy Morgan asked respondents what proportion of their superannuation investments were obtained from parties related to their financial planners.

The aggregated responses are extremely disturbing for the industry, which is dominated by the

Perceptions of financial planner brand independence for super *

Big Six financial planning groups		Perceived type of financial planner, adviser or accountant		
		Tied	Independent	Accountant
AMP Group	AMP	68	28	4
	Hillross	44	51	5
NAB/MLC Group	NAB	76	14	10
	MLC	59	36	5
	Garvan	40	55	5
	Godfrey Pembroke	39	58	3
CBA Group	Commonwealth	71	14	15
	Colonial FS	61	34	5
	Financial Wisdom	36	59	5
	AXA Group	AXA	64	33
ANZ Group	ANZ	66	16	18
	RetireInvest	49	48	3
Westpac Group	Westpac	78	14	8

Non-Big Six financial planners

ABN AMRO Morgans	47	34	19
Count Wealth	14	25	61
Macquarie	48	28	25
Suncorp	67	25	8
St George	68	20	13

* Data period: October 2006 - September 2010, sample n = 22,422 work based or personal superannuation products obtained through a financial planner, adviser or accountant

Source: Roy Morgan

Big Six wealth management groups: AMP, AXA, CBA, NAB, ANZ and Westpac.

AMP was measured as the most aggressive product pusher, with 84% of superannuation investors saying their AMP planner had placed them in AMP-branded products.

The second most aggressive peddler was Commonwealth Bank at 76%, followed by Westpac (74%), AXA (71%) and NAB (69%). The survey found ANZ advisers were less likely to direct clients to in-house products.

Percentage of clients' super products advisers source through an in-house fund manager

Big Six financial planning groups	Oct 06 - Sep 10	12 mths to Sep 08	12 mths to Sep 09	12 mths to Sep 10	Diff: Sep 09 to Sep 10
AMP	83	83	82	84	2
ANZ/ING	46	43	42	53	11
AXA	76	79	76	71	-6
CBA/CFS	72	70	75	76	0
NAB/MLC	68	71	66	69	3
Westpac/BT	74	79	76	74	-2
Total Big 6	74	74	73	74	2

* Data period: October 2006 - September 2010, sample n = 5,447 work based or personal superannuation products obtained through 6 major planning groups

Source: Roy Morgan



However, it appears ANZ planners are rapidly adopting the product-push tendencies of rivals, with customers reporting that the level of in-house product sales had risen to 53% from 42% in the 12 months to September.

Roy Morgan's director of industry communications, Norman Morris, believes the survey's findings are "quite damning" of the financial planning industry's claims to being independent. "I think the data does raise doubts about whether the best interests of the client are always being served," he says.

"It's hard to believe that advisers always have the client's best interest at heart. In fact, the survey data is quite damning of that suggestion."

Roy Morgan has been conducting research into superannuation investors' perceptions of advisers since 2006; in that time attitudes to dominant financial planning groups has not changed markedly.

The survey includes the responses of investors who were placed in more than 22,000 super products over the past four years.

The data on advisers placing clients in super products marketed by an in-house manufacturer reflects responses from more than 5400 investors.

Happier customers

The survey also found that superannuation investors who bought products through the Big Six were much less satisfied with the performance of their investments than DIY super trustees and industry fund members.

Almost 73% of DIY super investors and 53% of industry fund members were satisfied about investment performance in the 12 months to the end of September.

These levels of satisfaction present a stark contrast to survey respondents who had their retirement savings invested in AXA or AMP products. Only 43.3% of AXA clients said they were satisfied with investment returns in the past year, while AMP products satisfied only 44.8% of clients.

Westpac, which markets most of its wealth products through BT Financial Group, garnered a satisfaction rating of 50.9% on investment performance. But CBA, ANZ and NAB all had satisfaction ratings below 50%. ♦

Satisfaction with financial performance of super by fund manager *

Fund manager	% "Satisfied"*	
	Oct 08 - Sep 09	Oct 09 - Sep 10
AMP Group	42.9	44.8
AXA Group	37.8	43.3
CBA Group	46.8	49.6
ANZ Group	42.5	45.3
NAB Group	43.4	48.2
St George Group	42.5	50.2
Suncorp Group	44.0	49.4
Westpac Group	43.6	50.9
Industry funds	51.6	53.6
Public Sector Funds	58.3	58.1
Self managed funds	67.3	72.9
Total work based or personal super products	49.6	51.9

* Data period: October 2008 - September 2010, average 12 months sample n = 35,397 work based or personal superannuation products

Source: Roy Morgan