

# MEDIA RELEASE

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## BETTER OFF WITH SAVINGS ADVICE

The Financial Services Council today released independent research showing people who receive financial advice will be almost \$100,000 better off at retirement simply through learning better savings behaviour.

The Council's research shows a 30-year-old would save an additional \$91,000, a 45-year-old would save an additional \$80,000 and a 60-year-old would save \$29,000 more than those without a financial adviser.

These amounts are conservative, do not take into account the additional benefits of comprehensive investment advice and are on top of the \$594,000 the Government estimates an average 30-year-old will have in their superannuation when they retire.

The research, commissioned by the Financial Services Council and conducted by KPMG Econtech, provides an analysis of how financial advice affects savings behaviour. It shows that those with a financial adviser save an additional \$1590 a year after advice costs compared to those without a financial adviser.

John Brogden, CEO of the Financial Services Council, said the research was compelling and demonstrated the significant value of financial advice in ensuring Australians saved more.

"Quality financial advice has the ability to change an individual's savings behaviour and encourage greater financial discipline, no matter what their age or level of income," Mr Brogden said.

"It is therefore critical that we get the Future of Financial Advice reforms right. The Government will have done all Australians a great disservice if the reforms make quality financial advice less accessible."

The research also considered the level of life insurance held by those with and without financial advisers. It found that, on average, those with a financial adviser were at least four times more likely to hold some form of life insurance.

This is supported by industry studies, also compiled by KPMG, which show those who received financial advice had on average \$260,000 worth of life insurance cover compared with only \$100,000 for those who purchased insurance directly.

"Given 95 per cent of working Australian families do not have adequate levels of life insurance<sup>1</sup>, increasing access to advice is critical if we are to help more Australians adequately protect their families from financial hardship," Mr Brogden said.

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<sup>1</sup> Lifewise/NATSEM Underinsurance Report 2010

## About the research

- KMPG Econtech analysed data from three large financial advisory networks. The data includes approximately 3.4 million accounts for the 2005-06 to 2008-09 financial years;
- It found that an individual with a financial adviser was estimated to have saved \$6370 over 2005-06 to 2008-09 or an additional \$1590 a year compared with a similar individual without a financial adviser;
- The savings estimates allow for the average cost of developing a savings plan with a financial adviser – a one-off payment of approximately \$530, which represents the average fee for this form of advice across the three financial advisory networks in this study;
- The estimates are based on a real risk-free rate of return of 3 per cent per annum and account for the savings behaviour of different age groups;
- The analysis adjusts for factors that may influence savings behaviour, such as wealth, employment status and salary;
- The data set covers a wide demographic and is a representative sample of the Australian population.
- The analysis of the insurance held by those with and without financial advisers is based on data from two of the three financial advisory networks, or approximately 2.3 million accounts.
- The research also found that if an extra 5 per cent of Australians received financial advice, national savings would increase by \$4.2 billion (0.3 per cent of GDP) by 2016-17.

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## About the Financial Services Council

The Financial Services Council represents Australia's retail and wholesale superannuation, funds management and life insurance industries. The Council has over 128 members who are responsible for investing more than \$1.7 trillion on behalf of more than 10 million Australians. The pool of funds under management is larger than Australia's GDP and the capitalisation of the Australian Stock Exchange and is the fourth largest pool of managed funds in the world. The Financial Services Council promotes industry best practice by ensuring members adhere to the Council's Standards and Guidance Notes.