



## TECHNOLOGY WILL SAVE FINANCIAL ADVICE

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### ABSTRACT

Advice provided by financial planners has the potential to impact the financial and emotional well-being of clients and is particularly important in a world struggling to deal with COVID-19. Despite the outcomes of quality financial planning relationships, there is little direct evidence to support the importance of technology in the financial planning setting. Previous research has emphasised the importance of technology in other fields, although not in relation to financial planning. This research investigates the impact of technology on financial advice value, measured in a survey of clients and financial planners regarding factors of technology, communication, trust, and investment returns. A questionnaire was developed based on previously validated scales. Ratings for the factors were compared between clients and financial planners, with financial planners found to underestimate their client's confidence in their process, and also underestimate the importance of communication to clients. The results indicate that clients value investment returns above the financial planning relationship, and that financial planners value the relationship above investment returns. This research contributes to the financial planning and technology literature, provides a foundation for future research, and provides support for the importance of communication and technology in professional relationships such as in financial planning.



## Introduction

The technology uptake across all sectors in the COVID-19 context illustrates the power of technology to potentially save the financial advice sector by allowing cost efficiencies to be passed on to clients. In the COVID-19 era it seems that technology has finally been utilised to streamline the sectors and professions it was designed for (Galanakis, Rizou, Aldawoud, Ucak, & Rowan, 2021). The timing is perfect, as with the increased compliance cost burden of recently strengthened financial advice regulation, technology has the potential to ensure advice affordability and accessibility in a post-COVID-19 world. This paper seeks to understand the similarities and differences in financial advisers and clients perspectives towards the role of technology in financial advice.

Robo Advice has unquestionably increased in recent years, but is still at a relatively low level, even with households with high levels of income and net worth (He & Liu, 2021).

The financial advice sector has moved steadily towards formal regulatory systems to support increasing professionalism. Given the value of financial advice to the community, ensuring professional standards for financial advisers provides long term positive community outcomes (Bruhn & Asher, 2021). In June 2017, under the Corporations Act 2001, FASEA was declared as the formal standards body of the financial planning profession (Financial Adviser Standards and Ethics Authority Ltd 2019). FASEA was charged with implementing the changes first raised by the Future of Financial Advice Reforms (FoFA), and include increases to the education standards of financial advisers as the primary change. Additional changes overseen by FASEA include the requirement for financial advisers to adhere to one code of ethics, be on one central register, for advisers to undertake a supervised professional year, and an increase in the Continuing Professional Development requirements by more than 10 hours per year (Corps Amendment Act, 2017). The role of FASEA has shifted to Treasury as of January 2022. These changes mean that while the standards of professionalism will increase in the financial planning profession, so will the cost of providing quality advice (Westermann, Niblock, Harrison, & Kortt, 2020). The backdrop of an increasing cost to provide advice alongside falling consumer sentiment since the Royal Commission of 2018 means that the alignment between clients and advisers on what is delivered and what is considered of value is more important now than ever before.

Financial advisers are increasingly concerned that the cost of running their financial planning practices is on the rise, and as a result access to financial planning services is getting more and more unaffordable (Westermann et al., 2020). As discussed, this increase in cost will continue to rise. This study aims to look into the role technology plays in improving the access to financial planning services and considers this topic by evaluating the perspectives of clients and financial advisers towards services offered by the financial planner that may or may not be of value.

Modern day financial advisers are becoming more aware of the fact that personality, demographic and socioeconomic factors, household characteristics, cognitive and emotional biases, and even religion can affect financial decisions (Hunt, 2016). Financial advisers need to understand investor psychology, as facts and figures alone are no match for human emotions (Courtenay, Taffler, & Baeckström, 2021).

By being able to potentially provide the whole financial planning service through an online platform substantially reduces personnel and asset costs while a number of clients can be served (Jung et al



2018). Despite financial planning being an increasingly important topic for research, the empirical studies supporting the profession are in relatively short supply, and even more so when it comes to technology in financial planning. Notable exceptions include the research undertaken by Stich (2019) and Hohenberger, Lee, and Coughlin (2019) who discuss the increasingly important role of technology in access to financial advice.

Researchers have started to explore this question with an increasing body of literature developing around online trust (Kim & Peterson, 2017). Taking into consideration the complexity of advisory, there is a strong need of extensive information technology (IT) support for improving advisory services, making the whole process more effective and efficient (Stich, 2019).

Robo-advising has been put forward as one of the many viable solutions to this growing problem and has been found to make financial advice much more readily accessible and at a lower cost. Robo-advice is 'the delivery and execution of financial advice through automated algorithms on digital platforms'. Aside from the cost savings that robo advice affords, robo-advice can improve on human advice for several reasons. First, they utilise replicable algorithms based on financial theory, not deeply held beliefs and biases that human advisers are subject to. The technology can also simplify and speed up communication with clients, greatly adding to the efficiency of advice (D'Acunto, Prabhala, & Rossi, 2019).

The growth of investment robo-advisers and automated personal financial management services creates both massive opportunity and huge new risks that regulators cannot even assess as yet, let alone address. Due to the scale that automation affords, these services have the potential to provide higher quality and more transparent financial advice to more people at a lower cost than human financial advisers. The emergence of robo-advice does not discount the importance people place in the industry. People will always be needed to design, model, implement and market these services (Baker & Dellaert 2017).

There has been a lot of focus placed on fintech in recent years. The peak advocacy group for the fintech sector in Australia, Fintech Australia, reports there are more than 400 fintech businesses in the country and the sector growth is strong. Fintech represents roughly 20% of the startup industry and now impacts the whole financial services value chain. From front-office to back-office, wealth management and superannuation, to retail banking and credit (Tsen & Forrest 2019). The biggest threat to Financial Advisers out there today, who are practicing traditional advice, is that these financial planning services are allegedly more collaborative, personal and comprehensive than ever before. If their progress remains constant, it is only a matter of time before these fintech companies rival the face to face propositions of the traditional financial planning business (Marshall, 2017).

This study builds on previous research in financial planning and applies it to technology in the financial planning context. A review of the previous research from the components of financial planning with respect to technology will be documented in the literature review section of this paper. Technology and the future of financial planning will be explored and then further broken down into eleven components. These components include risk profiling, cash flow management, investment management, retirement planning, consumers, sophisticated investors, financial literacy, trust, communications and conflicts of interest.



## Theoretical Foundation

This section provides an overview of previously published research that relates to technology and financial planning in Australia. Financial planning has been studied across the globe for decades, and this analysis will focus on the core elements of financial planning, but in particular we will examine what role technology increasingly plays in the financial planning process.

The first section examines the literature that establishes the foundations of financial planning, and explores the origin and genesis of financial planning, especially in the Australian context. In this section we will discuss risk profiling, cash flow management, investment management and retirement planning in detail.

The remainder of the section then looks at the literature that supports the ancillary components of financial planning. This part of the review will look into the consumer and the current state of their financial literacy, trust and communications in the client-adviser relationship, and that relationship in general.

### *Financial planning*

Financial advisers see themselves as responsible for creating financial roadmaps for their clients, combining the cognitive talents of the traditional financial planner and the emotional skills of a counsellor (Hunt, Brimble, & Freudenberg, 2011). They view themselves as financial guides, who are responsible for leading clients where they want to go (Gerrans & Hershey, 2017).

Families have an incredibly critical decision to make in terms of who they appoint and entrust with the financial resources needed for current and future generations. This is not entirely a rational financial decision either, it is also about who can best take personal care of the family and not just oversee their money (Grubman & Jaffe, 2010). Openly discussing personal financial assets, personal life goals, and articulating plans for achieving those goals relies on trust, and a client's willingness to be vulnerable (Dubofsky & Sussman 2009).

The previous literature here is undeniably limited, and while financial planning technology has been touched on in the past (Barber & Odean 2001, Heinrich et al 2014, Baker & Dellaert 2017), we cannot find evidence of empirical research in the Australian context.

### *Risk profiling*

One of the core historical components of the financial advice profess that has effectively utilized technology is risk profiling. One only needs to look at Advantra Wealth and Advice Intelligence to understand existing technology utilization in the risk profiling space.

A financial adviser is required to measure their client's risk preferences, such that an appropriate asset allocation can be recommended. In doing so, financial advisers have been found to add value in two ways. First, they can add value to their client's lives as their agent, specifically carrying out their wishes. The majority of clients simply do not have the time or the proper tools to manage



a portfolio by themselves, so the job is thus delegated to an adviser. To do this, the financial adviser must understand their client's risk preferences. Second, they aim to help their clients make smarter decisions with their money. Through the financial adviser's knowledge and by ideally restricting emotion, advisers have been found to enhance client's portfolio choices (Dong et al 2015; Hunt, 2016).

A financial adviser must recommend investments that are not only appropriate for the client's goals or risk required, but also be suitable for their risk capacity and tolerance. To achieve this, there must be sound processes and tools available to financial advisers. This has been proposed to be equal parts art and science. The tools that the adviser uses are the science and the art lies in their ability to use these tools effectively to guide the investment decision making process (Davey & Resnick 2012).

Trade-offs are a key component of financial planning. One of the classic trade-offs for a client when making investment decisions has to do with three key points – risk required, risk capacity and risk tolerance. The risk required is what risk does the client need to take to achieve the return required to achieve their goals. Risk capacity is simply the client's ability to take risk. If something goes wrong, what can the client handle before they have to alter their plan. Risk tolerance is all about the client's attitude toward risk. It is ultimately another trade-off, where a balance has to be found in making the most of their time and capital, yet not putting their financial well-being at risk (Schulaka 2012).

The Australian financial services industry has been the focus of disgruntled clients and regulators over a long period of time. A recurring theme is becoming more apparent as time goes on. Poor outcomes as a result of financial advice are being repeatedly reported due to a failure to properly consider clients' risk attitudes. One may reasonably expect that since these events should have led to significant remedial action across the profession. However, a review of current regulatory guidance suggests that this is not the case (Hartnett & Mella 2015). This paper attempts to help bridge the gap in the previous literature by building on the link between risk profiling and technology. There have been numerous empirical studies (Van de Venter, Michayluk & Davey 2012, Schulaka 2012, Davey & Resnick 2012, Dong et al 2015) on such technology and techniques and this research builds on this.

## *Cash flow management*

An issue faced by many families is pin pointing where their money goes and what their cost of living is. But those who make the time and develop plans for managing their income and expenses tend to find themselves in a healthy financial position, with more control and have much more confidence in how the future looks (Graham 2019; Lee, Park & Montalto 2000; Xiao & Noring 1994).

At a point in time, the individual is assumed to be a farsighted planner, and a myopic doer. The conflict then arises which is similar to the agency conflict between the owners and managers of a business (Kennickell, Starr-McCluer & Sunden 1997). Self-control as a concept has been incorporated into a theory of individual intertemporal choice by modelling the individual as an organization (Thaler & Shefrin, 1981). Research has shown that through practicing small acts of self-control, it can lead to a greater self-control capacity. Hence, it is possible to strengthen the self-control muscle through exercise, leading to better outcomes (Muraven 2010). Galperti (2019) suggests that spending caps are unlike minimum-savings rules, they can help to curb overspending because they halt consumption that lowers returns from under saving.



## *Investment management*

In 1952 an article titled "Portfolio Selection" published in The Journal of Finance, authored by Harry Markowitz, Modern Portfolio Theory (MPT) was introduced. The concept originally generated relatively little interest, but the financial community progressively adopted the thesis. Today, all these years later, the most widely used applications in the areas of asset allocation, portfolio management, and portfolio construction. It appears probable that MPT will occupy a permanent place in the theory and practice of finance (Fabozzi, Gupta & Markowitz 2002). Modern portfolio theory (MPT) is used to determine the optimal portfolio of multi-assets which achieves the highest level of return for a given level of risk. It is then described as "efficient", implying a rational investor would choose this portfolio above other options (Byrne & Lee, 1995).

Managed funds have gained traction over the last few years. However, their performance has proved to be an issue that has been well documented in the finance literature (Lakonishok, Shleifer & Vishny 1992, Ippolito 1993, Shukla & Trzcinka 1994, Elton & Gruber 1996, Wermers 2000, Guercio & Reuter 2011) over the last few decades. Academics have been forever debating the issue of whether active managers add value above and beyond their respective benchmarks after fees since the seminal paper of Jensen (1968) (Holmes & Faff, 2004). Despite some controversy still out there, the majority of studies now conclude that actively managed funds underperform their passively managed counterparts on average over the long term (Elton, Gruber, & de Souza, 2019; Fahling, Steurer, & Sauer, 2019). There are clearly many ways technology is already improving client outcomes, as both active and passively managed funds leverage technology to streamline trading efficiencies.

## *Consumers of financial advice*

Recent studies have found that the relationship between consumers of financial advice and financial advisers are complicated and hard to understand. There are both theoretical and empirical studies to support this, which show consumers need to carefully select and monitor their advisers (Agnew et al 2016). Making a decision around how to allocate savings across risky asset classes commands an understanding of investment horizon, risk preferences, asset returns and human capital. To help this decision, many households seek financial advice. Although the use of financial advisers is widespread, relatively little is understood about how advisers shape client investment portfolios (Foerster et al 2017).

Behaviours and habits are incredibly important in economic environments. When people exhibit habit formation, it has been shown that people exaggerate the degree to which their future tastes will resemble their current tastes. This leads them to consume too much early in life, and make decisions as time passes to consume more and save less than originally planned (Loewenstein, O'Donoghue & Rabin 2003). Beshears et al (2015) found that consumers who were exposed to information about the actions of their peers that were positive, in their study it was high savings rates, can actually have negative reactions. Their results revealed an interesting drawback when highlighting the actions of peers. Peer information usually contains social comparison, and those with a lower socio-economic status may react negatively to positive peer behaviours.

In Australia, it has been shown that people holding superannuation funds for retirement savings purposes consider themselves as consumers, not investors. How fund information is presented has also been found to be of little help to the members as consumers. Simplifying product packaging,



labelling and marketing to relate product information to consumers retirement needs and objectives could lead to overall enhanced engagement in the sector (Delpachitra & Rafizadeh 2014).

## *Financial literacy*

The Organization for Economic Cooperation and Development (OECD, 2005) defines financial education as 'the process by which consumers improve their understanding of financial products and concepts and, through information, instruction, and/or objective advice, develop the skills and confidence to become more aware of financial risks and opportunities to make informed choices, to know where to go for help...'. Research shows that financial illiteracy will not be 'cured' easily. Not by a one-time benefit, or a detailed step by step plan of what actions to take. Education alone may not be enough. It is integral that consumers be given the tools to change their behaviours, rather than delivering financial education. It has been shown that consumers would rather personalized ways to learn how to manage money rather than attend educational seminars (Lusardi & Mitchell, 2009, 2011, 2014).

Financial decisions are getting more complicated, and financial literacy is not keeping pace. Unsophisticated individuals are now left with the problems that come with more responsibility and less understanding (Lusardi & Mitchell, 2011). Regulators and academics are relentlessly and continually searching for ways to improve the financial choices of the ordinary person (Agnew 2005). Consumers are increasingly confused as to which adviser or advice to trust (ASIC 2012). Research shows that the everyday investor has issues doing basic calculations, and they struggle with basic financial concepts such as diversification, how markets work and how to price assets. Lack of financial literacy has been shown to be a key cause in the lack of retirement planning (Lusardi & Mitchell 2017).

## *Trust*

Client trust in financial planning services is of paramount importance, especially when considering factoring in increased use of technology in the process. The impact communication has on client commitment and trust has come from the marketing research predominantly, not the financial planning profession. Key papers which have examined trust in the financial advice context are Cull & Sloane (2016) and Hunt, Brimble, Freudenberg (2011). Due to the highly technical and customized nature of financial planning services, it is hard for clients to assess service quality, even after purchase and use (Sharpe et al, 2007). In 2014, the then Australian Securities and Investment Commission (ASIC) Chairman Greg Medcraft stated 'Australians want advice they can trust, it's absolutely appalling ... and it's heartbreaking to see people who have been advised to go into products that are completely inappropriate and they have no idea what they're invested in' (Hartnett & Mella 2015).

Sharma and Patterson (1999) looked into the impact of effective communication and perception of technical and functional quality of financial planning services on client trust and commitment. They first made a distinction between technical and functional quality. Technical quality was "what" the financial adviser gave to the client. Whereas functional quality was "how" they delivered the technical service. Through their analysis, it was found that although technical quality was important, how the financial adviser delivered this was by far more important in impacting client commitment and trust.

Agnew et al. (2016) also found that advice quality, credentials and experience are likely to be correlated, but it is very hard to make distinctions to separate their effects on what advice to trust. Their study found that clients trust and prefer advice from financial advisers who had credentials,



regardless of the quality of the advice they gave or their personal characteristics. They found that advisers lacking credentials were rated less trustworthy, and their advice was less likely to be followed. However, direct face-to-face communication is quickly becoming an expensive rarity in a world that is increasingly saturated with technology in delivering services. So credentials aside, humans are facing new problems in an increasingly automated world. When humans interact with systems alone, their ability to assess, accumulate and evaluate trust in other humans through direct interpersonal communications is significantly impaired (Cofa & Crane, 2003). Hence, there is a gap in the previous literature.

## Communications

Authors have found that in the context of the financial advice sector, disclosure is not effective (Richards & Safari, 2021).

Decision-making research suggests that consumers tend to reduce the amount of effort they expend when decisions become overly complex. If investors lack the capacity to compare the available investment alternatives, the process becomes much more intimidating (Agnew & Szykman 2005).

If a decision-making environment is overly complex, it has been found that the user cannot make decisions on technical properties alone. If they are presented with too much information, they will be confused. Yet conversely, too little information leaves the user with the feeling of being restricted by the machine (Cofa & Crane, 2003).

## Conclusion

Technology impacts businesses across the world in many ways, virtually changing more or less every industry and profession in existence today. This is even more so in the COVID-19 context. There is no question that the impacts are irreversible. In the interests of having a more robust understanding of technology and the future of financial planning in Australia, prior literature in relation to the components that technology will impact have been examined. Technology and the future of financial planning has been explored and then further broken down into eleven components. These components include risk profiling, cash flow management, investment management, retirement planning, consumers, sophisticated investors, financial literacy, trust, communications, conflicts of interest. The following sections draw on this analysis when considering the experiences of clients and financial advisers surveyed and the potentialities are for the financial planning profession.

## Methodology

The purpose of this research is to explore the role technology will play in ensuring financial advice can be provided to more Australians in an increasing regulatory cost environment. The technology referred to is in terms of practice, communications, education, technology, service costs, trust, and the client-adviser relationship. To do this, a research design has been employed which examines how technology is currently utilised from both the financial advisers' and clients' perspectives. This research has been designed to enable the comparison between financial advisers and clients on the key value drivers and inhibitors and provides a deeper layer of analysis. This section will describe the methodology employed. Descriptive statistics will be analysed regarding clients, financial advisers, and the sample.



The study adopts a survey methodology with questionnaires developed and supported by a logical, structured and systematic approach (Rattray and Jones 2007). Two questionnaires were created, one for the financial advisers to complete, and one for clients to complete. In terms of the question content, they are based on the previous literature and were customized in terms of wording slightly to whether the respondent was a financial adviser or a client. These sources published their survey items and have been adapted to the financial planning setting for the current research. Thus, the survey development process followed empirical survey development methodology. Demographics were measured, specifically gender, age, and current financial planner relationship length.

**Table 1: Sources used for the survey development**

| Component – Attitude towards   | Items | Source                                                                                                                                                |
|--------------------------------|-------|-------------------------------------------------------------------------------------------------------------------------------------------------------|
| Communications                 | 6     | Graham (2003)<br>Kaufmann, Weber & Haisley (2012)                                                                                                     |
| Cash Flow Management           | 11    | Lea, Webley, Walker (1995)<br>Galperti (2019)<br>Thaler & Shefrin (1981)<br>Muraven (2010)                                                            |
| Trust                          | 3     | Sharpe, Martin, and Roth (2011)                                                                                                                       |
| Investment management          | 7     | Roszkowski and Grable (2009)<br>Weber, Siebenmorgen, and Weber (2005)                                                                                 |
| Financial Literacy             | 12    | Stoughton, Wu & Zechner (2011)<br>Bianchi (2018)<br>Lusardi & Mitchell (2011)<br>Lusardi & Mitchell (2017)<br>Lusardi (2007)<br>Bae & Sandager (1997) |
| Risk Profiling                 | 8     | Van de Venter, Michayluk & Davey (2012)<br>Fehr-Duda et al (2010)                                                                                     |
| Retirement Planning            | 1     | Kemp, Rosenthal & Denton (2005)                                                                                                                       |
| Financial Planning in Practice | 3     | Slawski, Hershey, Jacobs-Lawson (2007)                                                                                                                |
| Coaching                       | 2     | Dubofsky & Sussman (2009)                                                                                                                             |

Prior to launching the surveys to both financial advisers and clients, the surveys were pilot tested by six financial advisers and five clients in terms of the wording and respective interpretations of each question, survey design, and deletion of repetitive or inappropriate items. The survey was reviewed and restructured to ensure ease of completion for both financial advisers and clients to improve the robustness and validity of the research.

This study comprised two samples, consisting of financial advisers and their clients. Each sample was provided with an internet-based survey, which they were free to complete in their own time. The financial planner sample was targeted through the researchers' professional network, The Financial Planning Association (FPA) 'Find a Financial Planner' web page, and also the 'XY Adviser' closed group on Facebook. The client sample consisted of the clients of the financial advisers who agreed to participate.



All surveys were anonymous. No further information was used or kept. Ethical approvals were received by Griffith University.

The study comprised of 155 participants (111 males, 44 females). To analyse multiple perspectives, the study included both financial advisers (n=90) and clients of advisers (n=65). The majority of participants were within the age brackets of 26-35 (n=59) and 36-50 (n=57). Subsequently, responses were less in age 51-65 bracket (n=31), the 65+ bracket (n=4) and the <25 bracket (n=4). The participant's responses and data are examined in the following sections.

Data on respondents gender was collected. The survey displayed no significant difference in responses based on gender of the client. Finally, responses from financial advisers were primarily from male participants similar to the gender demographic of the industry overall. For both clients and financial advisers, age was measured.

**Table 2: Participants in terms of age**

| Age                                 | <25          | 25-35          | 36-50          | 51-65          | >65          |
|-------------------------------------|--------------|----------------|----------------|----------------|--------------|
| Adviser                             | 3<br>(3.33%) | 37<br>(41.11%) | 36<br>(40.00%) | 13<br>(14.44%) | 1<br>(1.11%) |
| Client                              | 1<br>(1.54%) | 22<br>(33.85%) | 21<br>(32.31%) | 18<br>(27.69%) | 3<br>(4.62%) |
| Combined                            | 4            | 59             | 57             | 31             | 4            |
| Percentage based on Responses (155) | 2.58%        | 38.06%         | 36.77%         | 20.00%         | 2.58%        |

**Table 3: Participants in terms of gender**

| Gender                              | Male     | Female   |
|-------------------------------------|----------|----------|
| Adviser                             | 76 (84%) | 14 (16%) |
| Client                              | 35 (54%) | 30 (46%) |
| Combined                            | 111      | 44       |
| Percentage based on Responses (155) | 71.61%   | 28.39%   |

Client responses indicate that their client-adviser relationship is less than 5 years (83.08%) with a majority having a 1-3 year duration (33.85%). On the contrary, most advisers reported their clients have been with them for over 7 years (24.44%) followed closely by 3-5 years (23.33%). This difference may be attributed to the differing perspectives, as advisers are considering their client base overall.

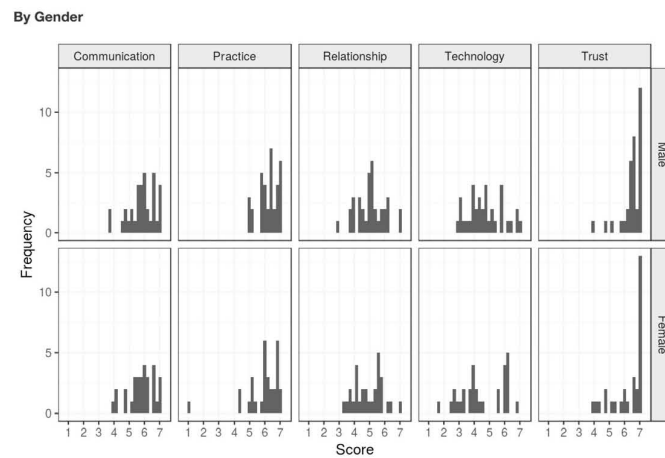
Tests for robustness and normality were also conducted. Normality was examined through variance and distributions of responses, as indicated by Shapiro-Wilk's normality test and then Box-Cox test (Looney 1995), and also visual analysis of histograms.

## Results

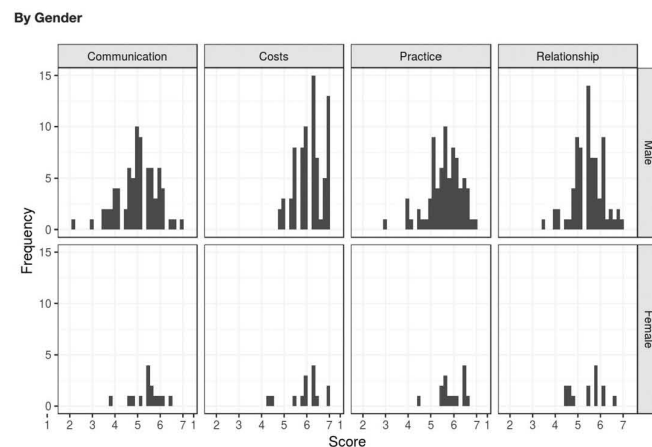
How value is perceived in the financial planning process, in terms of practice, communications, education, technology, service costs, trust and the client-adviser relationship will be reviewed, critiqued and discussed. Further, they will be looked at from the perspectives of both the financial adviser, and the client. The findings and their associated implications will finally be explored, and the limitations and shortcomings of the survey procedure will be full disclosed. Finally, recommendations will be made to hopefully contribute to ensuring the potential for these errors to happen again are mitigated in future studies.

Figures 1 and 2 contain the gender outcomes of both surveys. As shown in the figures, responses from financial advisers were primarily from male participants similar to the gender demographic of the industry overall.

**Figure 1: Client survey responses in terms of gender**



**Figure 2: Financial adviser survey responses in terms of gender**





The first item for financial planning in practice suggests both clients ( $M = 6.45$ ,  $SD = 1.02$ ) and financial planners ( $M = 6.32$ ,  $SD = 0.93$ ) have confidence in the planning that goes into their finances. An interesting observation in the data was that financial advisers ( $M = 6.06$ ,  $SD = 1.02$ ),  $t(90) = 3.78$ ,  $p < 0.002$  underestimated how much confidence clients attribute ( $M = 6.27$ ,  $SD = 1.02$ ) in terms of how their financial advice is developed. This could indicate that advisers are far more critical on their own work as they know it intimately, especially in relation to how clients view it. Whereas clients have much more confidence their adviser is very proficient.

This observation from the analysis goes against the grain of previous literature suggesting financial advisers are overly confident in their services, and this could be due to a number of things not to mention the increased regulatory pressures financial advisers in Australia are currently facing. Advisers seem to disagree with their clients in terms of the perceived value in having budgets. This could represent the fact that advisers overlook this vitally important part of financial advice. Understanding the profession and the various methods of remuneration this could infer that there is not much money to be made hence why the advisers may tend to undervalue it, and hence overlook it in practice. Conversely, this could suggest clients are really yearning for this kind of service and given the results of sound cashflow advice is felt by clients effectively immediately, this could potentially represent a gap in the practice of financial planning and could explain why there is an emerging practice in the 'financial coaching' space.

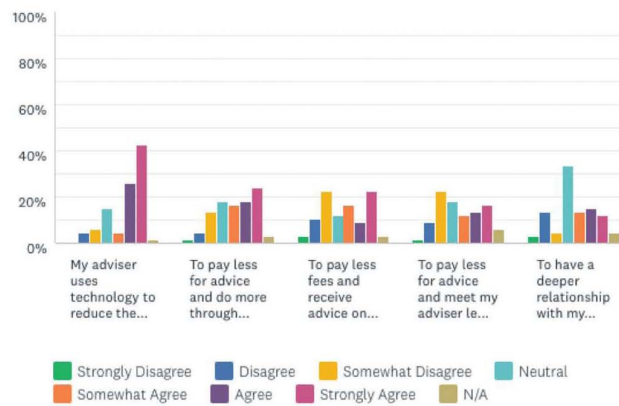
To summarise the results from analysing the financial planning in practice survey responses from both financial advisers and clients, it is evident there is a large and significant disconnect in client and adviser perceptions. Contrary to prior literature, clients appear to value the capabilities of their financial adviser far more than the financial advisers give them credit for and undervalue the importance of having a budget. This suggests that the financial adviser community could significantly benefit from surveying their clients regularly to ensure they are in tune with the changing consumer needs.

Communication has been identified as a key component of the financial planning process, and the relationship between communication and trust will be analysed in the following sections. The first item in understanding the value of communication in the financial planning process suggests both clients ( $M = 6.35$ ,  $SD = 0.88$ ) and financial planners ( $M = 5.89$ ,  $SD = 0.1.19$ ) value the visual presentation of their advice. One important point to note from analysing the data was that financial advisers ( $M = 4.2$ ,  $SD = 1.48$ ),  $t(90) = 5.55$ ,  $p < 0.002$  underestimated how clients value ( $M = 5.55$ ,  $SD = 1.35$ ) market and economic commentary.

Technology has been identified as an increasingly vital component of the financial planning process, and the relationship between technology and financial planning in practice was analysed. How important technology is in the financial planning process was explored, the results show that clients ( $M = 5.71$ ,  $SD = 1.52$ ) have confidence that their adviser uses technology to reduce the costs of delivering advice. This could indicate that the jury is still out for clients, as to whether or not they would prefer to do more through technology or meet with their adviser to reduce the fees.

**Figure 3: Individual client survey responses for technology****As a client, I prefer**

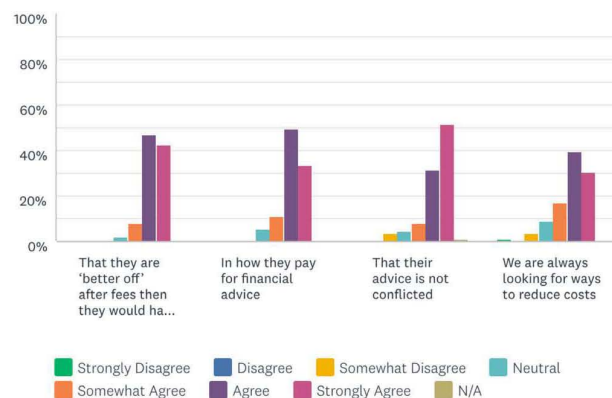
Answered: 66 Skipped: 9



Financial planning costs has been identified as an integral component of the financial planning process, and the relationship between financial planning in practice and the cost of financial planning services will be analysed in the following sections. To first explore how important costs are in the financial planning process, the results show that advisers have confidence that their clients are better off from advice ( $M = 6.3$ ,  $SD = 0.71$ ) and that their advice is free from conflict ( $M = 6.25$ ,  $SD = 1.01$ ).

**Figure 4: Individual financial adviser responses for the costs of financial planning****As a Financial Advisor, my clients have confidence**

Answered: 89 Skipped: 14



Financial planning costs are also a significant positive predictor of a successful practice ( $\beta = .0936$ ,  $p > 0.05$ ). Finally, an important point to last note is that the cost of financial planning on the practice of financial planning accounted for 21.59% of the variance in practice of financial planning ( $\text{Adj } R^2 = 0.2159$ ), but this is no surprise given the breadth and depth of the dependent variable being analysed.

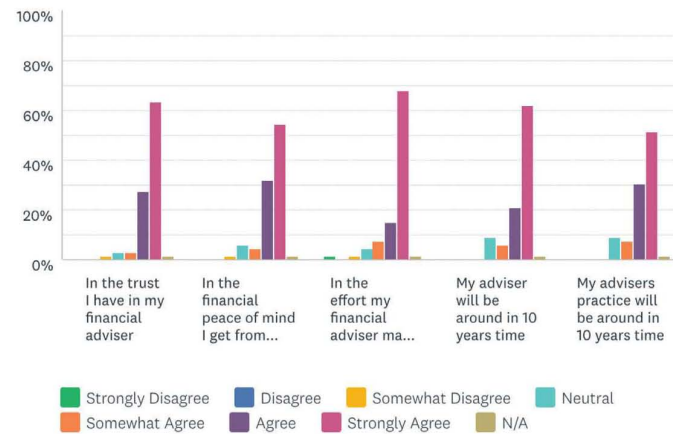


Trust has been identified as a key component of the financial planning process, and the relationship between communications and trust has been analysed in the previous sections. To first explore how important trust is in the financial planning process, the results show that clients ( $M = 6.78$ ,  $SD = 0.49$ ) value the personal relationship they have built up with their adviser. The client-adviser relationship has been identified as a key component of the financial planning process. The first piece to understanding the value of this relationship in the financial planning process suggests both clients ( $M = 6.46$ ,  $SD = 0.91$ ) and financial planners ( $M = 6.78$ ,  $SD = 0.49$ ) value the relationship they have mutually built.

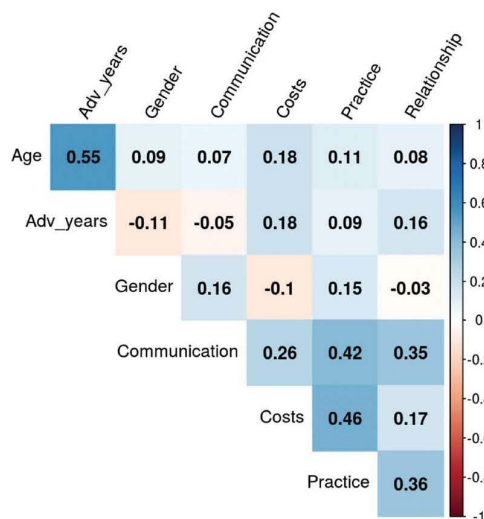
**Figure 5: Individual client responses for trust**

## As a client, I have confidence

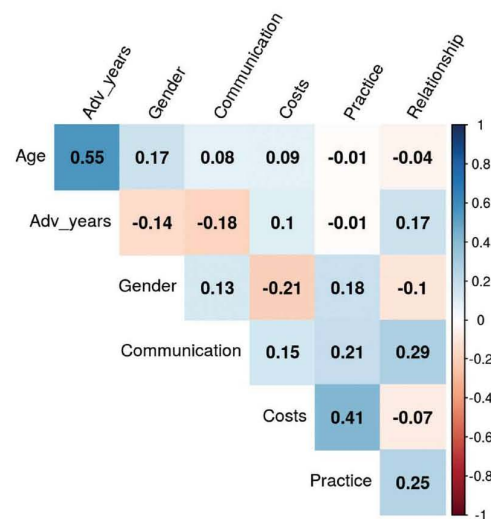
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**Figure 6: Correlations per client question categories (regression variables)**



**Figure 7: Partial correlations per client question categories (regression variables)**





Financial advisers ( $M = 5.48$ ,  $SD = 1.37$ ),  $t(90) = 0.15$ ,  $p > 0.2$  overestimated the point that their clients ( $M = 3.71$ ,  $SD = 1.7$ ) value the client-adviser relationship over investment returns.

The only questions in this section where the client and the financial adviser did somewhat agree were about how they valued the personal relationship they had mutually built, and that the clients have a preference for their adviser over their practice. This is consistent with the previous research on both fronts. Finally, advisers seem to also disagree with their clients in terms of their preference for the coordination of all of their financial affairs. This could infer that the client does not actually want a central control point (i.e. the financial adviser) and they wish to maintain ultimate control over their financial affairs. To summarise the results from analysing the relationship survey responses from both financial advisers and clients, it is evident there is a large and significant disconnect in client and adviser values. These once again suggests that the financial adviser community could significantly benefit from investing in technology checking in with their clients from time to time to ensure they are in tune with improved access to information and investment reporting, the changing consumer needs and relationship dynamics.

## Discussion

The financial planning sector is going through unprecedented change with education reforms, increasing client demands for service, increasing cost of advice, and increasing competition from robo-advice meaning that it is more important than ever for there to be alignment between the offerings of financial advisers, and what clients actually value. This study comes at a critical time in the evolution of financial advice, because it is a time when the research in the sector is building, allowing for research-based policy, and research-based practice. It is anticipated that the results of this research, once published in an academic journal of high regard, will influence both policy makers and practices. This research followed an empirical survey methodology to ascertain the value placed on various components of financial planning by both financial planners themselves, and their clients. The design of this methodology was a result of the key research question, which seeks to explore differences in value between financial planners and their clients.

In terms of the research conducted technology was found to be positively associated with the client's and adviser's perceived practice of financial planning. This was supported through the use of univariate and multiple regression, with a significant amount of the variance in practice of financial planning accounted for by technology in both models. Further, analysis of individual items indicated that both financial advisers, and their clients are still adjusting to utilising technology in the financial planning process but have strong confidence in its utility moving forward. This finding is supported in the research, which has emphasized the importance of technology in the financial planning process.

The literature review suggests that how well the advisory conversation is managed is positively and significantly correlated to trust (Sharpe et al 2007). Direct face-to-face communication is quickly becoming an expensive rarity in a world that is increasingly saturated with technology in delivering services. When humans interact with systems alone, their ability to assess, accumulate and evaluate trust in other humans through direct interpersonal communications is significantly impaired (Coffa & Crane, 2003).



Communications had a positive association with trust in the financial planning process. This research has shown that clients value communication from their advisers much more than is perceived by advisers. This result indicates that the communications survey responses from both financial advisers and clients, it is evident there is a large and significant disconnect in client and adviser values.

There is a growing divide between the need and cost for higher complexity and lower complexity service. Results are forecast to suggest that there is a relationship between the practice of financial planning and the cost of acquiring those services. It was found through the research that financial planning in practice is positively associated with the cost of acquiring financial planning services.

The future of financial planning in Australia was always going to be a rocky path, as this research has confirmed. This research has indicated that technology is likely to have an increasing role to play in financial advice relationships going forward. The differences in what financial advisers' value and what clients of financial planning services is only going to get worse as supply constraints increase and the demand for financial planning services in Australia, and around the world increase exponentially over time. These pressures, further worsened by an ageing financial adviser base and raising professional standards increasing the barriers to entry will provide real supply constraints here domestically and abroad, especially in the short term. Technology will need to come to the rescue to ensure that Australians continue to receive high quality, affordable and professional financial advice in an increasingly complex decision-making environment.

This research has implications for policy makers, practice, and academia. The implication of this research for policy makers is that there is going to be a new wave of technology in the financial planning profession that will command a completely new method of compliance, oversight and monitoring. The implication of this research for practice is that the financial advice profession needs to keep up with technology and the ever-changing consumer, where consumption habits of the client of financial planning services now, and especially into the future will continue to change. The implication for academia is that now a foundational study has been provided on the interplay between technology and communication on financial planning practice. This will allow future researchers to build on this research and develop a body of knowledge on financial planning and technology which will continue to contribute to discussion in this space.

This research followed empirical research methodology and has several limitations. One of the limitations is that convenience sampling was used, which impacts the representativeness of unobservable traits of the responders. This research indicates scope for future research to consider: the impact of specific communication approaches with clients; client appetite to complete personality and preference surveys which would inform communication and advice; client appetite for reduced model advice which focused on investment returns..

This study sought to address a key issue in financial services at the current time: the impact of technology on the future of financial advice in Australia. In order to examine this topic, this research used empirical survey methodology to design a survey which leveraged off previously validated survey items. This research compared responses between clients and financial advisers to determine the different value placed on components of the financial advice relationship. The key result from this research was that there is a growing disconnect between what financial advisers place value on, and what the people they exist to serve value.



This growing disconnect needs to be addressed as soon as practically possible before technology makes this task impossibly harder. The differences in what financial advisers value and what clients of financial planning services is only going to get worse as supply constraints increase and the demand for financial planning services in Australia, and around the world increase exponentially over time. These pressures, further worsened by an ageing financial adviser base and raising professional standards increasing the barriers to entry will provide real supply constraints here domestically and abroad, especially in the short term. It is crystal clear that technology will need to come to the rescue to ensure that Australians continue to receive high quality, affordable and professional financial advice in an increasingly complex decision-making environment. The implications of this research will range from policy makers, practice, and academia.

The current study has limitations in regard to the sample, the sample size, the design of the research, survey design, and the scope of the research. Despite the survey being distributed nationwide, we cannot ascertain where the participants are from geographically as a result of research ethical protocols to ensure the anonymity of respondents. Hence there may be a cluster of respondents which bias the results, and which are unable to be seen through the demographic assessments. Other unknown details about the sample such as net wealth, marital status, and other professional relationships may also have an undue influence on the results, which could be worsened by the small sample size. Additionally, the scope of the research did not include a range of financial planning components which may have been overlooked in the literature review, such as life insurance, estate planning and tax. Therefore, although these limitations provide further scope for future research, they highlight we must interpret results with caution in terms of generalizability. However, the limitations do provide further scope for future research.



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