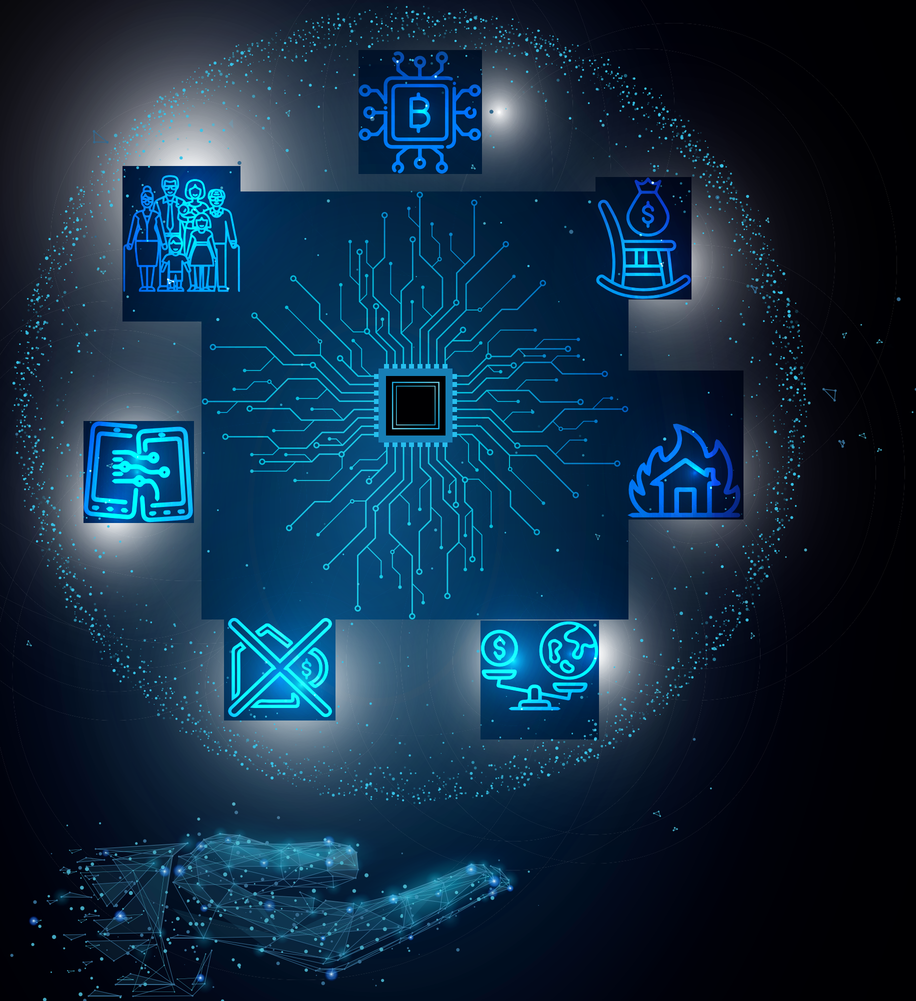


Advice 2030: The Big Shift

Seven megatrends set to usher in a new new world of advice

2024

Deloitte Access Economics

A report prepared for Iress

Advice 2030: The Big Shift

Seven megatrends set to usher in a new world of advice

The financial advice industry is used to change. Its history in this country is one of constant review and challenge, with shifts in government policy, regulatory attention, consumer confidence and financial markets generally, as well as the shifting nature of financial services business models. The last five years have been particularly seismic in changes to the internal levers of industry, marked by a 43% reduction in the number of advisers, major institutions divesting their advisory arms, significant regulatory change, and a noticeable decline in trust with the industry (24% in 2021). Despite this, at the level of individual businesses, the remaining advisers have stayed the course, seeking efficiencies in their business operations and maintaining familiar models, while doubling down on historic approaches to managing clients, products, and technology. Advisers have responded to changes in training, certification and regulatory expectation but proactivity has not been universal and radical business change has not occurred. This report boldly asserts that this is about to change – and that advisers need to ready themselves. After years of industry disruption from within the sector, we identify that the next, arguably bigger and potentially more profound disruptions are likely to come from seven new external sources driven by shifts in competition, social values, technology, demographics, climate and client priorities.

Coined as "the Big Shift", these megatrends will impact not only the market overall, but crucially, have serious implications for each individual business. While these megatrends aren't new for advisers, their maturation suggests that if advisers do nothing in five years' time, they will be left behind. Alterations in target clientele, product offerings, technological integration, business structures and the way advisers work are all on the horizon. **Businesses that fail to be proactive in response to recent changes stemming from the Quality of Advice review and emerging competition from superannuation funds, finfluencers and mobile application solutions, may fall behind more aggressive competitors and struggle to adapt their traditional business models.**

The good news is that after some years of advisers being on the receiving end of industry change, they are now stronger, have greater choice of business model and tools, and possess greater agency in shaping their future ahead of these megatrends.

Ultimately, this is empowering - and we distil this into four key choices related to customers, business models, advice specialisation and use of digital technologies. In this report, we map those choices and show that financial advisers who make intentional decisions in these areas are positioned to achieve greater business success and stability, readying themselves for the financial advice market growing to $8.2 billion a year and beyond.

John O'Mahony

Deloitte Access Economics – Finance Lead Partner

Professor Deen Sanders OAM

Deloitte Integrity – Lead Partner

SNAPSHOT

The last five years have been marked by a **43% reduction in the number of financial advisers** between 2019 (27,959) and 2023 (15,819)

Profit margin of **22.2%** in **2024** for those remaining in the industry, up from 18% in 2021, indicating increased robustness

High-performing businesses have **16%-point higher margins** than the average, equal to **$550,000 more business profit annually**

OUTLOOK

Spending on financial advisers is predicted to rise by **$2.1 billion,** from approximately $6.1 billion to $8.2 billion in the next five years

Surveyed advisers expect their **customer base to increase** by 27% on average over the next five years, i.e. **486,000 new customers**

The **number of advisers** is estimated to **only grow by 1.1% per annum** to reach 16,708 by 2029. These additional customers must be serviced by existing players or totally new entrants

76% of advisers say the sector needs to evolve to serve a greater volume of customers **using technology – just to remain profitable**

Advice 2030: The Big Shift

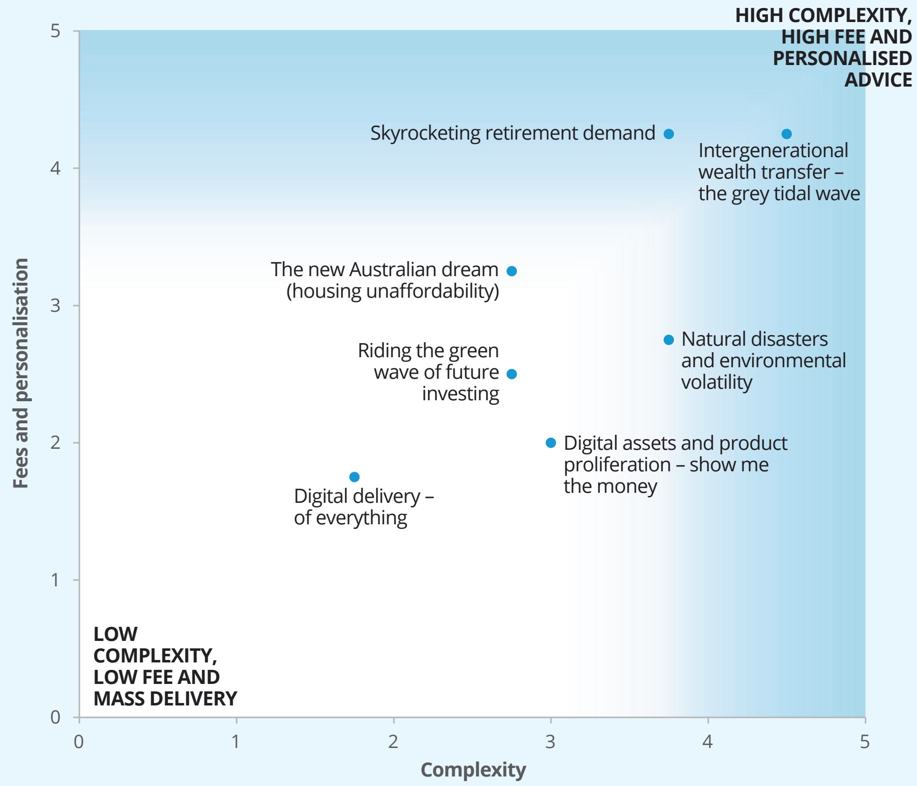
After enduring years of internal industry challenges, financial advisers face new megatrends from external forces. This **"Big Shift"** is being driven by changes in competition, social values, technology, demographics, climate and client priorities. These megatrends will have significant implications for each individual business impacting target clientele, product offerings, technological integration, business structures and more. **As a result, the competitive landscape will undergo transformation, fundamentally reshaping the advice industry. This presents an opportunity for advisers to not just survive, but to thrive in this era of change.**

How to embrace megatrends head on: four choices

To embrace megatrends and differentiate themselves competitively, advisers must strategically assess their approach across a spectrum ranging from low complexity, low fee and mass delivery to high complexity, high fee and personalised advice.

This classification of the seven megatrends in the "Big Shift"helps determine the probable product and service needs, enabling advisers to make informed choices.

Spectrum of megatrends in financial advice



Source: Deloitte Access Economics, Deloitte analysis

Financial advisers face four key choices to ready themselves for the future of financial advice, but now they have agency.

1 CUSTOMER — **Advisers can choose who they are delivering advice to, their preferences and unique life circumstances.**

2 BUSINESS MODELS — **Advisers need to decide how to structure their business to maximise returns by adjusting staff numbers, fees charged and adviser/client ratio.**

3 SPECIALISATION — **Advisers can choose to provide highly specialised advice, or to provide general advice applicable to a broader clientele.**

4 TECHNOLOGY — **Advisers must choose how best to leverage technology to enhance customer experience in the delivery and development of advice through low-cost delivery or use it to enhance a primarily face-to-face customer experience.**

Contents

Executive Summary

Seven key megatrends for the future of financial advice

In recent years, the financial advice industry in Australia has been characterised by **internal disruption** (factors arising within the industry or regulatory ecosystem) including regulatory upheaval, adviser consolidation, radical licensee shifts and cost pressures that have all focused on changes to the way the sector operates. As a consequence of these factors, financial advisers have seen their profit margins decrease to 18% in 2021 compared to the relatively stable 22% observed over the longer cycle since 2011. Bringing cause for optimism, the remaining advisers have managed to rebound, with their profit margin reaching 22.2% in 2024, reflecting resilience and professionalism and indicating increased robustness since 2021.[1] These advisers are resilient and ready to face the upcoming challenges.

The clear emerging risk is related to external factors that will profoundly impact the industry. Advisers are likely to already be aware of these external changes; some have been predicted before. However, the impetus for advisers to act grows stronger daily, as these external factors will mature within the next five years and usher in megatrends for the industry.

External disruptions include changes in the external competitive landscape from porous sector boundaries, increasingly motivated startups, digital platforms and sector changes, as from disruptive technological innovations like Generative AI and robo-advisers. Previous research has found that the financial services sector is one of the top five industries prone to rapid disruption by Generative AI.[2]

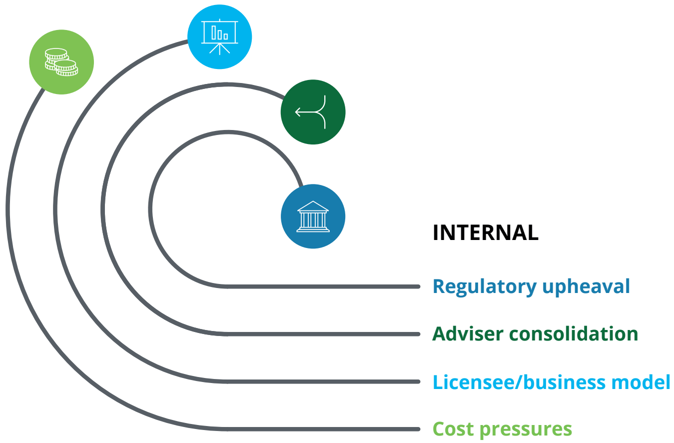
We predict that even customer needs and client relationships are likely to change, with innovation in delivery methods, new customer types and shifting requirements for advice with evolving customer values.

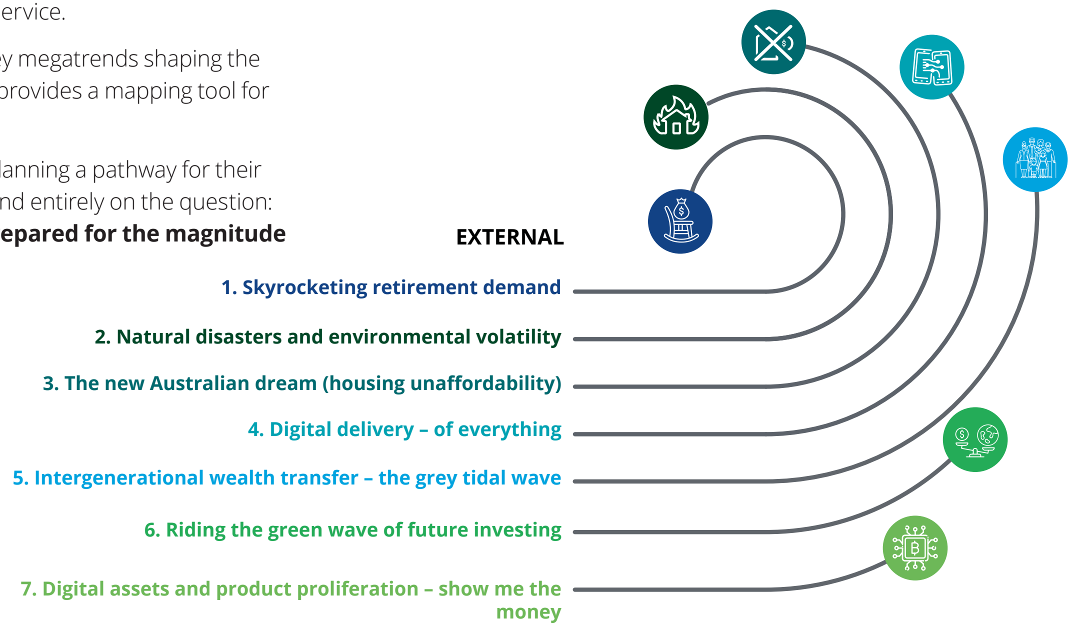
Advisers from the survey who were more optimistic for their expectations of revenue growth into the future, place more importance on the use of technology and automation.

These advisers more commonly believe their expectations of higher revenue was **because of changes in how advice is delivered** rather than changes in business model or the way fees are charged for the service.

This report identifies seven key megatrends shaping the future of financial advice and provides a mapping tool for advisers.

Seeing the megatrends and planning a pathway for their clients and business will depend entirely on the question: **are advisers adequately prepared for the magnitude of change ahead?**

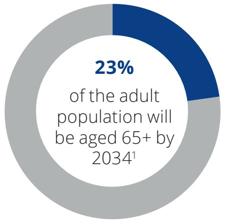




These megatrends sit against a backdrop of increasing competition in the financial advice sector, for example from robo-advisers, self-service platforms, superannuation funds and Fintech. Advisers must act now to avoid being edged out in the future.

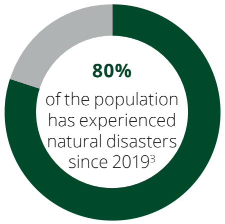
Seven key megatrends for the future of financial advice

Seven megatrends are reshaping the future of financial advice. How advisers respond will determine whether advice grows or is disrupted out of existence.



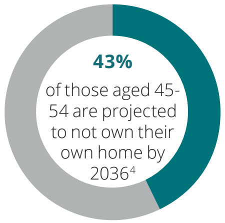
Skyrocketing retirement demand

Australia's population is ageing and life expectancy continues to increase. Advisers can expect increased demand, new competition and evolving business models due to demand for self-managed super funds, superannuation funds providing retirement advice, and increased availability of government data (for example, linking myGov and superannuation). Over half of surveyed financial advisers (67%) believe that easier access to government data (for instance, through myGov) is important when ensuring advisers can serve a broader client base in the future.[2]



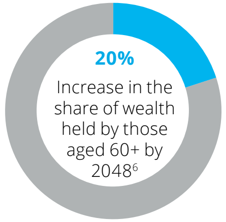
Natural disasters and environmental volatility

There's a growing need for financial advice linked to lifestyle and asset risk management strategies, as insurance needs in Australia respond to increasingly frequent environmental disasters like bushfires and floods. The future adviser in this area will need to navigate client trauma, urgent responsiveness from market participants and a growing complexity in the services and solutions needed.



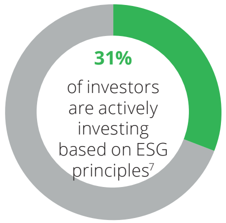
The "new" Australian dream (housing unaffordability)

The great Australian dream of owning a home as a primary investment strategy is no longer a reality for many families, with housing prices steadily on the rise and policy solutions likely to impact on historic patterns of gain. The reliance on asset growth as a primary investment strategy will be under pressure from future policy and markets - forcing people to look elsewhere as the demand for wealth generation moves beyond housing.



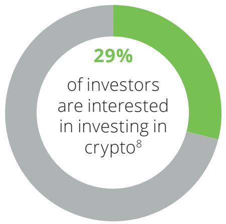
Intergenerational wealth transfer – the grey tidal wave

There is significant wealth in transition with the baby boomer generation entering retirement and expectations for work, life and retirement shifting in the public domain. Accordingly, we predict there will be a growing demand for new products and strategies, including more holistic financial advice for estate planning, taxation, investment management, and intergenerational wealth preservation. This will include a landslide of asset transfers, including financial investments, real estate, and business ownership, from one generation to the next.



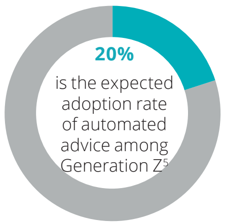
Riding the green wave of future investing

Clients are increasingly demanding financial advisers cater for value alignment investing. Financial advisers will need to increasingly incorporate client driven social value investing approaches, including the range of environmental, social, and governance (ESG) factors into investment strategies and financial planning. Advisers will play a complex role in understanding values, balancing risk and performance, conducting ESG due diligence and reporting, and supporting clients to make sustainable ESG investments.



Digital assets and product proliferation

The proliferation of digital assets, including cryptocurrencies, blockchain technology, and FinTech innovations, coupled with the increasing borderlessness of financial systems, will create a growing demand for investment advice in these areas. This advice will need to encompass not only future product evolution, but also security risks, risk management strategies, and tax implications.



Digital delivery – of everything

Advances in financial technology (FinTech) will enable cost-effective mass delivery of financial services and are disrupting financial advice. Pricing pressures may place downwards pressure on margins as clients become more cost-conscious and seek low-fee alternatives for simplified investment strategies and basic financial planning. Increasing availability of data for superannuation and retirement will also open the door on different data driven competitors. Deep client tailoring is critical for financial advisers to effectively identify cohorts that require more complex, personalised financial advice.

Outlook – Volatility and opportunity

There are three main drivers of growth in the financial advice industry.

1. **Growth in the number of advisers**, with some estimates putting this at 1.1% per annum to reach 16,708 by 2029[1]. This may be conservative, given expectations for new market competitors and reforms aimed at making advice more affordable and removing some barriers to entry (e.g., certain exemptions for 'non relevant' providers).

2. **Growth in the number of customers**, with surveyed advisers expecting their customer base to increase by 27% on average over the next five years[2]. This sits against a backdrop of rising competition in the industry – for example, from superannuation funds or robo-advice platforms, which means advisers must act now to avoid their competitors from capturing future growth in the market. Yet, sustainable growth will require them to adapt their business models.

3. **Changes in the costs of advice**. Complex personal advice will continue to play an important role in the future, however, evidence from other jurisdictions suggests the nature of personal advice may well expand into new areas of need over time. In particular, new reforms, digital transformation, and customer demands highlight the role of affordable, scaled advice. On balance, this analysis assumes the costs of advice may remain unchanged (with some parts of the market charging more, and others charging less), however there is likely to have much more variation in fees and service offerings moving forward.

Together, these drivers suggest there is a **$2.1 billion opportunity for financial advisers**, with spending on financial advisers having the potential to increase from roughly $6.1 billion to $8.2 billion. This reflects adviser expectations to provide advice to an additional 486,000 Australians in the next five years, with 76% of surveyed advisers anticipating an increase in their client base of 10% or more.[2]

Over decades, Australia's **prosperity** has grown. We also have a **greater share of people living off the income of assets in retirement**. These two factors together drive a **much greater need for financial advice**. By 2023, Australia's financial assets reached over $7 trillion, having grown by 25% in the preceding four years alone.[3] In 2001, only 1.5% of households met the test for sophisticated investor (earning over $250,000 per year or owning $2.5 million in assets). In a little over two decades, that proportion has grown almost eight-fold to 11.7%. By 2033, it will be 19.1% of households.[4] While there is a discussion about the need to index the threshold, as a general indicator, it shows an extraordinary rise in prosperity. As the value of Australians' superannuation, shares and other equity, and other financial assets grows, the need for financial advice will also increase.

Figure 1: Financial advisory landscape – Quantifying the outlook

11.8 million	The number of Australians with unmet advice needs today[5]
486,000	The estimated number of additional customers advisers expect to serve in the next five years[12]
$2.1 billion	Additional revenue projected over five years, if advisers serve an additional half a million Australians[7]
$2 trillion	The increase in national savings over 30 years if all Australians had access to financial advice which increased their asset returns by 1%[8]

Outlook – Volatility and opportunity

The $2.1 billion opportunity is larger than the 1.5% compound annual growth forecasted in the sector,[5] however, it is smaller than the potential size of the market if advisers were to serve the approximately 12 million Australians with unmet advice needs. Indeed, for every one Australian who receives financial advice currently, there are at least five more with unmet advice needs.[9]

While there is a significant number of individuals who desire advice, **not all are able to afford the current cost, and not all require immediate assistance**. Over the next two years, approximately 1.3 million people are expected to seek advice, with 75% of them willing to pay $300. These customers won't be able to be served under the current business models but could be under new business models that leverage digital tools. Research estimates that 750,000 potential clients (58%) would use digital tools at a calibrated cost of $320.[10]

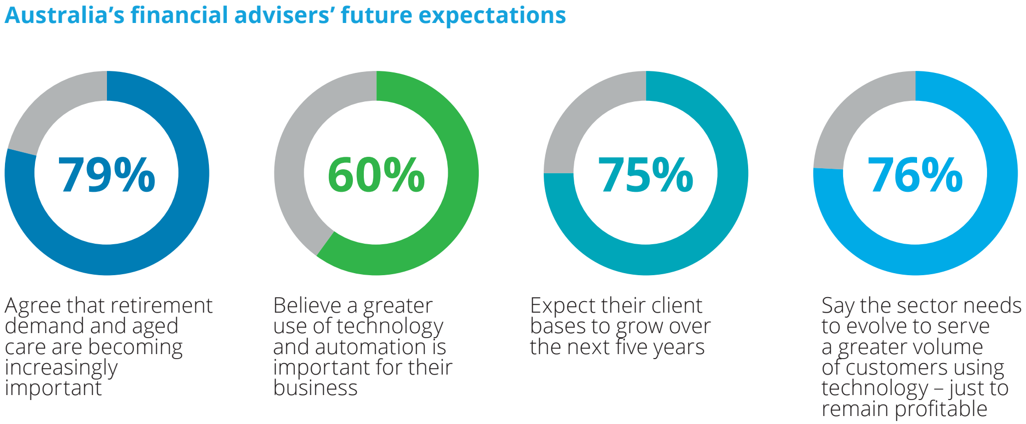
The missed opportunity doesn't just hurt advisers but has flow on impacts for the Australian economy. Rice Warner estimates that if all Australians had access to financial advice which increased their asset returns by 1% p.a., the **pool of national savings would be $2 trillion higher in 30 years**. Government expenditure on the age pension would also fall by 13%.[8] Consumers also risk missing out on **important non-financial benefits of advice** to consumers– such as greater confidence in having a comfortable retirement and improved general wellbeing.[11]

All of this opportunity sits against a backdrop of increasing competition, a consolidating adviser pool, (with the number of advisers in Australia declining from **27,959 in 2019 to 15,819 in 2023**[5]) and a marketplace bruised by the pace and scale of internal change over the last five years. Now more than ever there is opportunity for advisers but also an impetus to act against rising competition.

Over the last three years, market share of the largest four financial advice firms is dropping, from close to 35% in 2020 to below 30% in 2023.[5] Recommendations and reforms following the Quality of Advice (QoA) review enable competition by **making advice more accessible and affordable with a focus on technology**. Various competitors including robo-advisers, self-service platforms (e.g., MoneySmart), superannuation funds and FinTech are making an impact. In fact, the robo-advice segment in Australia is expected to show a compound annual growth rate of 8.31% over the next four years to 2027[12] and the FinTech industry is expected to grow 10.3% each year to 2029.[13]

The scale of this disruption resonates with surveyed adviser intentions, where 21% indicated they are likely to switch careers or retire in the next twelve months. Given the unmet market needs, and the growing public pressure on financial security, superannuation and retirement policy competition from superannuation funds, digital platforms and product changes will increasingly place pressure on traditional adviser models. **Financial advisers need to act now to stay relevant in this dynamic landscape**.

Figure 2: Key outlooks of surveyed financial advisers



Source: Deloitte Access Economics, Tomorrow's Financial Adviser Survey. Respondents (n=232)

A **financial adviser** is a professional who provides financial services to clients based on their financial situation. In Australia, financial advisers must have an approved qualification, pass the financial adviser exam, participate in 40 hours of continuing professional development each year, and comply with the Financial Planners and Advisers Code of Ethics 2019.[15]

Financial advice refers to the process of providing recommendations, opinions, or guidance on topics like investments, risk management, debt, and financial planning. It aims to help clients make informed decisions to achieve their financial goals.[16]
Self-directed financial advice refers to when individuals make their own investment decisions without a financial adviser's assistance. While financial advisers provide **regulated financial advice**, research shows that 54% of Australians under 30 and 37% of Australians aged 30 to 39 seek financial assistance from family, friends, or colleagues.[17] Other sources of financial assistance include online resources, the Australian Taxation Office, accountants, superannuation funds, and traditional media.

Thriving in an era of major megatrends

Acting to stay relevant is no longer merely a nice to have but **an imperative for advisers**. Advisers can either be disruptors or disrupted, and risk missing out on critical market share. Recognising the urgency, there are four key decision points for advisers to ensure they are not left behind in this dynamic landscape.

This journey begins with **advisers mapping their practice** to understand their current landscape and choice of future, which provides a foundation for informed decisions. Alignment with specific and well-defined **business goals, client models and capability assessment** is critical to determine the approach advisers take.

Each choice they make points towards a **unique strategic direction,** contingent upon factors like their business model, target market, and risk appetite. The choices reflect the ongoing challenge of balancing technological advancements with maintaining a client-centric focus and adapting to the changing landscape of the financial advice industry. Some advisers, overwhelmed with their current client base, may struggle to make the necessary choices to adapt their practice and explore specialised areas, despite the recognition of these issues by high-performing businesses. There is no binary pathway. All choices exist along a **spectrum**, allowing advisers to position their practice between the two extremes on each category, with potential for a unique practice to be built for the future. The four key choices advisers will need to make are detailed below.

1 CUSTOMER	Demographic targeting for those with simple advice needs	Entire customer verticals	**Advisers can choose to cater for entire verticals of their target consumers (e.g., by providing end-to-end solutions across the retiree lifecycle) or solve discrete problems for consumers with scale (e.g., solving simple advice needs with mass delivery).**
2 BUSINESS MODELS	Low-cost repeatable advice products	More expensive bespoke solutions	**Advice products may range from repeatable products which are deployed consistently from the business or focus on a customer first value proposition. Each will require unique capabilities within the organisation to deliver.**
3 SPECIALISATION	Advice diversification	Specialist financial advice	**Advisers can choose to provide advice in one specific area like insurance, retirement demand, ESG investments or to provide general advice across a range of areas. This will depend on in-house capabilities, business growth ambitions, and customer demand.**
4 TECHNOLOGY	Technology to enable low-cost delivery	Technology to enhance face-to-face delivery	**In both instances, technology should elevate the customer experience. Advisers can choose where technology can enhance face-to-face delivery through personalisation or sophisticated interactive dashboards. Advisers may also choose technology to enable low-cost delivery via a digital first approach for client acquisition, engagement and service delivery. Digital tools such as Generative AI can also be leveraged to deliver scalable, low-cost advice.**

What does this mean for the future adviser?

Each of the seven megatrends in the "Big Shift" sits on a spectrum from *high complexity* (which typically justifies high fees and personalised advice) to *low complexity* (which typically prioritises low fees and mass delivery of advice). In the future, the latter will need to rely heavily on digital mechanisms – including but not limited to Generative AI – to enable the mass distribution of advice. Each of these changes and their associated choices affect advisers in terms of their client base, advisory focus, business and licensing model, pricing, and technology choice in providing advice.

For advisers who want to provide advice on retirement demand, intergenerational wealth transfer, housing unaffordability, ESG investing, or natural disasters and environmental volatility, there will be an increasingly complex set of client needs with at least some clients sitting in the extremes of 'highly complex' in our model. Advisers will likely need to focus on a smaller cohort of customers and charge higher fees for highly personalised advice. The bespoke nature of advice will mean advisers use technology to augment their operations but not to replace client communications. Advisers also need to be wary that many customers in this segment may differ from what is typical today – they will be younger with more complex needs – looking for advisers who understand their unique circumstances.

For advisers focused on digital delivery or digital assets, leveraging technology to enable scalability is key. Advisers should adopt a digital-first approach to business operations and delivery of advice. Advisers may adopt fee structures catering to customers looking for affordable advice such as flat fees or subscription based models.

*See modelling appendix for overview of top performing company margin and profitability calculations.

The business imperative is clear. In order to take advantage of the changing future, advisers need to make choices today.

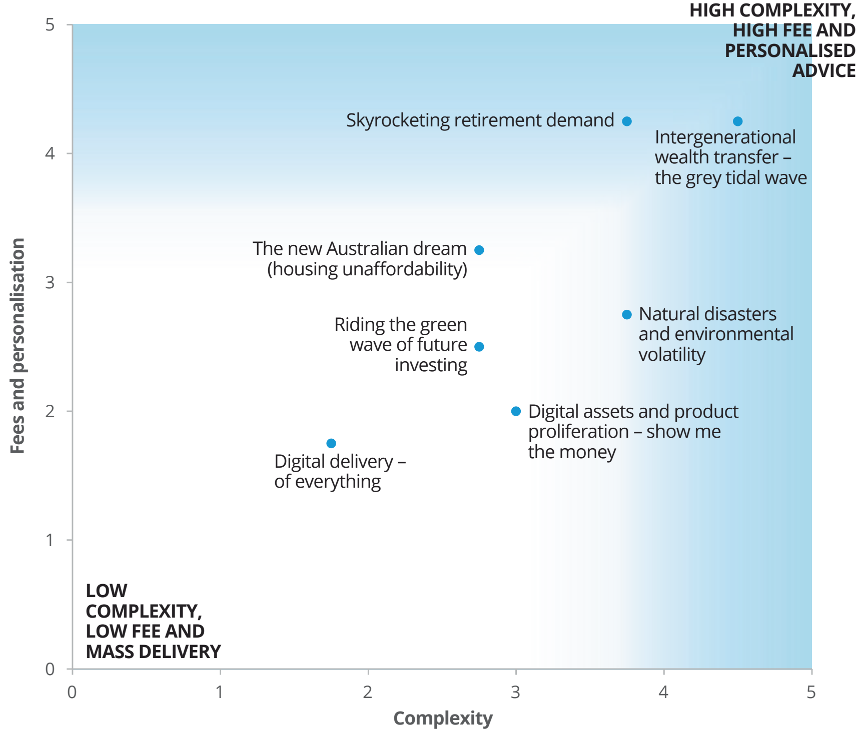
While this model presents two broad versions of the future, these megatrends will always sit on a scale and advisers may find themselves having to balance competing priorities across different advice types.

Financial advisers also have to manage the process of disruption and growth due to uptake of digital channels, even if a digital-first advice model is not taken. This is presently manifesting in more customer enquiries for advisers. While enquiries have always been a constant, the growth in digital channels means that advisers are increasingly finding this burdensome. If not well managed, there is a risk of losing genuine customers and investing unsustainable time and effort triaging enquiries.

High-performing surveyed businesses in the top quartile for profitability have **16 percentage points (pp) higher margins*** than the average adviser, equivalent to an **additional $550,000 of business profit annually**.[1] In addition to higher profits per customer, advisers have an opportunity to service the 11.8 million Australians with unmet advice needs; equivalent to growing their customer base by almost eight times their current level.[2]

At the heart of this decision-making process lies the fundamental question of our time: how to strike the right balance between complexity/fee and scalability. By interpreting this question effectively, advisers can seize opportunities and ensure sustainable growth.

Chart 1: Spectrum of megatrends in financial advice



Source: Deloitte Access Economics, Deloitte analysis, 2024

Introduction

Overview of the report

The advice profession has witnessed dramatic changes in recent years, after the government decided to implement the 74 recommendations proposed in the Financial Services Royal Commission (FSRC). These changes, and subsequent responses to them, saw the number of advisers plummet from an initial cohort of around 28,000 to just 15,819 in 2023; five years after Hayne's report.[1]

The financial services sector in Australia has experienced a number of regulatory changes since 2013. The FSRC resulted in a range of changes; with the major banks progressively relinquishing their financial advisory service practices. The most recent changes – stemming from the Quality of Financial Advice review report published in late 2022 – include expanding the provision of personal advice by superannuation.

The consequences of these actions are still playing out. However, the upfront costs of financial advice have risen dramatically in the prevailing years. This can be attributed to:

- Increase in costs for financial advice as a result of higher regulatory and compliance requirements for licensees and financial advisers.
- A decline in revenues due to the removal of grandfathered commissions and scrutiny of ongoing advice fees.
- Removal of product commissions which provided advisers with incentives to upsell to their customer base, which may not have been in the customers' best interest.

Against this backdrop, Iress has engaged Deloitte Access Economics to undertake an independent analysis of the future of financial advice in Australia. This whitepaper aims to lay the groundwork for informed decision-making and strategic planning, fostering a deeper understanding of the sector's current landscape and its potential future direction.

After setting the scene, this report delves immediately into the seven key megatrends that will impact the Australian financial advice industry. It aims to equip financial advisers for future success. Each megatrend is explored with a survey-backed overview, a megatrend index, and dimensions covering consumer behaviour, business models and advice products, and technology.

Approach

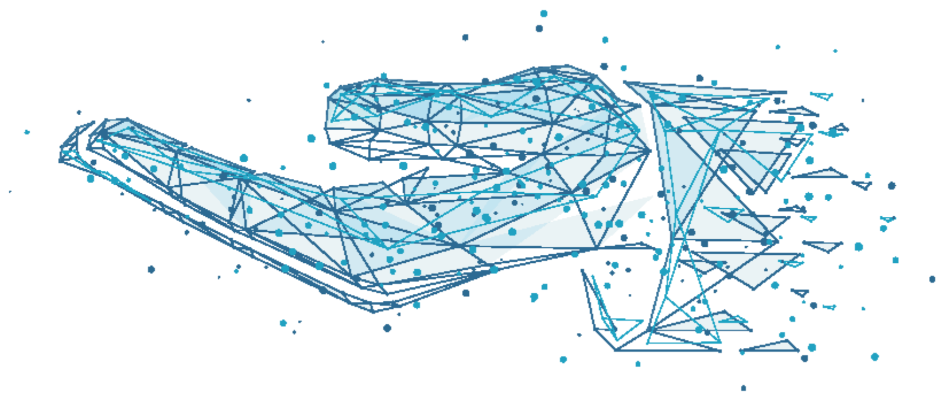
This report draws its insights from over 70 different sources of industry data and research, including public reports from regulatory bodies such as ASIC and the ABS, subscription data curated from IBISWorld and Plan for Life, and in-depth insights from the Investment Trends Report. It also incorporates findings from a comprehensive survey involving approximately 250 financial advisers, providing a firsthand perspective from industry professionals (see next section).

Survey

Approximately 250 financial advisers were surveyed in Australia during December 2023 and January 2024. These responses were fielded through links published by Iress, Ensombl and FAAA. This was combined with an online sample fielded by Dynata.

41% of survey respondents hold a bachelor's degree and 28% a master's degree, their mean age is 39 years and 32% are female.[2] Note that the average age of 39 years is based on the sample of advisers that were surveyed, as opposed to a definitive figure based on an industry census which may have a higher average age of advisers.[3]

Many surveys in this industry strongly focus on the consumers of financial advice. In this instance, industry practitioners were surveyed to understand their business model, anticipated future needs and their perception of the industry's future.



The current financial advice landscape

Overview of the market

For every Australian who receives financial advice currently, there are at least five more or approximately 12 million people with unmet advice needs.[1] This highlights significant untapped market potential. However, internal disruptions to adviser numbers and the cost of advice make capturing this market challenging for advisers. The adviser population in Australia has fluctuated in recent years, and 2023 recorded a new low with just 15,819 registered retail advisers. This year witnessed a decline in adviser numbers across multiple segments including banks and industry superannuation funds, except for modest growth among some privately-owned firms.[2]

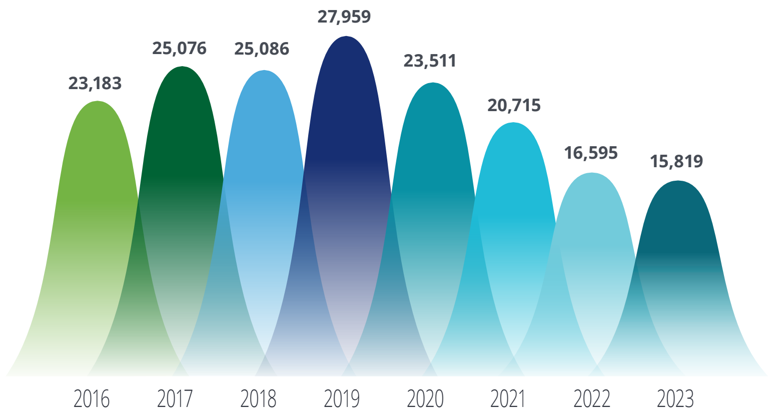
Financial advisers **anticipate advising an additional 486,000 Australians in the next five years**, with 76% of surveyed advisers anticipating an increase in their client base of 10% or more in the next five years.[3] This would see **spending on financial advice increase from roughly $6.1 billion to $8.2 billion**. While this is significant, it will still leave many Australians without access to financial advice. Furthermore, **the costs of receiving financial advice have risen by more than 40%** between 2018 and 2022,[4] with many firms increasing the cost of advice in the wake of the FSRC.[5]

Yet, these challenges are just the tip of the iceberg. Looking forward, **21% of surveyed advisers are likely to switch careers or retire in the next 12 months.**[6] Of these, the majority (74%) are under 40 years of age (Chart 2), noting that the average age of the surveyed advisers was younger than other industry reports, which may be affecting the age breakdown of these results.[7] Given the unmet market needs, **competition from super funds and digital platforms** will continue to place pressure on traditional adviser models.

Digital advice models, such as robo-advisers, offer an accessible and affordable alternative to financial advisers for many Australians, due to their automation reducing significant overhead costs. They are also appealing to a wide audience, as those in younger generations (i.e., millennials and Gen Z) may be more comfortable with managing finances online and prefer the convenience of digital platforms.[8]

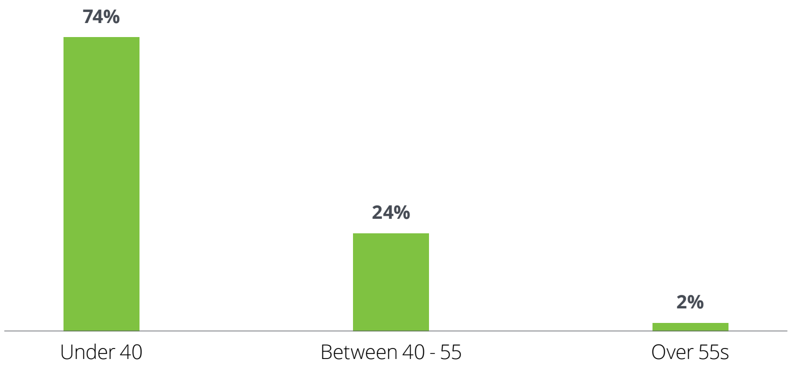
Financial advisers need to **act now to stay relevant** in this dynamic landscape.

Figure 3: Evolution of adviser numbers in Australia (2016-2023)



Source: Adviser Ratings, Australian Financial Advice Landscape (2023)

Chart 2: Respondents who say they are likely to retire or switch careers in the next 12 months, broken down by age group



Source: Deloitte Access Economics, Tomorrow's Financial Adviser Survey. Respondents (n=232)

The business models of financial advisers

In the wake of the Royal Commission, how have advisers adapted their business models?

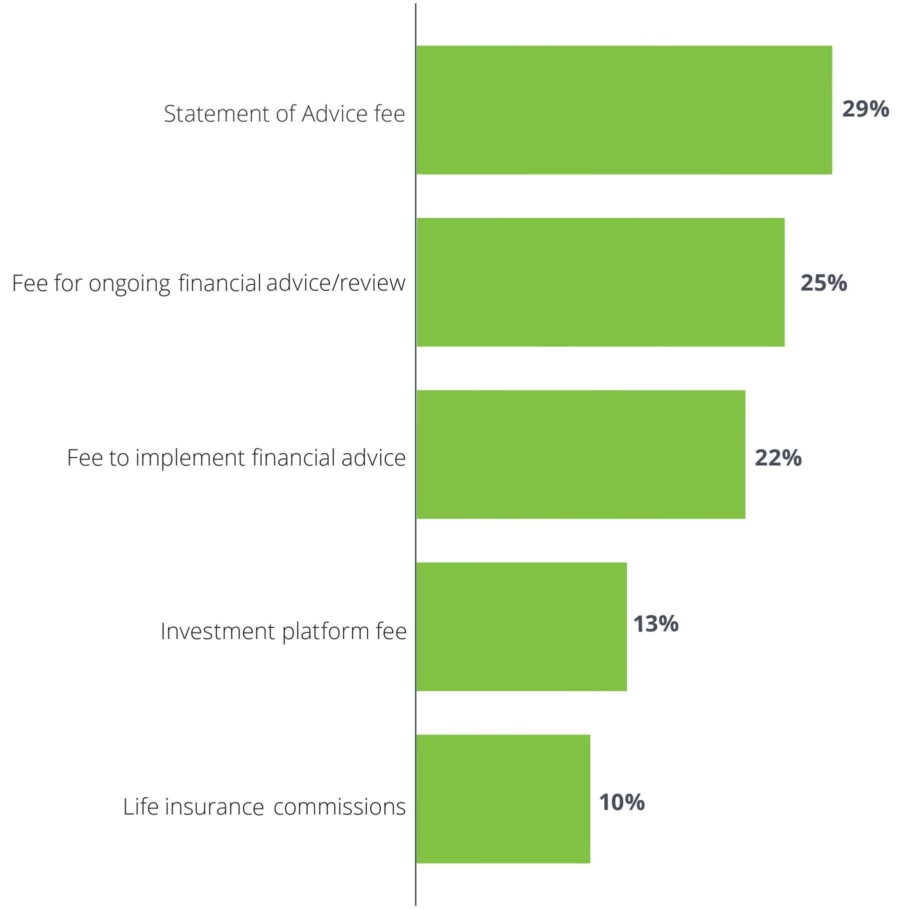
Internal disruption in the financial advice industry has driven changes to the financial advice operating model and the overall cost of financial advice. The FSRC sparked a shift from a predominantly sales-based revenue model to a fee-based advisory model for many practices and has led to individual advice firms having different business models.[1]

There is **considerable variation in current revenue streams across advisers**. The most common methods of charging for financial advice, according to the adviser survey, were via a Statement of Advice (29%) and fixed fees for implementing and providing ongoing advice (22% and 25% respectively). Life insurance commissions were selected by 10% of respondents as a typical charging method.[2] These figures are consistent with the view that the **FSRC impacted the communities' trust in the sector** and has led to community preference for fixed fees or hourly rates over a percentage-based model.[3]

While how consumers pay for financial advice has shifted, the cost of financial advice remains inaccessible for many. On average, advisers charge approximately $4,250 annually for ongoing financial advice.[4] Yet, when queried about the minimum amount they could feasibly charge for a Statement of Advice and fixed fees while maintaining profitability, respondents indicated a potential to charge approximately 28% and 30% less respectively than their current rates. However, it is worth noting that the size of mark-ups varied depending on the type of business.[5]

The **cost of advice remains the key barrier for Australians**, with the average amount unadvised Australians are prepared to pay for advice sitting at $800.[6] While there is an anticipated increase in the client base for financial advisers, the number of financial advisers continues to decline. As such, those who cannot access financial advisers may turn to other forms of financial advice, meaning financial advisers will not capture the full opportunity. Moving forward, advisers may need to **reassess their business models** to ensure they can reach as many potential clients as possible.

Chart 3: The most common methods of charging customers for financial advice

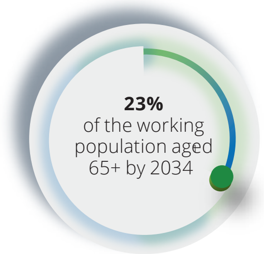


Source: Deloitte Access Economics, Tomorrow's Financial Adviser Survey. Respondents (n=231)

Megatrends and making choices

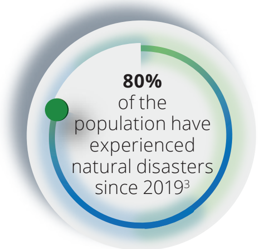
Seven potential megatrends for the future of financial advice

The financial advice industry in Australia has previously been characterised by internal disruption such as regulatory upheaval, adviser consolidation, and cost pressures. Now, the risks to the industry are external. This report looks at seven megatrends in financial advice and how they could impact the sector, focusing on digitalisation, mass delivery, complexity, and personalisation.



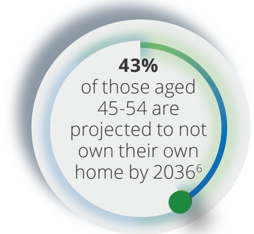
1. Skyrocketing retirement demand

80% of surveyed advisers agree the sector will increasingly need to provide advice on navigating the pension, aged care and superannuation; those aged between 65-85 years will grow by 23% in the next decade.[2]



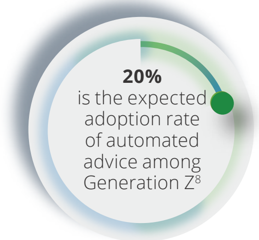
2. Natural disasters and environmental volatility

Environmental disasters like bushfires and floods are expected to cost the economy almost twice as much in 2060 ($73B) as it does today ($38B).[4] 74% of surveyed financial advisers agree that demand for advice on managing climate risk will increase in the future.[5]



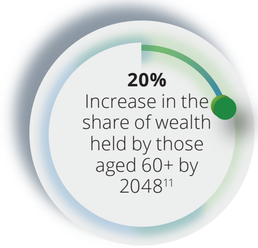
3. The “new” Australian dream (housing unaffordability)

From 2011 to 2021, home ownership for those aged 25-29 decreased from 41% to 36%.[7] Despite this, only half of advisers surveyed stated they provide advice on alternative investments such as asset management/investment/stock broking.



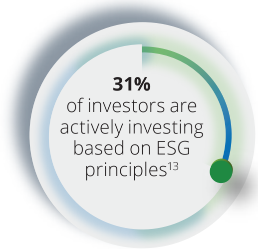
4. Digital delivery – of everything

An estimated 11.8 million Australians have unmet advice needs.[9] Digital delivery of advice will be critical to provide advice to a broader cohort. Worryingly, 40% of advisers surveyed were ambivalent or believed greater use of technology and automation (i.e. roboadvisers, online financial planning tools etc.) was unimportant.[10]



5. Intergenerational wealth transfer – the grey tidal wave

With significant wealth in transition between generations, there's a growing demand for holistic financial advice that covers estate planning, taxation, wealth preservation, etc. Surveyed advisers who primarily provide advice on estate planning were 66% more likely to expect demand for their services would change revenue in the next five years.[12]



6. Riding the green wave of future investing

There is growing demand for environmental, social, and corporate governance (ESG) to be incorporated into investment strategies and financial planning. Digital ESG integration tools will be critical to streamline advice delivery.

7. Digital assets and product proliferation – show me the money

Investing in digital assets is driven by a combination of consumer demand for diversification and technological innovation. Over half (54%) of millennials have owned cryptocurrency at one stage and advisers must invest heavily to broaden their service offering and develop partnerships with digital asset platforms.[15]

Megatrends modelling

Scoring megatrends by complexity, fees and personalisation

Each of the seven megatrends in the "Big Shift" sits on a spectrum from *high complexity* (which typically justifies high fees and personalised advice) to *low complexity*, (which typically prioritises low fees and mass delivery of advice). To analyse where each megatrend sits against these axes, this report developed a framework described below.

The framework considers two key axes: complexity, and fees and personalisation. Each axis comprises four criteria on a scale of one to five. These are illustrated in the boxes below. The fees and personalisation axis looks at how advice is delivered and whether it is delivered face-to-face or in-person, to what degree digital products are used when delivering advice, fees charged to the consumer, and associated costs to deliver. The complexity axis considers the complexity of the individual, product, life circumstances, and regulatory environment for each advice type. Higher scores equates to higher complexity and higher fees and personalisation, respectively.

In addition to the two primary axes there are **three key dimensions** which help to inform the scoring. These are **consumer, business models and advice product, and technology**. Each dimension comprises a combination of quantitative and qualitative analysis to support the megatrend analysis. Further detail on the analysis is provided in the Appendix.

Fees and personalisation

(*1 = Low fee, mass delivery,*
5 = High fee, ultra personalisation)

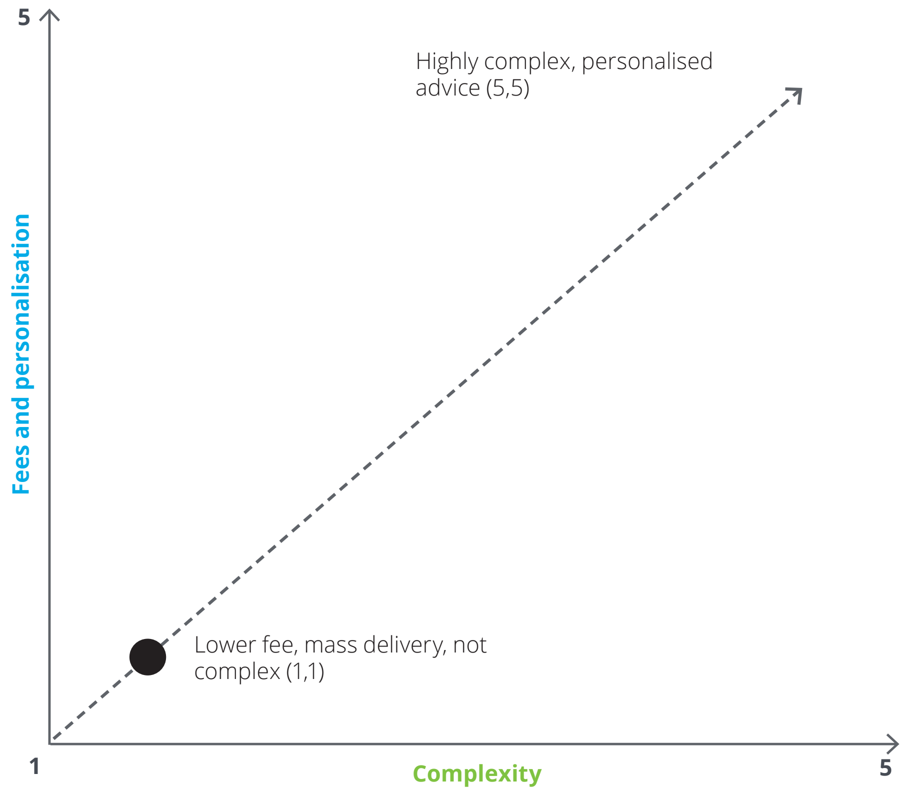
- Face-to-face consultation
- Traditional delivery model
- Consumer spend obtaining financial advice (SOA)
- Delivery cost

Complexity

(*1 = Not Complex,*
5 = Extremely Complex)

- Individual characteristics, goals and needs
- Product complexity and diversity
- Complex life events
- Regulatory complexity

Chart 4: Relationship between complexity and fees/personalisation



Source: Deloitte Access Economics, Deloitte analysis

How to embrace megatrends head on

Megatrends sit on a spectrum from high complexity (high fees/personalised advice) to low complexity (low fees and mass delivery of advice)

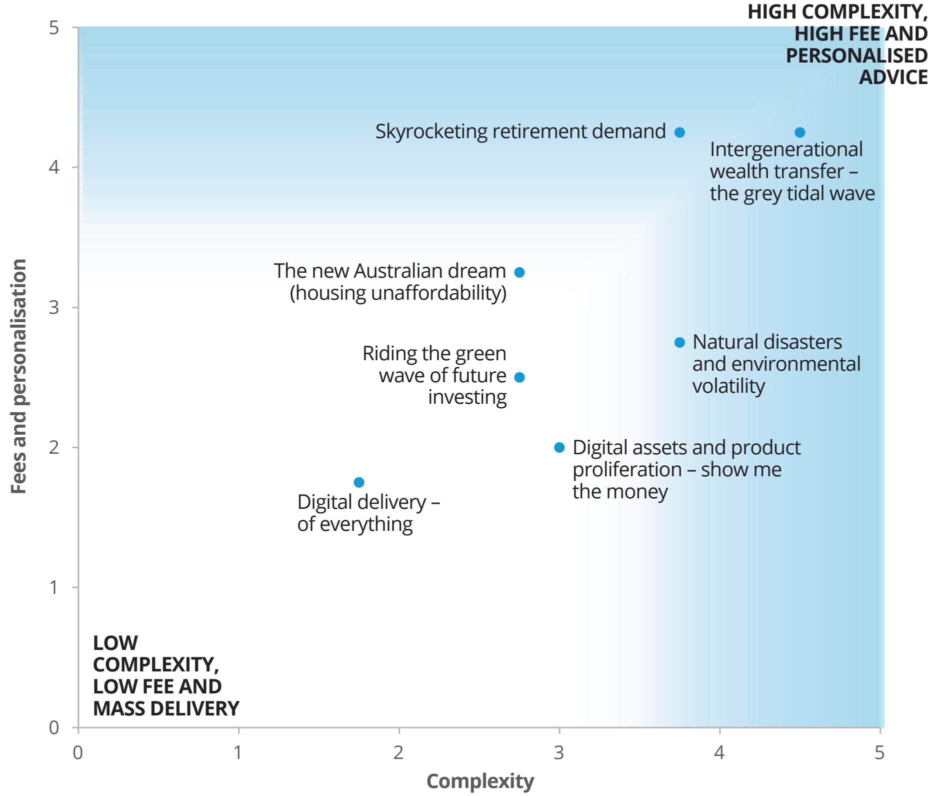
The chart to the right displays the results of the megatrends analysis, showcasing the **spectrum of potential futures from a high complexity, high fee world to a low complexity, mass delivery world**.

The most complex megatrends include the intergenerational wealth transfer and skyrocketing retirement demand, driven by complex life events and substantial changes in the types of clients receiving advice under these megatrends. On the other end of the spectrum, digital delivery, digital assets and product proliferation will drive a mass delivery and low fee future. However, it's noted that **all megatrends will increasingly rely heavily on digital technologies**– including but not limited to Generative AI – to aid the delivery of advice. Each of these changes and their associated choices affect advisers in terms of their client base, advisory focus, business and licensing model, pricing, and technology choice in providing advice.

In the future, the financial advice market could see a shift towards **greater segmentation** based on specific areas of expertise and business models. For instance, with only 4% of surveyed advisers providing advice on aged care[1], there is potential for this niche to grow significantly. Financial advisers may adopt different business models and specialisation, catering to either a smaller number of high-value customers with complex needs or a larger customer base with a reliance on digital tools for cost reduction.

To navigate these megatrends effectively, advisers must proactively **empower their businesses by making strategic choices, rather than be passengers to change**. These choices aren't strictly binary but exist along a spectrum, allowing for pragmatism and fluidity. They will be made repetitively and frequently in a shifting advice landscape.

Chart 5: Spectrum of megatrends in financial advice



Source: Deloitte Access Economics, Deloitte analysis

How to embrace megatrends head on

Choices facing financial advisers

Advisers have four key choices to make to maximise competitive differentiation and play to existing strengths while putting the customer at the centre. The four key choices relate to who they provide advice to (the customer), how they deliver this advice (the business model), what they provide advice on (the specialisation), and where they deliver this advice (through digital or traditional channels). This journey begins with advisers mapping their practice to understand their current landscape and choice of future, which provides a foundation for informed decisions. Alignment with specific and well-defined business goals, client models and capability assessment is critical to determine the approach advisers take.

These choices are described in more detail below and overleaf. The subsequent pages provide a deep dive on each megatrend.

1. CUSTOMER

Demographic targeting for those with simple advice needs ⟷ **Entire customer verticals**

Arguably the greatest disruptor to financial advice will be the consumer themselves.[1] Indeed, surveyed advisers expect to serve an additional 486,000 customers in the next five years.

Some megatrends call for tailored offerings which aim to cater for entire customer verticals and end-to-end solutions. Advisers must emphasise long-term client relationships built on trust and value and should expect frequent, typically face-to-face contact with clients to deeply understand their needs and preferences. In particular, the new Australian dream (housing unaffordability) or intergenerational wealth megatrends will engage a younger or multigenerational customer base, necessitating advisers to connect effectively and grasp their communication and product preferences.

Conversely, some megatrends are characterised by simpler customer advice needs met by simpler advice delivery. Advisers should prioritise demographic targeting to identify cohorts seeking affordable advice alternatives. It's crucial for advisers to highlight the value in their customer strategy, setting them apart from low-cost, self-service platforms and FinTech providers. Advisers must remember there will always be affluent customers at the fringes of neatly defined demographic segments which seek more personalised bespoke solutions for advice needs, where simple demographic targeting is insufficient.

2. BUSINESS MODELS

Low-cost repeatable advice products ⟷ **More expensive bespoke solutions**

Advice products may range from repeatable products to more tailored products which have a customer-first value proposition. Each will require unique capabilities within the organisation to deliver.

Some megatrends favour high-fee, personalised service offerings. Advisers should concentrate on a smaller client base, charging higher, possibly tiered fees based on individual goals, risk tolerance, and circumstances. Prioritising customer choice, advisers need to develop client-first skills and capabilities. Their business models should also leverage adviser partnerships throughout the financial advice lifecycle, such as with FinTech platforms, asset platforms or digital wallets, to consolidate portfolio management.

Conversely, some megatrends require scalable advice products delivered digitally to reach a broader client base. Advisers may adopt fee structures aligned with affordable financial advice, such as flat fees, subscription, or asset-based fees tailored to mass-market preferences. For example, looking at the digital delivery megatrend, advisers might exclusively engage clients digitally via subscription-based platforms, offering access to investment products, general advice and personalised strategies through robo-advice and emerging technology.

How to embrace megatrends head on

Choices facing financial advisers

3. SPECIALISATION

Advice diversification ⟷ **Specialist financial advice**

Advisers can choose to provide advice in one specific area like insurance, retirement demand, ESG investments or to provide general advice across a range of areas. This will depend on in-house capabilities, business growth ambitions, and customer demand.

For some megatrends, advisers will offer highly specialised advice to address specific customer segments comprehensively, such as catering to young professionals or retirees. For instance, advisers assisting clients susceptible to natural disasters should ensure their services cover the entire disaster lifecycle, including post-disaster care solutions rather than solely focusing on insurance sales. Advisers also have a choice regarding what specialisation and how that aligns with their existing business model, future strategic outlook and in-house capability.

Conversely, given the limited depth of personalisation for some megatrends, advisers may choose a broader specialisation to provide customers with greater educational breadth and cover a range of products with opportunities for minor customisation across age groups and demographics. This approach may also open doors to offering comprehensive investment solutions across the customer lifecycle, from optimising superannuation to first-time investments and home ownership.

4. TECHNOLOGY

Technology to enable low-cost delivery ⟷ **Technology to enhance face-to-face delivery**

All advisers should leverage technology to enhance the customer experience and demonstrate a commitment to cybersecurity to protect client data and privacy. Advisers establishing technology as a means of complementing face-to-face consultation should use digital collaboration tools, customised digital platforms with personalised interactive dashboards, third-party partnerships and data integrations. Advisers need to be mindful of varying digital literacy among customers and adjust accordingly. For example, different expectations of digital adoption exist among multigenerational cohorts in intergenerational wealth transfers.

Implementing a digital-first approach for client acquisition, engagement and service delivery is essential to reduce costs and enhance customer interactions. This involves automating advice delivery using tools like robo-advisers, machine learning and Generative AI for due diligence and portfolio optimisation. In fact, 76% of advisers agree that the sector will need to evolve to serve a greater volume of customers using technology in order to remain profitable.

For the digital delivery megatrend, advisers should consider workflow automation, integrating it into digital marketing strategies for seamless client acquisition, onboarding, compliance, administration and reporting. Advisers should also consider how they leverage Generative AI to streamline service delivery. From improvements in customer onboarding to data synthesis and supporting research, the opportunities in financial advice are significant. Based on their business model, accepted cost of client acquisition and technology infrastructure, advisers may incorporate automation in their management of client queries, which can ease the time burden on advisers.

How to embrace megatrends head on

Illustrative example for advisers making choices in **digital assets and product proliferation**

Different advisers will make different choices based on business goals, client models and capability. The below outlines the choices an adviser might make in the delivery of **digital assets and product proliferation – show me the money**.

CUSTOMER

Demographic targeting for those with simple advice needs

Entire customer verticals

Customer choices

Advisers should seek to identify cohorts seeking affordable advice alternatives and find ways to differentiate themselves from other providers of low-cost advice (e.g., self-service platforms and Fintech providers). Advisers should seek to accommodate consumers looking for competitive pricing by forming transparent and accessible pricing structures and could consider a subscription-based pricing model.

BUSINESS MODELS

Low-cost repeatable advice products

More expensive bespoke solutions

Business model choices

Advisers should focus on how their business model supports digital delivery of advice products to reach a broader client base, for example by offering scalable solutions and advice assets (e.g., subscription to newsletters, seminars, virtual coaching sessions or leveraging digital platforms), as well as through partnerships and integration across the digital asset ecosystem (e.g., API integration with digital wallets and investment platforms).

SPECIALISATION

Advice diversification

Specialist financial advice

Specialisation choices

Advisers dealing in the delivery of digital assets will generally offer a more specialised service, for example, focused on cryptocurrency, as opposed to providing diversified advice. To be successful, advisers must balance the extent of specialisation with market volatility, regulatory changes, client demand and the evolving nature of digital finance to balance risks associated with the niche nature of this advice.

TECHNOLOGY

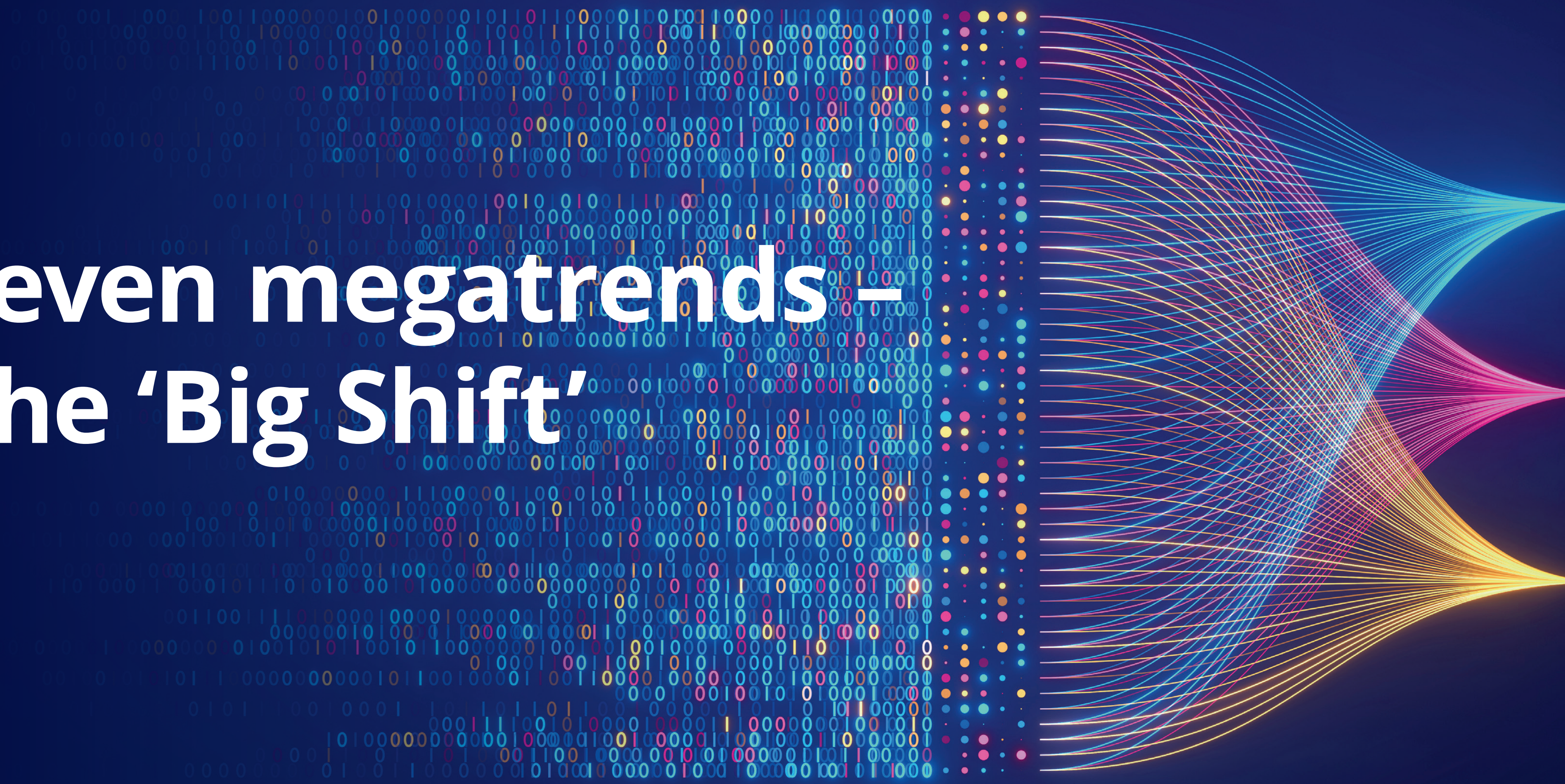
Technology to enable low-cost delivery

Technology to enhance face-to-face delivery

Technology choices

Advisers of digital assets prioritise technology as a solution to low-cost delivery, for example by automating workflows across the advisory value chain (from client acquisition and onboarding to portfolio management and reporting) and by adopting a digital-first approach to advice delivery.

Seven megatrends – The 'Big Shift'



Megatrend #1

SKYROCKETING RETIREMENT DEMAND

Skyrocketing retirement demand

Tailoring financial advice to navigate the complexities of ageing

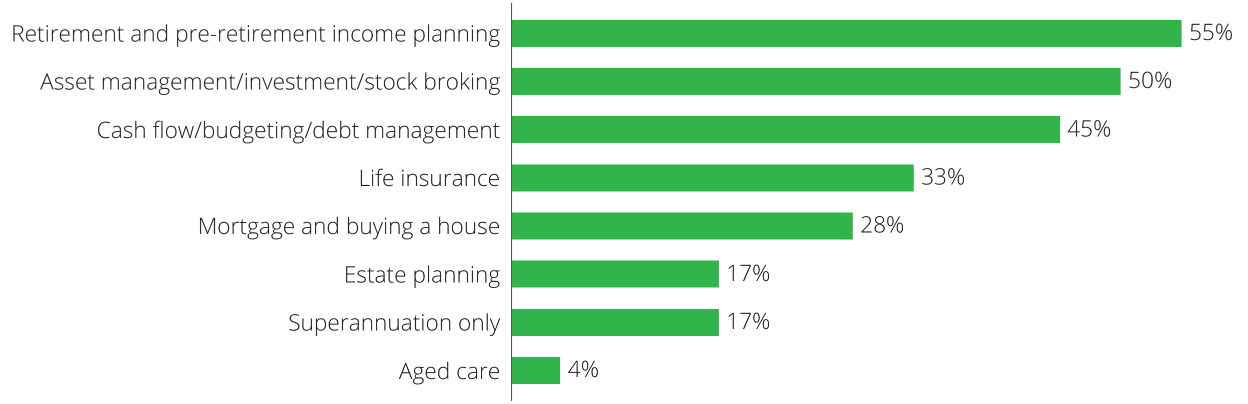
Research shows over the next decade, age groups 65-85 years and 85+ years are expected to grow by 25% and 50% respectively.[1] As Australia's population ages, retirement demand becomes increasingly crucial to mitigate longevity risk and provide sustainable income. Advice will need to be tailored in order to address the unique retirement demand challenges faced by individuals.

The type and delivery of financial advice play a pivotal role in shaping the financial wellbeing of individuals across different age groups. Notably, retirement and pre-retirement demand emerge as the most sought-after forms of advice according to surveyed financial advisers (see Chart 6.1), with 55% of financial advisers providing advice on this, followed closely by asset management/ investment/stock broking (49%) and cash flow/ budgeting/ debt management (44%).[2]

Previous research reveals that for customers aged 60 to 69, retirement income planning takes precedence as their top financial concern, with a quarter of them seeking guidance from financial advisers.[3] As people get older, they usually downsize their home, and financial advisers can play a crucial role in helping them maximise their superannuation savings.

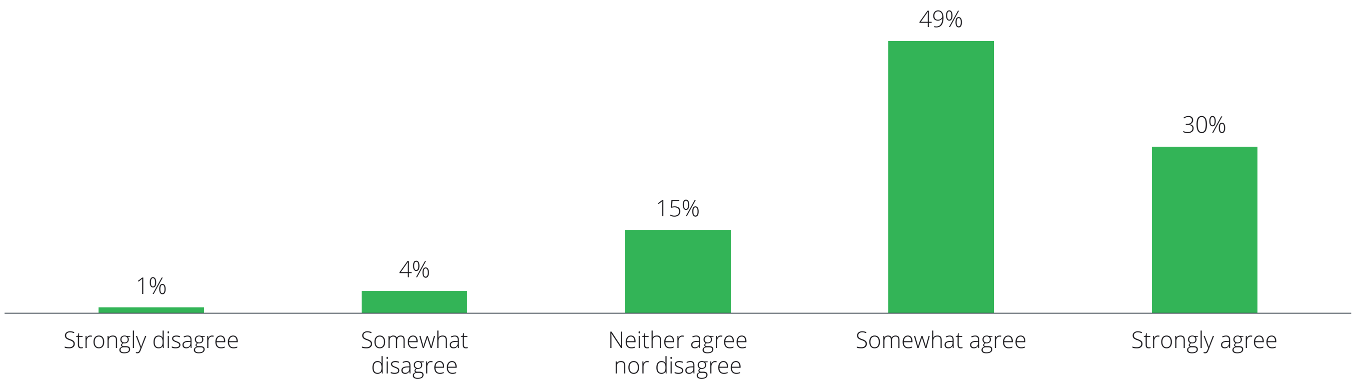
As Australia grapples with an ageing population, the **demand for advice related to pensions, aged care, and optimising superannuation is on the rise**. A staggering 79% of surveyed financial advisers acknowledge the growing importance of addressing these concerns (Chart 6.2).[4] This poses a critical question: **Are financial advisers adequately prepared for this imminent change in the advisory landscape?**

Chart 6.1: What do you primarily provide financial advice on?



Source: Deloitte Access Economics, Tomorrow's Financial Adviser Survey. Respondents (n=242)

Chart 6.2: The sector will increasingly need to provide advice on navigating the pension, aged care and making the most of superannuation



Source: Deloitte Access Economics, Tomorrow's Financial Adviser Survey. Respondents (n=231)

Megatrend dimensions: Skyrocketing retirement demand

Consumer

In this changing landscape, evolving demographics and an ageing population increase the demand for retirement and longevity risk solutions.

Who are the customers?

- Older than the current average.
- Have a higher net worth and increased assets under management.
- Financially literate and highly engaged with their wealth.[1] In 2020, financial literacy for those aged 45 to 65+ was 13% higher than those aged 15 to 44.[2]
- More likely to engage with safe, reliable returns, with assets more heavily weighted towards Australian shares, residential property and term deposits.[3]

22% Surveyed financial advisers are 22% more likely to prefer communication with those aged 50 and over through in-person consultations.

Navigating retirement demand requires addressing the complexity of financial decisions involved, including factors like savings, investments, healthcare, and estate planning. Advisers must consider this specific cohort's preferences when balancing performance and risk profiles of investment portfolios and weighting asset allocations.

Advisers should provide **personalised advice** tailored to individual circumstances, goals and risk tolerance levels.

Business models and advice product

Financial advice in this scenario will be characterised by higher fees, higher margins and a larger quantum of funds under advice.

Survey analysis show advisers in this megatrend charge on average **47% more** than other advisers for a Statement of Advice.[4]

Financial advisers catering to a clientele comprising at least 75% individuals aged 50 and above were:

- **6.5x** More likely to provide advice on aged care.
- **67%** More likely to provide advice on retirement and pre-retirement income.
- **74%** More likely to provide advice on superannuation.

They were also 10 times **less** likely to provide mortgage advice compared to other advisers. This demonstrates their increased specialisation.

Eight out of ten surveyed financial advisers agree the financial advice sector will increasingly need to provide advice on navigating the pension, aged care and making the most of superannuation.

Advisers whose client base are primarily aged above 50 were 17% more likely to agree than other advisers.

Technology

While technology might not be the primary method for advisers to connect with clients during this megatrend, it can **significantly enhance the delivery of advice**.

The ability to integrate a customer's financial data with other relevant information, like tax or aged care data, will be critical for advisers to stand out, especially as the government aims to make financial advice more accessible, including expanding access to retirement income advice through superannuation funds.[5] This integration of data will enable advisers to produce more streamlined products.

Furthermore, using digital tools such as the Australian Taxation Office (ATO) online services simulator and the 2022 expansions of the Consumer Data Right (CDR) to include open finance will be critical for advisers, particularly when dealing with older clients. The expansion of the Consumer Data Right (CDR) presents additional opportunities for advisers to provide integrated data solutions (for example, linking myGov and superannuation).[6]

Advisers recognise this urgency as:

68% Of surveyed financial advisers are likely to adopt new tools/technologies in the provision of financial advice in the next 12 months.

So what?

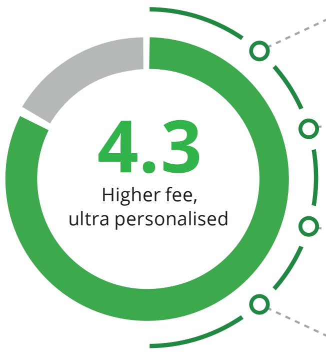
Skyrocketing retirement demand will shift every conversation for advisers. Investment fund flows will reverse markedly as most clients will require discussions about their own pension and care needs.

Over the next 40 years, the Australian population aged over 65 is expected to double, while those over 85 will triple. Navigating policy changes, new products and retirement systems will be essential.

Megatrend index: Skyrocketing retirement demand

This megatrend is characterised by a high fee and ultra-personalised offering (4.3/5), against a complex to highly complex advice landscape (3.8/5).

Fees and personalisation /5



Face-to-face consultation (5/5)

Exclusively face-to-face consultation based on thorough understanding of client's bespoke needs

Traditional delivery model (4/5)

Limited client-adviser engagement on robo-adviser platforms due to low digital literacy, lacking third party integrations

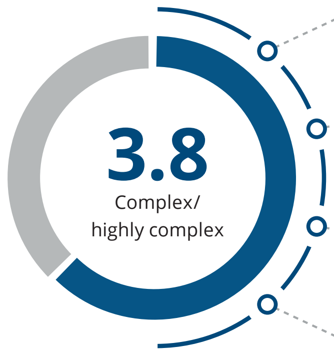
Consumer spend (4/5)

Fees paid for advice is above 10% - 50% of $4,250 ($4,675- $6,475)

Delivery cost (4/5)

High delivery cost, high margin, low advice volume

Complexity /5



Individual characteristics (4/5)

Clients have highly complex and diverse financial needs, requiring intensive support

Product complexity and diversity (4/5)

Portfolios contain numerous and intricate asset classes, an array of highly complex financial products, intricate tax situations

Complex life events (4/5)

Frequently influenced by major and complex life events, and they require advanced planning

Regulatory complexity (3/5)

Notable regulatory ambiguity, with changing tax laws, regulations, and financial market conditions

What will this megatrend mean for financial advisers?

Competing with superannuation

The Government's Delivering Financial Outcomes Roadmap and use of 'non-relevant providers' broadens the role of superannuation funds in providing financial advice. Financial advisers should expect to compete with the superannuation industry in the provision of financial advice, or at least, consider their value proposition as separate to the superannuation advice model.

Increased product complexity

Clients will need sophisticated diversification strategies to hedge against sequencing of returns risk from market downturns including asset allocation, risk appetite, and safe withdrawal rates. Advisers will need to ensure they can assess risk tolerance with ageing client bases to build contingency for a longer retirement period and accommodate complex estate planning needs.

High personalisation

The ability to integrate customers' financial data with other data (e.g., tax or aged care data) will be critical to set advisers apart, with a preference for face-to-face advice delivery among this customer base.

Balancing use of digital tools

Advisers will need to balance the use of digital tools to streamline advice with preferences for face-to-face contact for some demographics.

Megatrend #2

NATURAL DISASTERS AND ENVIRONMENTAL VOLATILITY

Natural disasters and environmental volatility

Tailoring financial advice to mitigate the risk of natural disasters and environmental volatility

Financial advisers play a crucial role in helping investors in managing both stages: the risk management phase before natural disasters occur and the recovery phase afterwards. Research indicates that the average Australian is willing to pay up to $162,492 to avoid disaster-related damage.[1] After experiencing a natural disaster, individuals tend to become more risk adverse, reducing their investment in household stock by approximately 5.04% and overall risky financial asset investment by 3.45%.[2] While this may seem prudent in the short-term, it can hinder long-term growth.[3] Additionally, shifting towards more conservative investments may not keep pace with inflation or meet clients' future goals.[4]

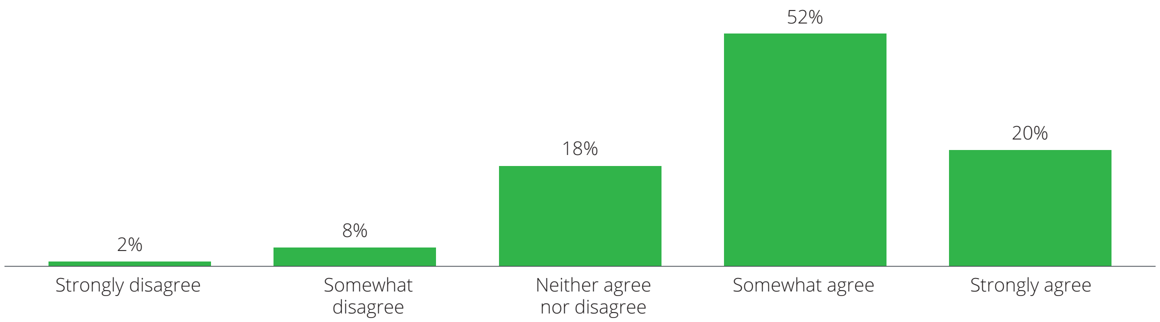
In the 2019-20 bushfires, approximately one-third of Australians were affected. Research shows **80% of the Australian population has experienced a natural disaster since 2019**.[5] In 2021, it was calculated that the current cost of natural disasters and environmental volatility to the Australian economy per year was $38 billion per year.[6] This cost is projected to rise to $73 billion by 2060 (based on a conservative, low-emission scenario).[7] In this context, financial advisers will play an integral role in **helping Australians build financial resilience to natural disasters and environmental volatility**.

Financial advisers can support their clients by developing a risk-tolerant portfolio that aligns with their goals and provides protection against market fluctuations, including those caused by natural disasters. They can also help rebalance portfolios after a disaster and advise on accessing government incentives, rebates, and tax concessions. Ensuring proper insurance coverage is another key aspect, as it helps mitigate financial losses and allows investors to focus on recovery and rebuilding.[8]

With younger demographics showing increased interest in climate risk and ethical investments, 72% of surveyed financial advisers agree that demand for advice on managing climate risk will increase in the future (Chart 7).

This suggests that the **market is evolving towards client-led choices**, where values and principles play a bigger role in informing investment decisions.

Chart 7: Demand for advice on managing climate risk will increase



Source: Deloitte Access Economics, Tomorrow's Financial Adviser Survey. Respondents (n=231)

Megatrend dimensions: Natural disasters and environmental volatility

Consumer

Customers in this megatrend are those seeking to mitigate risks, protect assets, enhance resilience and determine eligibility for disaster recovery support.

Who are the customers?

- Individuals from rural and remote communities[1]
- Lower socioeconomic status, including limited access to financial resources, lower levels of education, and limited financial literacy[2,3]
- Low-income earners, small-business owners and part-time workers[4]
- Home and property owners
- Working age adults employed in agriculture, accommodation and food services[5]

What do they need most?

- Risk assessment and management of their exposure to environmental/climate risk
- Affordable insurance products while maintaining reliable income through retirement
- Investment strategies aligned to opportunities in sustainable and resilient industries

Business models and advice product

This megatrend requires advisers to balance a business model that provides affordable, scalable advice products for less affluent individuals from rural and remote communities with richer, sophisticated risk management strategies using access to broader data (such as superannuation data sources).

In these cases, ensuring financial resilience against natural disasters goes beyond basic insurance products. It involves advising on government incentives and rebates, tax concessions, and tailoring recommendations to individual circumstances.

Surveyed advisers specialising in insurance products, who also anticipate an increased demand for managing climate risk, demonstrate:

1. More clients. These advisers were 31% more likely to have over 100 clients compared to other advisers.

2. Focus on underserved communities. They were 63% more likely to consider increased education and outreach to underserviced communities as extremely important. This ensures financial advisers can cater to a broader client base in the future.

So what?

The increase in natural disasters and environmental volatility will mean peoples' assets, investments and potentially their families' physical safety are affected. The future adviser in this area will need to navigate client trauma, urgent responsiveness from market participants and a growing complexity in the services and solutions needed.

Technology

In this changing landscape, financial advisers should explore opportunities to integrate digital solutions to reduce costs, enhance affordability, and extend their reach to underserved communities.

Financial advisers offering insurance product advice, who also anticipate a rise in demand for managing climate risk, aim to integrate new tools and technologies into their financial advice services. On average, these advisers over the next 12 months are:

12% More likely to adopt new tools/technologies in the provision of financial advice.

27% More likely to agree that increased use of technology and automation would lead to servicing a greater client base.

These advisers were also 18% more likely to agree access to government data such as MyGov would lead to servicing a greater client base.

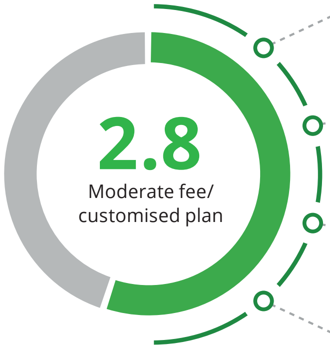
Consistent with retirement demand, advisers under this megatrend could anticipate increased competition from the broadening role of superannuation funds.

This consolidates the importance of using a digital-first model to remain competitive, and fully incorporate available data integrations (e.g., MyGov and ATO) into platforms and delivery methods.

Megatrend index: Natural disasters and environmental volatility

This megatrend is characterised by a moderate fee and customised planning offering (2.8/5), against a complex to highly complex advice landscape (3.8/5).

Fees and personalisation /5



Face-to-face consultation (3/5)

Advice consultations are balanced across face-to-face and virtual delivery

Traditional delivery model (2/5)

Clients and advisers proficiently use robo-adviser platforms and adequate digital literacy to track investments and some third-party integrations

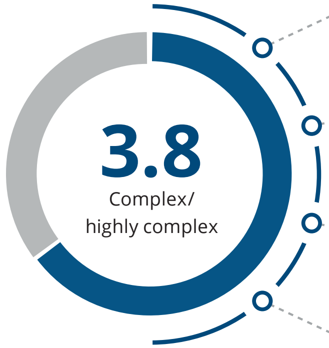
Consumer spend (3/5)

Fees paid for advice are within 10% of $4,250 ($3,825 - $4,675)

Delivery cost (3/5)

Balanced delivery cost, variable margin and advice volume

Complexity /5



Individual characteristics (4/5)

Clients have highly complex and diverse financial needs, requiring intensive support

Product complexity and diversity (5/5)

The most complex financial advice as a result of circumstances such as holding as highly complex financial products

Complex life events (4/5)

Frequently influenced by major and complex life events, and they require advanced planning

Regulatory complexity (2/5)

Some regulatory ambiguity exists, but it does not significantly impact financial planning

What will this megatrend mean for financial advisers?

Providing risk mitigation and sustainable returns

Beyond strategies to minimise disaster risk, clients need access to investment opportunities that are resilient to natural disasters and environmental volatility. Advisers should focus on testing and refining their understanding of resilient industries and investment opportunities against new and available evidence.

Developing a repeatable natural disaster product

Financial advisers must do more than provide simple insurance products to offer more complex advice regarding eligibility for government incentives and rebates, tax concessions, and incorporating individual circumstances into a personalised approach.

Proving advice across the entire disaster lifecycle

Research shows natural disasters and environmental volatility can have lasting effects, including impacting asset prices.[1]

Advisers should tailor their offering to provide ongoing support for the longer term financial and social costs of disaster such as lost future earnings due to mental health and illness impacts.

Larger presence in rural and remote areas

The literature suggests that those most impacted by natural disasters and environmental volatility are those from rural and remote communities. Advisers should actively engage with communities to improve financial literacy and develop awareness of disaster risk.

Megatrend #3

THE NEW AUSTRALIAN DREAM (HOUSING UNAFFORDABILITY)

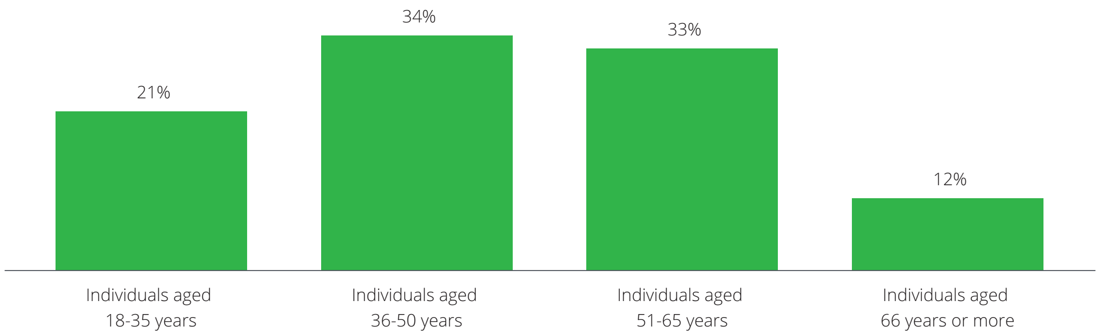
The new Australian dream (housing unaffordability)

Meeting the evolving needs of Australian families

The great Australian dream of owning a home is no longer a reality for many families with housing prices steadily on the rise. **An increasing number of customers require financial advice to build wealth through alternative means** while navigating complexities associated with not owning the principal place of residence, especially in retirement.

With 21% of customers falling within the 18-35 age bracket, there is a **growing opportunity for financial advisers to engage with this younger demographic** and in doing so will need to **adopt strategies that resonate with their financial aspirations and challenges**.[1] (Note: the composition of the survey sample, which may have sampled a younger cohort compared to the broader industry, could be a driver of the younger client base indicated by the survey data).

Chart 8: Breakdown of surveyed advisers' client base by age



Source: Deloitte Access Economics, Tomorrow's Financial Adviser Survey. Respondents (n=243)

Megatrend dimensions: The new Australian dream (housing unaffordability)

Consumer

This megatrend is typified by consumers who are being increasingly priced out of home ownership but seek to establish themselves financially and put their cash to work. There will however remain a more affluent minority seeking more sophisticated advice.

Over the past 50 years, home ownership rates have undergone significant changes across age groups. Particularly, young adults aged 25 to 34 have experienced a steep decline in home ownership. For instance, from 2011 to 2021, home ownership among Australians aged 25 to 29 dropped from 41% to 36%.[1]

Looking ahead, projections indicate that by 2036, 43% of individuals aged 45-54 will likely not own their own home.[2]

Who are the customers?

- Digital natives, Gen Z and millennials
- Less affluent and those with reduced expectations of inheriting wealth

What do they need most?

- Education – Young people are increasingly becoming next generation investors for the first time[3]
- Simple asset classes and investment strategies
- Alternate investment leverage options (e.g., margin lending)
- Tailored financial advice to renters, addressing the financial long-term implications of not owning their primary residence (especially in retirement)[4]
- Affordable advice delivered digitally given the relative simplicity[5]

Business models and advice product

Younger investors priced out of the housing market are increasingly investing their money in assets outside of housing.[6] Research shows these investors are over-represented in digital assets such as cryptocurrencies and exchange-traded funds (ETFs) and less inclined towards traditional asset classes like Australian shares and term deposits.[7]

Advisers may develop fractional property ownership products or property crowdfunding, which are both gaining popularity.[8] Surveyed advisers focusing advice on asset management but not mortgages or home buying have a distinct business model:

31% Are more likely to interact with their clients via online/video consultations than other advisers.

18% Have 18% lower business costs over the last 12 months than other advisers.

-10% Charge 10% less than other advisers for a Statement of Advice.

Financial advisers should position themselves as coaches in their value proposition for next-generation investors, focusing on:

- **Market downturn coaching:** Younger investors tend to panic sell and crystalise their losses[9]
- **Portfolio diversification:** Next-generation investors are less likely to have a diversified investment portfolio[10]
- **Risk and volatility guidance:** Next-generation investors often invest in digital assets with higher volatility, increased tax and regulatory burdens and seek advice on social media[11]
- **ESG guidance:** 21% of next-generation investors struggle to understand the ESG status of a company[12]

Technology

Given the relatively simple advice provided, financial advisers under this megatrend are competing against FinTech and those self-servicing advice. They must **therefore use technology to differentiate themselves with** customisation and deeper investment insights to low-cost investment platform alternatives. This may include:

1. **Offer a hybrid robo-adviser model:** combining the convenience and accessibility of automated investment platforms with the guidance and expertise of financial advisers where needed.
2. **Provide customised digital platforms:** that offer interactive financial planning tools and personalised dashboards allowing clients to track their financial goals, monitor investment performance and make informed decisions. Goal-based investing, automated rebalancing, and tax optimisation will differentiate the adviser's technology offering from generic FinTech platforms.
3. **Use data-driven insights and analytics:** Expense tracking software, personal finance applications and AI-powered spending analytics can help advisers to develop richer insights for clients on spending habits and opportunities to reach financial goals sooner.
4. **Adopt virtual engagement and collaboration:** Leverage video conferencing, chatbots, and virtual collaboration tools to conduct remote meetings, deliver educational content, and provide real-time support to clients.

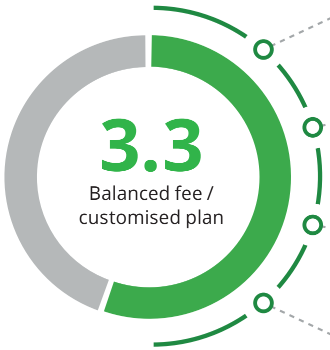
So what?

The low hanging fruit of housing asset growth will change, as access becomes harder and/or radical policy interventions change underlying value. Advisers must educate clients on these changes and adapt their practices to explore diverse investment avenues and navigate complex financial future calculations with sophistication.

Megatrend index: The new Australian dream (housing unaffordability)

This megatrend is characterised by a balanced fee and customised planning offering (3.3/5), against a moderate to complex advice landscape (2.8/5).

Fees and personalisation /5



Face-to-face consultation (3/5)

Advice consultations are balanced across face-to-face and virtual delivery

Traditional delivery model (3/5)

Moderate use of robo-adviser platforms, with basic digital literacy to monitor investments. Limited third-party integrations for asset centralisation

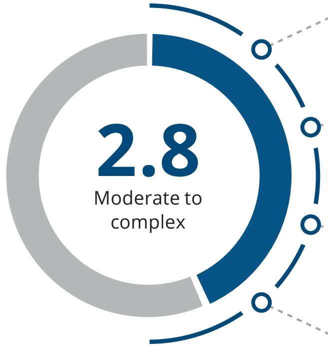
Consumer spend (3/5)

Fees paid for advice are within 10% of $4,250 ($3,825 - $4,675)

Delivery cost (4/5)

High delivery cost, high margin, low advice volume

Complexity /5



Individual characteristics (3/5)

Diverse and intricate needs. Hands on support required

Product complexity and diversity (3/5)

Complex investment portfolios with diverse and intricate asset classes and resulting tax considerations or time required for support and education

Complex life events (3/5)

Occasional complex life events and/or more frequent routine life events which require planning considerations

Regulatory complexity (2/5)

Some regulatory ambiguity exists, but it does not significantly impact financial planning

What will this megatrend mean for financial advisers?

Develop fractional property investment products

Advisers must actively disrupt the kind of financial products they offer to cater for housing asset preferences. This may reflect considering how advisers can bring home ownership to clients through fractional ownership arrangements or pending client financials, through private treaty with multiple buyers or public investment vehicles.

Curate personalised digital customer experiences

Advisers should differentiate themselves from low-cost investment platforms by providing personalisation in customer's digital journeys. Further, advisers must recognise there will be an affluent minority of customers seeking deeper more sophisticated advice beyond simple housing asset alternatives.

Market a role as a coach and educator

This megatrend is typified by first-time investors seeking low-cost investment alternatives to housing. Advisers should therefore play a strong educational role to complement their advice offering. The nature of this will depend on the customer but should include investing fundamentals such as navigating market downturns, identifying ESG-aligned opportunities and portfolio diversification.

Megatrend #4

DIGITAL DELIVERY – OF EVERYTHING

Digital delivery – of everything

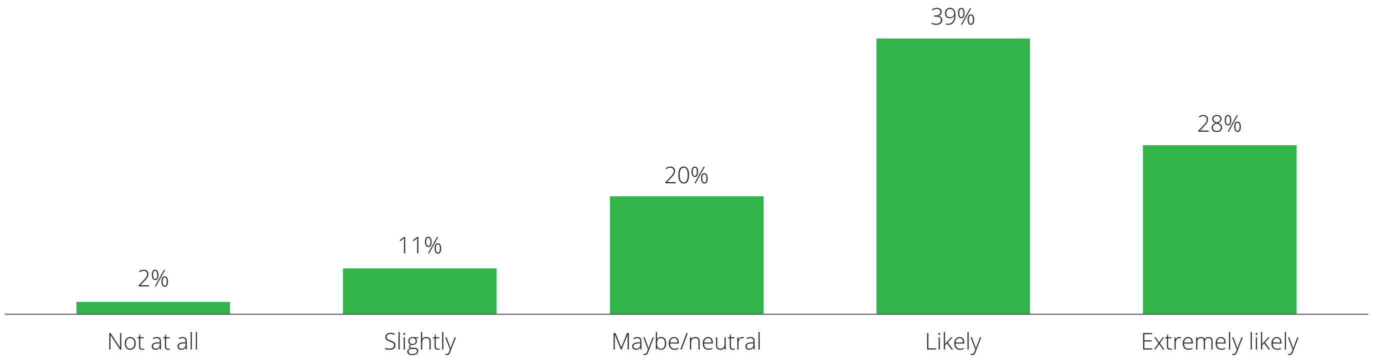
Meeting the demand: Tech integration for profitability and seamless service in a growing client landscape

The number of financial advisers has been steadily decreasing in recent years,[1] yet there are **approximately 12 million Australians in need of financial advice and the cost of advice remains their largest barrier**.[2, 3] Digital advice solutions that are low-cost are well positioned to address these factors. To best segment their customer base, advisers must remain cognisant of the simultaneous uptake of self-service advice by some customers and develop strategies to integrate their product with Australian preferences for face-to-face advice.[4]

As consumers become increasingly sophisticated and tech-savvy, with estimates that there will be twice the number of daily users of Gen AI tools in the next five years,[5] financial advisers recognise the benefits that digitisation and AI adoption could have for their business. **Clients now demand seamless, tech-driven experiences** that not only enhance the accessibility of financial advice but also cater to their desire for real-time information.[6] Approximately two thirds of surveyed financial advisers said they will adopt new tools/technologies for the provision of financial advice in the next 12 months (Chart 9.1). With the investment in Gen AI by Australian businesses anticipated to be seven times higher in 2030, **Gen AI** is likely to play a significant role in the types of tools being adopted by advisers.[7]

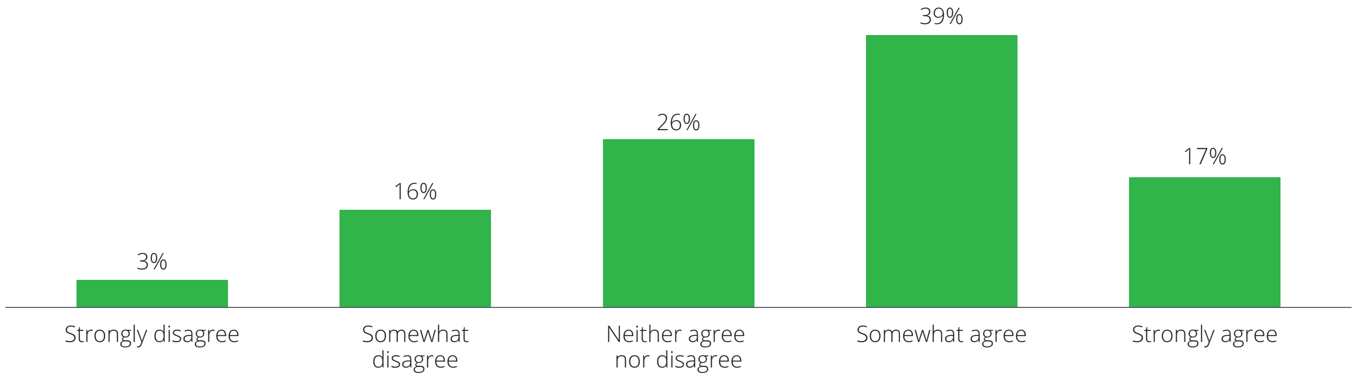
The majority (76%) of financial advisers agree that adapting the use of technology is not only required to meet client expectations but will **help the sector remain profitable in the long-run and serve a larger volume of customers.**[8] Considering this, establishing and maintaining trust is paramount in the delivery of financial advice. According to surveyed advisers, 56% agree that people are less likely to trust "finfluencers" or advice provided over the internet (Chart 6.2).[9] Financial advisers must therefore strike a delicate balance between leveraging digital delivery for seamless service while prioritising measures to maintain and promote trust.

Chart 9.1: Please indicate how likely you are to do any of the following: Adopt new tools/technologies in the provision of financial advice in the next 12 months



Source: Deloitte Access Economics, Tomorrow's Financial Adviser Survey. Respondents (n=242)

Chart 9.2: To what extent do you agree with the following statements regarding trust? People are less likely to trust "finfluencers" or advice provided over the internet



Source: Deloitte Access Economics, Tomorrow's Financial Adviser Survey. Respondents (n=242)

Financial advisers are turning to Generative AI

Meeting the demand: tech integration for profitability and seamless service in a growing client landscape

Deloitte's research on the **emergence of Gen AI heralds a disruption for about 26% of the economy**. Notably, the financial services sector is identified as one of the top five industries prone to rapid disruption by Gen AI.[1]

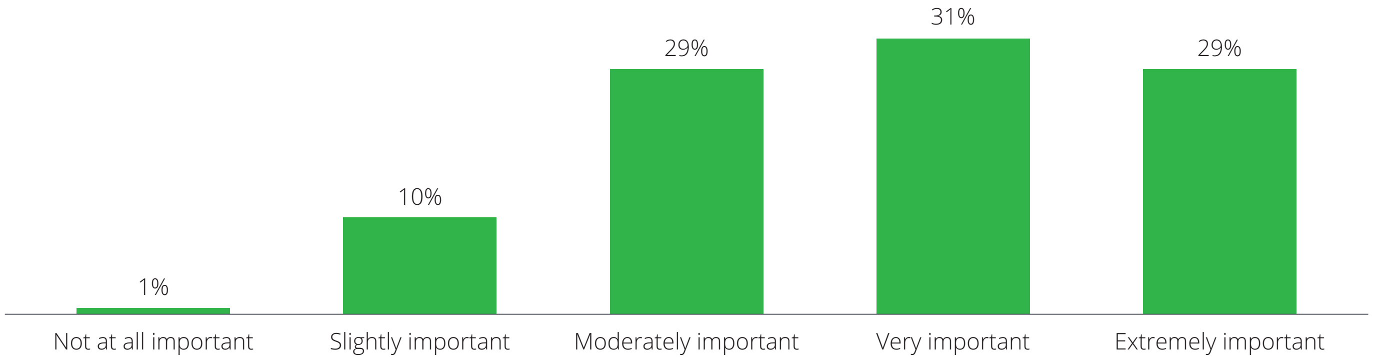
From optimising customer onboarding to fortifying fraud detection through nuanced pattern recognition, Gen AI is proving pivotal in elevating the quality and efficiency of financial advisory services. Australian employees who have integrated the use of Gen AI into their daily work reportedly save over five hours each week,[2] providing a significant opportunity in **productivity gains** in financial advice. Its application extends to data synthesis and would provide financial advisers with advanced tools for **informed decision-making and personalised client recommendations.**

However, financial regulators are **monitoring the risks associated with Gen AI** as it gains momentum in the industry. The potential impacts on privacy, data security, and the ethical use of AI in financial decision-making are under scrutiny. As financial advisers in Australia navigate this dynamic landscape, oversight from regulators underscores the importance of balancing innovation with **responsible implementation to ensure the integrity and trustworthiness** of financial advisory services powered by Gen AI.[3]

A significant amount (60%) of financial advisers surveyed emphasise the importance of greater technology utilisation and automation to expand their capacity to serve a more extensive client base in the future (Chart 10.1).[4]

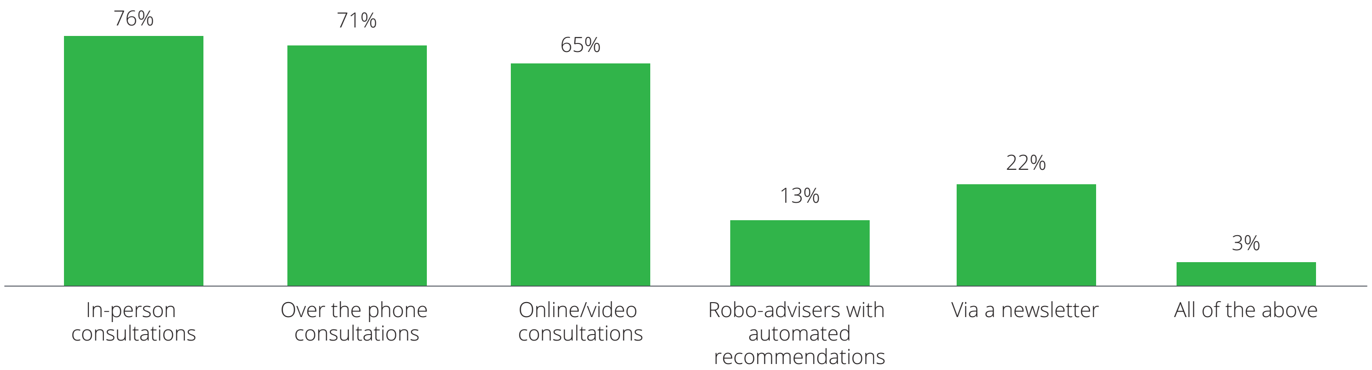
This aligns with the current evolving landscape, where 13% of surveyed financial advisers use robo-advisers featuring automated recommendations as part of their communication strategy with clients (Chart 10.2).[5]

Chart 10.1: Which of the following is most important when ensuring that financial advisers are able to service a broader client base in the future? Greater use of technology and automation (i.e. robo-advisers, online financial planning tools, etc.)



Source: Deloitte Access Economics, Tomorrow's Financial Adviser Survey. Respondents (n=230)

Chart 10.2: How do you (or advisers in your practice) typically communicate with clients? Please select as many that apply



Source: Deloitte Access Economics, Tomorrow's Financial Adviser Survey. Respondents (n=230)

Megatrend dimensions: Digital delivery – of everything

Consumer

An estimated 11.8 million Australian adults have unmet advice needs,[1] and one in four Australians rely on family, friends or colleagues for advice.[2] This megatrend recognises the role of digitisation in enabling the mass delivery of financial advice for cost-conscious clients, in particular, for simple investments and basic financial planning.

Who are the customers?

Younger, tech-savvy, budget-conscious individuals. They are more inclined to self-serve information online and less likely to consult with financial advisers.[3] Additionally, young Australians commonly cite financial constraints (42%), and tend to prefer video-based learning.[4]

Higher male representation. Research shows men are more likely than women to rely on digital advice solutions such as robo-advisers.[5]

Less financially literate. Younger investors (15 to 44 years old) who are more reliant on digital delivery for financial advice are 13% less financially literate than older investors.[6] Young Australians show a strong preference for video-based learning.[7]

This megatrend involves more consumers using self-service advice solutions like ASIC MoneySmart, superannuation fund assistance, Centrelink, online financial calculators, and subscription-based digital advice services.[8]

Business models and advice product

Financial advice in this megatrend will use a lower-cost business model, leveraging digital delivery channels and tools to maximise reach. Compared to other financial advisers, financial advisers who are most likely to adopt new digital tools in the provision of financial advice, over the next five years expect an:

18% higher increase in the number of clients

22% more growth in staff employed

50% More likely to agree that channels for receiving financial advice will become more diverse.

40% More likely to consider reduced compliance activities for regulatory obligations as extremely important for servicing a broader client base in the future.

18% More likely to agree that the sector needs to evolve technologically to serve more customers profitably.

So what?

The future adviser will need to address which aspects of their business and clients, if any, would be suited to a digital-first delivery model. Subsequently, advisers must assess their preparedness to meet digital delivery methods and whether further investment in upskilling, infrastructure and systems is required.

Technology

With the Quality of Advice Review (QAR) highlighting the importance of digital tools in improving client experience,[9] and with a multitude of options available to advisers, this megatrend explores the growing utilisation of digital tools in financial advice. Financial advisers who champion the greater adoption of technology and automation expect a rise in the use of digital platforms for providing financial advice.

10% These advisers are **10% more likely to agree** informal financial advice delivery will become more diverse (e.g., social media finfluencers).

20% Research shows high performance advice firms **spent 20% more on technology** per FTE compared to other advice firms.[10]

However, some research suggests advisers may lack clarity on how to best implement technology solutions for their clients.

28% Of advisers indicated uncertainty regarding how QAR recommendations would encourage the adoption of digital solutions.[11]

This megatrend **may benefit from less regulation**, possibly freeing up advisers to use new methods to fulfill their duty to clients. Without safe harbour provisions, advisers might find it easier to provide advice through digital channels, especially when a detailed fact-finding process isn't suitable.[12]

Additionally, the QAR suggests that "non-relevant providers" could give personal advice, with conditions on fees and commissions. This might lead to simpler personal advice being offered at important life stages and allow for scaled digital advice.[13]

Megatrend index: Digital delivery – of everything

This megatrend is characterised by a moderate fee offering (1.8/5), against a non-complex to moderately complex advice landscape (1.8/5).

Fees and personalisation /5

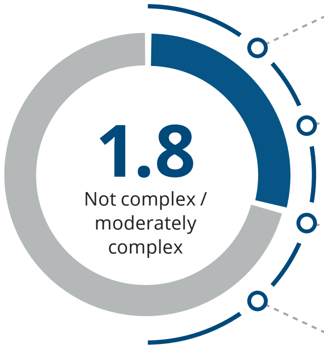
Face-to-face consultation (2/5)
Zero in-person consultation with limited virtual consultations one-on-one with financial adviser

Traditional delivery model (1/5)
Mastery of robo-adviser platforms, with exceptional digital literacy, numerous third-party integrations for centralised asset management

Consumer spend (2/5)
Fees paid for advice are below 10% - 50% of $4,250 ($2,125 - $3,825)

Delivery cost (2/5)
Moderate to low delivery cost, margin and moderate to high advice volume

Complexity /5



Individual characteristics (2/5)
Moderate complexity due to some liquidity needs, moderate risk tolerance, basic estate planning

Product complexity and diversity (2/5)
Moderately complex investment portfolios with a variety of asset classes

Complex life events (1/5)
Routine life events with infrequent major changes

Regulatory complexity (2/5)
Some regulatory ambiguity exists, but it does not significantly impact financial planning

What will this megatrend mean for financial advisers?

Careful client segmentation
Client segmentation will be important for financial advisers to effectively identify cohorts that require more complex, personalised financial advice.

Competition from 'non-relevant providers'
Less onerous requirements for 'qualified advisers' may increase competition and entry requirements for providing advice.

Rapidly reskill
Financial advisers in this megatrend need to invest heavily in personal capability to best leverage digital tools to produce better outcomes for clients more cost effectively.

Retain self-service customers
Advisers will need to invest to engage and retain customers who are increasingly engaging with self-service financial products.

Megatrend #5

INTERGENERATIONAL WEALTH TRANSFER - THE GREY TIDAL WAVE

Intergenerational wealth transfer – The grey tidal wave

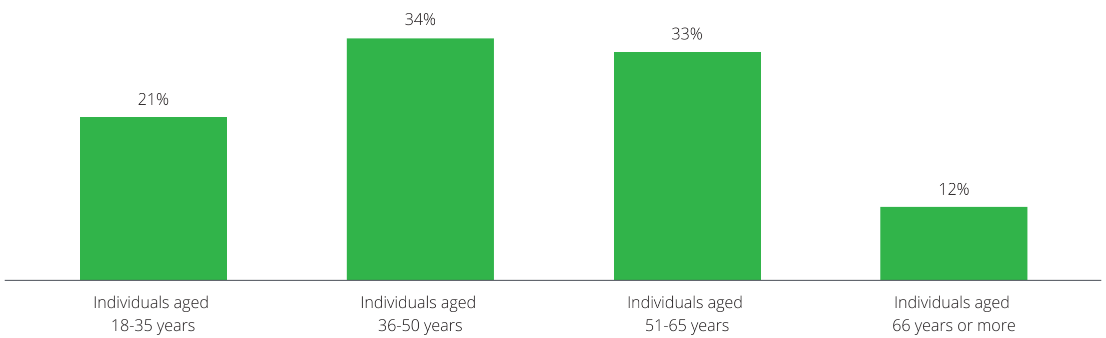
Rising complexity in meeting the needs of multigenerational cohorts

Due to an ageing population with significant assets, there's a growing demand for holistic financial advice that covers estate planning, taxation, investment management, and intergenerational wealth preservation. This megatrend is expected to be challenging for financial advisers, stretching them to incorporate digital tools to streamline the management of asset ownership and provide comprehensive specialised knowledge, which is likely to be bespoke and expensive. Additionally, the trend of intergenerational wealth transfer from husbands to wives has led to widows often changing financial advisers to ensure their specific financial needs and goals are addressed. In the US, research suggests that around 70% of women choose to change their advisers after their husband passes away,[1] highlighting the **importance of building strong relationships and trust with clients**, particularly in times of significant life transitions. Research has estimated that Australians aged 60 and over would **transfer $3.5 trillion** or an average of about **$175 billion per year in wealth in the next two decades**.[2]

Declining financial literacy rates, particularly among younger cohorts, highlight the need for quality, accessible advice.[3] Indeed, previous research has revealed that over 70% of financial advice clients express they would like their adviser to extend guidance to their children.[4] This sentiment is echoed in the strategy of advice firms consulted, such as Perth's Boutique Advisers. The firm's Managing Director, Gary Hasler, emphasises the importance of understanding the dynamics between parents and children in this context. Boutique advisers cater to different life stages and adopt a holistic approach to wealth management. As clients evolve, so do their strategies. With eight advisers specialising in diverse areas, the firm aligns them with clients based on expertise but also age. Cross-training is prioritised, ensuring advisers can seamlessly support each other.

With 21% of the survey respondents' client base aged between 18 and 35 years old (Chart 11), this underscores the need for financial advice to be provided to people of different ages in the future and meet evolving client expectations.

Chart 11: Breakdown of advisers' client base by age



Source: Deloitte Access Economics, Tomorrow's Financial Adviser Survey. Respondents (n=243)

Megatrend dimensions: Intergenerational wealth transfer – The grey tidal wave

Consumer

Financial advisers in this scenario will navigate complex multigenerational customers, handling both wealth inheritance and reception. One of the early signs this megatrend is evolving in complexity is that the adviser is not only dealing with the principle but also the power of attorney. They must be pragmatic and sensitive to the diverse values and priorities of inheritors, principles and power of attorneys. Moreover, modern families often have intricate, multi-generational structures and dynamics, including blended families and single-parent households which may differ in their approaches to wealth and financial planning. Advisers will play a pivotal role in managing intergenerational conflicts and simultaneously meeting the diverse needs and priorities of stakeholders.

Who are the customers?

- High net worth families
- Multigenerational cohorts (e.g., baby boomers and their children)

What do they need most?

- Planning to overcome potential family conflict and skills for fair distribution of inheritance and accommodating the allocation of assets among beneficiaries.
- Wealth preservation strategies which may include establishing family trusts, creating legacy plans, and implementing strategies to minimise estate taxes and preserve assets for future generations.
- Asset protection strategies (e.g., trusts or legal entities) to safeguard wealth from potential creditors, lawsuits, or divorces.

Business models and advice product

Financial advisers may adjust fees and services for complex estate planning and intergenerational wealth management. They can develop specialised skills and partnerships to meet comprehensive customer needs, balancing retirement, estate planning, and wealth transfer with guidance on responsible inheritance and wealth management.

Survey data shows financial advisers who primarily provide advice on estate planning typically:

- **22%** More is charged for a Statement of Advice
- **9%** More likely to utilise in-person and over the phone consultation
- **75%** Increased spend on 'other costs'
- **58%** More likely to expect their business revenue to change due to demand for services in the next five years

So what?

Embracing advice on intergenerational wealth transfer entails more than mere financial calculations and dividing assets. It often involves navigating complex human dynamics, requiring as much expertise in psychology and family mediation as in financial matters. Given the growing complexity of investment circumstances within families, it is crucial to provide careful, professional and independent advice, sometimes necessitating advice for multiple representative parties.

Technology

This megatrend sees an opportunity for financial advisers to employ digital estate planning platforms and AI-driven wealth management tools to efficiently manage intergenerational wealth transfers. Current survey results suggest there are opportunities for adoption of digital and emerging technologies to produce more scalable advice. Financial advisers from the survey who primarily provide advice on estate planning were:

- **3X** These advisers were three times less likely to use robo-advisers in providing advice
- **50%** Currently spend less than half on financial planning software compared to other advisers

In this megatrend, advisers may increasingly adopt digital tools, such as:

- **Digital estate planning tools**, such as online will-writing platforms, digital document storage, and secure communication channels.
- **Blockchain and Smart Contracts**,[1] revolutionising asset transfer and management across generations with transparent, immutable records of ownership and automated execution of inheritance instructions.
- **Scenario analysis tools**, assessing tax implications and other consequences of different wealth transfer scenarios, like trusts or gifting strategies.
- **Generative AI-driven tax optimisation**[2] such as tax-loss harvesting, tax-efficient asset location strategies and optimal timing of wealth transfer events.

Megatrend index: Intergenerational wealth transfer – The grey tidal wave

This megatrend is characterised by a higher fee and advanced personalisation offering (4.3/5), against a highly complex to extremely complex advice landscape (4.5/5).

Fees and personalisation /5

4.3
Higher fee, advanced personalisation

Face-to-face consultation (5/5)

Exclusively face-to-face consultation based on thorough understanding of client's bespoke needs

Traditional delivery model (3/5)

Moderate use of robo-adviser platforms, with basic digital literacy to monitor investments. Limited third-party integrations for asset centralisation

Consumer spend (4/5)

Fees paid for advice are above 10% - 50% of $4,250 ($4,675- $6,475)

Delivery cost (5/5)

Highest delivery cost using an array of platform integrations with personal finance applications, highest margin and lowest advice volume

Complexity /5

4.5
Highly complex / extremely complex

Individual characteristics (5/5)

Most complex personal clients as a result of multiple businesses, complex investments, global assets, complex remuneration arrangements

Product complexity and diversity (5/5)

The most complex financial advice as result of circumstance such as holding highly complex financial products

Complex life events (4/5)

Frequently influenced by major and complex life events, and they require advanced planning

Regulatory complexity (4/5)

Exceptional level of expertise in compliance and adaptation required to respond to frequent changes

What will this megatrend mean for financial advisers?

Rapidly upskill to use emerging technology for advice

Financial advisers can leverage new technologies to streamline the wealth transfer process and ensure a fairer outcome for all parties involved. Scenario modelling tools can help visualise different wealth distribution options. AI-powered tax optimisation tools can identify tax-efficient strategies. Digitising the estate planning process can improve efficiency and transparency.

Seamless advice transition

This megatrend represents a requirement to deal with highly intricate family affairs which may be accompanied by intergenerational conflict. Advisers should prepare themselves to simultaneously manage competing interests (e.g., disposal and receipt of housing assets) and transition client care models from one generation to another, whilst shifting advice strategies to suit younger demographics and longer investment horizons.

Megatrend #6

RIDING THE GREEN WAVE OF FUTURE INVESTING

Riding the green wave of future investing

Rising consumer demand for ESG investing advice

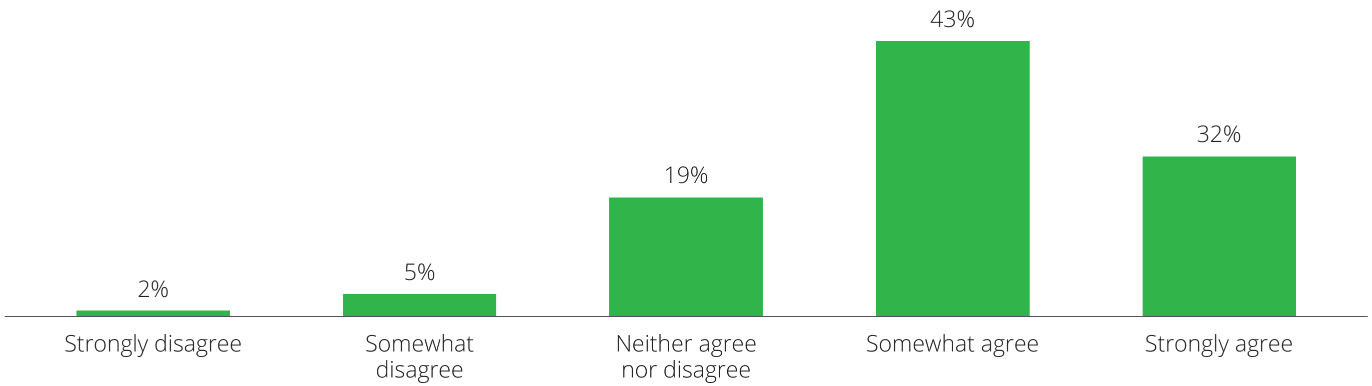
The **market for ESG investment** is growing in Australia, with reports that it is valued at $1.3 trillion as of 2022.[1] In recent years, there has been a rise in consumers wanting transparency in investment so they can avoid inadvertently investing in areas that do not align with their values. This **demand for transparency** also extends to the relationship between advisers and their clients. Surveyed practitioners broadly agree (74%) that transparency in their work impacts how much their clients trust them (Chart 12).

Referred to as ESG, future or responsible investing, there is increased scrutiny on ensuring investments adhere to ESG guidelines. For instance, concerns about greenwashing in the financial sector have increased since 2021 and have resulted in ASIC intervention.[2]

Investment funds can integrate ESG positive and negative screening tools to include or exclude certain investments based on client's values and specific thresholds. For example, recent research indicates that excluding fossil fuel investments covers over 60% of negatively screened assets under management.[3] Preferences on how and where to invest are likely to differ from client to client and advisers need to be able to **adapt and tailor advice based on individual preferences.**

Financial and insurance services are anticipated to experience high disruption from AI.[4] Consequently, there is an opportunity for advisers to leverage the growing number of customers motivated to invest in ESG products. Advisers in this megatrend should incorporate technology such as **Gen AI to reduce their time burden in sourcing and validating ESG investments**. Ensuring financial goals are being met in-line with their ethical investment values will require innovation in how to most efficiently communicate with clients.

Chart 12: Transparency in your work impacts how much your clients trust you



Source: Deloitte Access Economics, Tomorrow's Financial Adviser Survey. Respondents (n=243)

Megatrend dimensions: Riding the green wave of future investing

Consumer

Clients are increasingly defining their investment choices by value-based alignment and prioritising these concerns over financial returns. ESG is increasingly influencing how and why people make investments. In Australia, 31% of investors are actively investing based on ESG principles.[1]

Who are the customers?

- Value-based investors
- Next generation investors (aged 18-24)[2]
- Those willing to pay a premium for ethical investments

What do they need most?

- Empathetic, trusted advisers who can personalise investments to customer values
- Advisers with unique expertise in ESG due diligence and reporting capability
- Advisers who have access to ESG investment opportunities
- Risk management/performance strategies as ESG factors can affect investment risk and return potential

Business models and advice product

Financial advisers may need to rethink their fees and services to accommodate bespoke and complex ESG solutions. They can leverage ESG technology to scale up the rising demand for sustainable investment solutions.

Advisers who strongly agree that demand for advice on managing climate risk will rise, and who also believe that trust is built through transparency, demonstrated:

21% Higher growth expectations for the number of clients over five years, compared to other advisers.

40% Charge 40% less for a statement of advice.

15% More likely to prefer engaging with clients over video/virtually.

- **Increased complexity** to provide ESG due diligence and ESG data integrations
- **Greater upskilling** to drive competitive differentiation through ESG accreditation and technology integration
- More **specialised, complex advice** may justify value-based (or tiered) pricing. This means charging higher fees to align ESG objectives with investment goals, risk tolerances and individual circumstances.

Technology

In this megatrend, advisers will integrate ESG solutions into their services, leveraging technology-driven ESG screening tools. These tools are transforming how advisers identify sustainable investment opportunities and customise solutions to meet clients' evolving ESG preferences.

To enhance scalability and profitability, this may include:

1. **Reviewing the ability of company data partners to act as ESG screening tools**, helping financial advisers identify ESG investment opportunities, assess ESG risks, and integrate sustainability criteria into portfolio construction.[3]
2. **Evaluating ESG capabilities of investment platforms, financial planning software or tools**. Digital solutions such as robo-advisers will increasingly provide customers with ESG reporting and ESG customisation for customers.
3. **Incorporate Generative AI to cut down on ESG due diligence:** AI can assist in analysing corporate governance data to assess organisations' ESG performance and improve ESG metrics.[4,5]

So what?

Are you prepared to become an expert in everything, from personal ethics to the ethical considerations of specific assets within a global index fund? No one can master everything, so the future adviser will need access to research, maintain an active investment protocol, and be willing to navigate the intricate regulatory landscape of ESG and climate risk.

Megatrend index: Riding the green wave of future investing

This megatrend is characterised by moderate fees and a customised planning offering (2.5/5), against a moderate to complex advice landscape (2.8/5).

Fees and personalisation /5

Face-to-face consultation (3/5)

Advice consultations are balanced across face-to-face and virtual delivery

Traditional delivery model (2/5)

Clients and advisers proficiently use robo-adviser platforms, adequate digital literacy to track investments and some third-party integrations

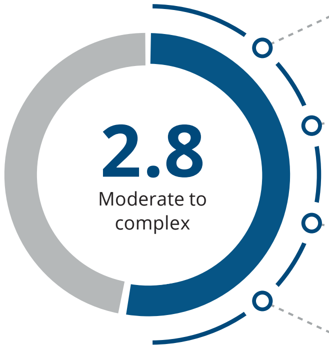
Consumer spend (2.5/5)

Fees paid for advice are below 10% - 50% of $4,250 ($2,125 - $3,825)

Delivery cost (3/5)

Balanced delivery cost, variable margin and advice volume

Complexity /5



Individual characteristics (3/5)

Diverse and intricate needs. Hands-on support required

Product complexity and diversity (3/5)

Complex investment portfolios with diverse and intricate asset classes and resulting tax considerations or time required for support and education

Complex life events (2/5)

Occasional complex life events, but they are not the primary focus of financial planning

Regulatory complexity (3/5)

Notable regulatory ambiguity, with changing tax laws, regulations, and financial market conditions

What will this megatrend mean for financial advisers?

Integrating ESG into financial planning software and tools

Robo-advice models have established themselves as being able to balance social impact with financial goals.[1] This will reduce the time and costs associated with reporting and providing advice but ultimately advisers will need to provide oversight, and segment customers to provide more comprehensive ESG assessments where the cost of delivery demands bespoke solutions.

Segment the customer carefully

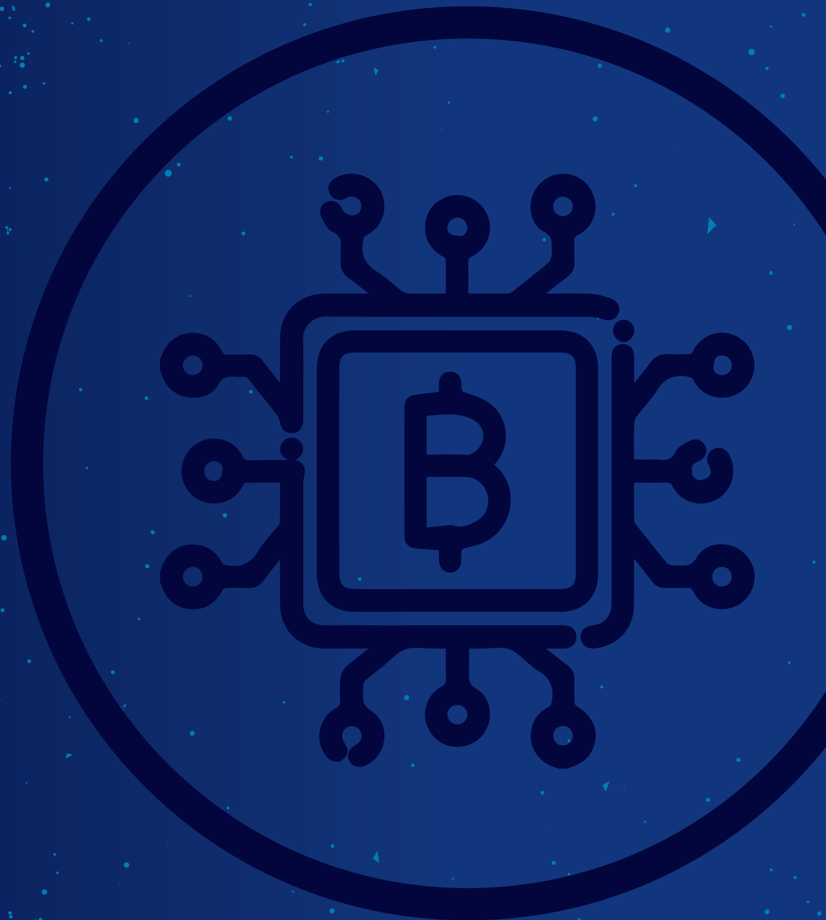
Advisers will have an array of ESG tools, including Generative AI to perform ESG screening, due diligence and portfolio optimisation to support future investing decisions. Advisers must not neglect complex, bespoke due diligence required in instances where more nuanced alignment is needed to customer investment goals.

Deeply understanding customer ESG goals and priorities

Meeting client needs for those driven by value investing means advisers will have to engage more empathy to understand unique investment motivations. Advisers must invest in complex due diligence in these instances rather than relying on algorithmic advice recommendations.

Megatrend #7

DIGITAL ASSETS AND PRODUCT PROLIFERATION – SHOW ME THE MONEY



Digital assets and product proliferation – show me the money

The broadening landscape of Australian investment options

The Australian investment landscape has undergone significant transformation over the past three decades. This shift is marked by a **proliferation of investment products**, driven by a desire for diversification, potentially higher returns, and the influence of technological advancements.[1]

In the 1990s, managed funds[2] gained popularity by offering diversification beyond traditional stocks and bonds. The early 2000s saw the introduction of Exchange-Traded Funds (ETFs)[3], which further democratised access to **diversified portfolios**. Today, the investment landscape continues to expand with the **surge of digital assets** such as cryptocurrencies.[4]

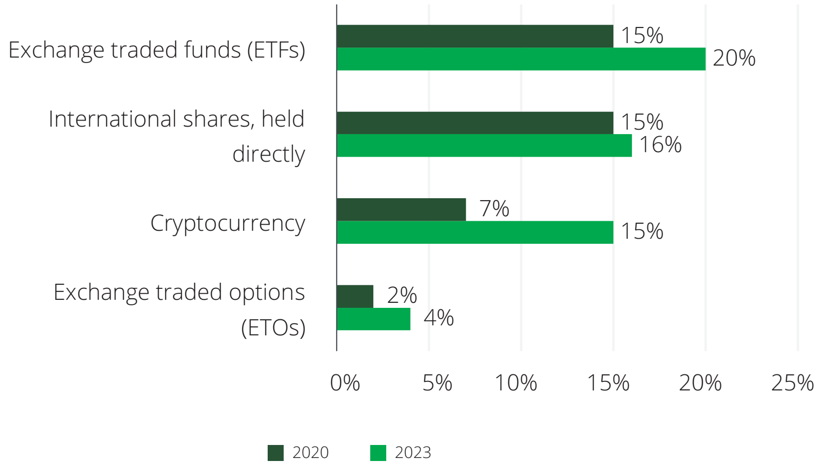
While cryptocurrencies and NFTs capture headlines, digital assets encompass a broader range of options. These include traditional digital media and blockchain-backed investable assets such as Non-Fungible Tokens (NFTs), asset-backed tokens, tokenised real estate, tokenised ETFs, and cryptocurrencies.[5]

Market data supports this growth. For example, ETFs experienced a 34% market cap increase in April 2024 compared to the previous year.[6] Cryptocurrencies are also projected to grow, with a forecasted compound annual growth rate of 10.15% between 2024 and 2028, reaching an estimated AU$2.5 billion by 2028.[7]

Australian investors are embracing a wider range of assets, as confirmed by the 2023 ASX research. Interest in digital assets is evident, with cryptocurrency ownership surging from 7% in 2020 to 15% in 2023, a remarkable 114% increase. While ETFs remain popular with ownership rising from 15% to 20%, traditional options like directly held international shares saw a more modest increase of 7% (Chart 13). This suggests a **potential shift in investor preferences towards newer asset classes**.[8]

To remain relevant, financial advisers must embrace these trends and develop a **strategic approach**. This includes actively acquiring knowledge about cryptocurrencies, blockchain technology, and other emerging asset classes to effectively advise clients on their investment potential.[9] Advisers should also create investment plans that integrate digital assets alongside traditional options, tailored to individual client risk tolerance and investment goals.[10] Educating clients by providing clear and unbiased information about digital assets is also crucial to help them understand the risks and potential rewards involved.[11]

Chart 13: Beyond shares & bonds: the rise of other investment options in Australia



Source: ASX, Australian investor study 2023

Digital assets and product proliferation – show me the money

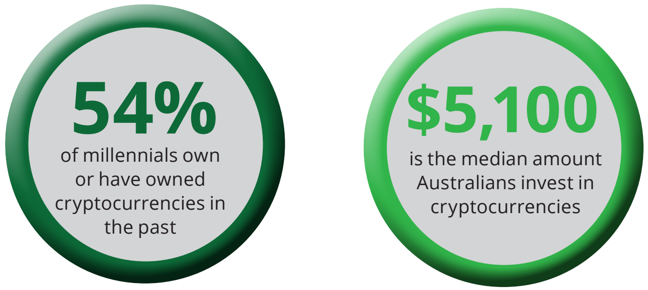
Changes to digital access regulation could position financial advisers to meet rising demand

The demand for digital assets is rising in Australia, with estimates that currently 23% of Australians currently own cryptocurrency.[1] Demand for these assets is likely to continue increasing, both globally and in Australia. Research suggests that if Australia is able to support a responsible and regulated digital asset sector, it could add up to $60 billion to GDP each year.[2]

Currently, self-managed superfunds in Australia hold approximately $1 billion in digital assets.[3] Evidence shows that **younger cohorts hold the bulk of digital assets**, with millennials representing the largest cohort considering investing in digital assets over the next 12 months (Chart 13), and over 50% of millennials currently owning or having previously owned cryptocurrencies.[4] Across all investors in cryptocurrencies, the median amount invested is $5,100.[5]

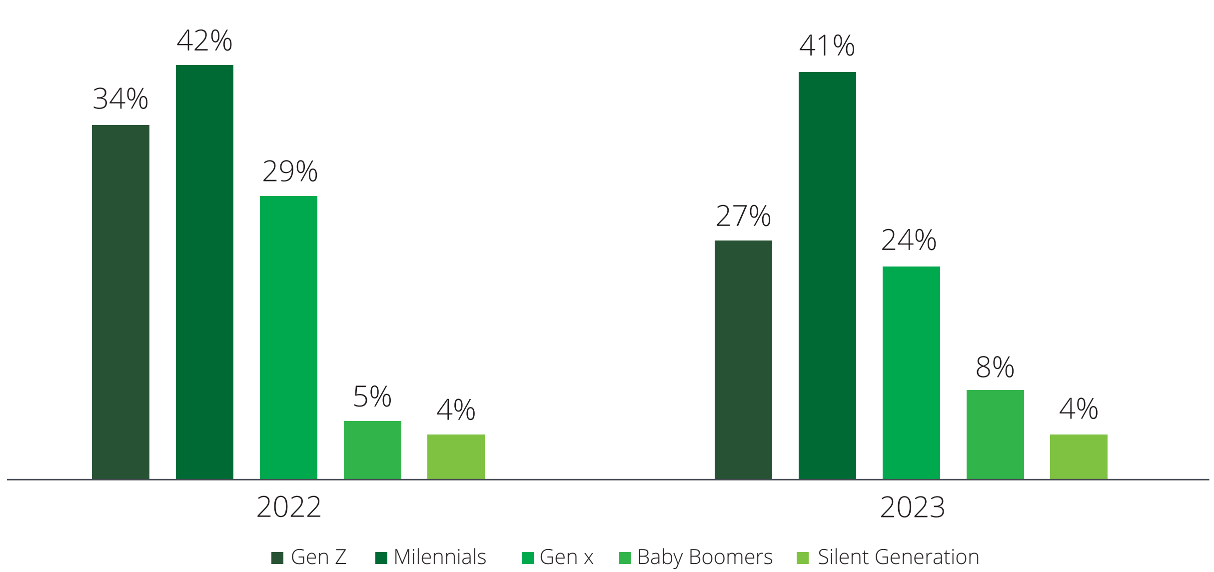
Despite this demand, the current regulatory landscape in Australia is preventing many financial advisers from capturing this opportunity. Indeed, the lack of regulation for digital assets is one of the key concerns cited by potential investors of cryptocurrencies.[6] Advisers may be prohibited to offer advice on digital assets due to policies by their employer or because their professional indemnity does not extend to this asset class.[7] However, **Australia is making moves towards including digital assets as a financial product**. The Treasury announced a Regulating Digital Assets Platforms Proposal Paper in October 2023, which stipulates the Government's intent to regulate digital asset platforms.[8] If legislated, digital assets would be included in the definition of a financial product which would make it easier for practitioners to advise on these investments.

This would mean advisers could shift to the forefront of offering advice on new assets. To thrive amidst the disruption of digital assets, financial advisers may broaden their service offering to provide more comprehensive advice services that meet consumer demand.



Source: Swyftx, Australian Digital Assets Survey, 2023; ASX, Australian Investor Study, 2023.

Chart 14: Likelihood of investing in digital assets within the next 12 months by generation



Source: Swyftx, Australian Digital Assets Survey, 2023

Megatrend dimensions: Digital assets and product proliferation - show me the money

Consumer

A recent survey in Australia reveals that 23% of adults now own digital assets, showing ongoing growth in cryptocurrency adoption. Australia leads among developed nations and ranks 8th globally in terms of adoption rates.[1]

Who are the customers?

- Typically younger, more digitally literate: 36% of Australian millennials currently own digital currency[2]
- Those with higher risk tolerance

What do they need most?

- Diversification strategies
- Security and custody advisory solutions (risk of theft or loss due to hacking or fraud is higher compared to traditional assets)
- Tax planning and reporting (unique to digital assets)
- Regulatory compliance assistance
- Risk management (digital assets are highly volatile and require advice to support)
- Education and guidance (including how to navigate advice from social media, 'meme' NFTs etc.)

Business models and advice product

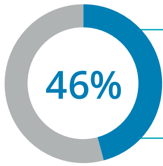
The rise of investing in digital assets is fueled by both consumer demand for diversification and technological advancements. Financial advisers must adapt to this megatrend by embracing new asset opportunities.

As the market evolves, **financial advisers will play a more significant role in guiding clients on digital assets**. The Australian Treasury plans to regulate the sector by extending Australian financial services (AFS) laws to cover digital asset facilities, requiring providers to hold appropriate licenses.[3]

Additionally, financial advisers will serve **as trusted educators**, addressing client concerns about regulation and their lack of understanding of digital assets.[4] To meet this demand, certifications like the Certified Digital Asset Adviser (CDAA) are emerging.

This shift presents an opportunity for advisers to expand their service offerings and cater to clients' evolving needs, particularly among younger demographics interested in asset management.

Financial advisers where at least 75% of their clients are less than 50 and advise on investing in management, investment or stock broking reflect this and were:



more likely to upskill or undertake professional development in the next 12 months compared to other advisers

Technology

In this evolving landscape, advisers should leverage technology to meet the broader needs of clients investing in digital assets. Advisers must firstly upskill and navigate relevant digital partner relationships. To thrive, advisers should:

1. **Ensure security and custody of digital assets** by partnering with trusted providers or implementing robust security measures.
2. **Reduce administrative burdens through automation**, especially in compliance and taxation, using tools like Generative AI.
3. **Help clients navigate 'finfluencers' on social media**, where misinformation is common[5] by providing informed guidance and education (In addition to recent guidance by ASIC [6]).

So what?

The future adviser may consider new fee models for digital asset advisory services that resonate with affordable financial advice. Options like flat fees, subscription-based models, or asset-based fees can be tailored to suit the preferences of mass-market clients.

Megatrend dimensions: Digital assets and product proliferation - show me the money

This megatrend is characterised by a moderate fee and somewhat personalised offering (2/5), against a complex advice landscape (3/5)

Fees and personalisation /5

Face-to-face consultation (2/5)

Zero in person consultation with limited virtual consultations one-on-one with financial advisers

Traditional delivery model (1/5)

Mastery of robo-adviser platforms, with exceptional digital literacy and numerous third-party integrations for centralised asset management

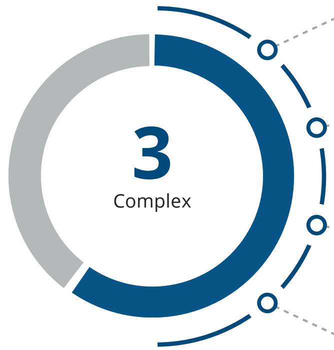
Consumer spend (3/5)

Fees paid for advice are within 10% of $4,250 ($3,825 - $4,675)

Delivery cost (2/5)

Moderate to low delivery cost, margin and moderate to high advice volume

Complexity /5



Individual characteristics (2/5)

Moderate complexity due to some liquidity needs, moderate risk tolerance, basic estate planning

Product complexity and diversity (4/5)

Portfolios contain numerous and intricate asset classes, an array of highly complex financial products, and intricate tax situations

Complex life events (2/5)

Occasional complex life events, but they are not the primary focus of financial planning

Regulatory complexity (4/5)

Financial advice is subject to significant regulatory ambiguity, requiring constant monitoring and adaptation

What will this megatrend mean for financial advisers?

Broadening service offerings

Due to broadening regulations from Treasury, financial advisers are poised to take a leading role in dispensing advice for digital assets. Advisers should upskill to meet demand for related services, such as new advisory opportunities for security and custody advisory solutions or client support with a rapidly changing regulatory landscape.

Developing partnerships

Advisers should look to incorporate partnerships across the lifecycle of digital asset ownership and where possible, include integration into digital ecosystems via application programing interfaces (APIs) to enable a seamless customer experience.[1]

Keeping up with new asset opportunities

Looking ahead, the amount of disruption to investment assets and advice products is unprecedented.[2] Advisers seeking to focus in this area will need to keep abreast of the emergence of non-traditional assets and how this is aligned to their business model and their clients' financial objectives.

Survey Appendix

Survey insights

Purpose of the survey

To understand financial advisers and practice managers' views on the future of financial advice in Australia.

We surveyed approximately **250 financial advisers** in Australia throughout December 2023 to January 2024. These responses were fielded through links published by Iress, Ensombl and FAAA. This was combined with an online sample fielded by Dynata.

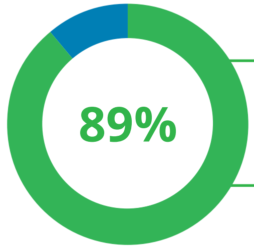
Core topics covered were:

- Business model, business' revenue and expenditures & attributions
- How financial advisers charge for advice
- Their motivation to pursue a career in financial advice; the type of financial advice they provide; their client base
- Their views on the future of financial advice in Australia
- How they can serve a broader client base in the future
- Their views on trust

Please note that the number of respondents may vary (e.g. n=232, n=242) depending on the number of participants who answered the survey question.

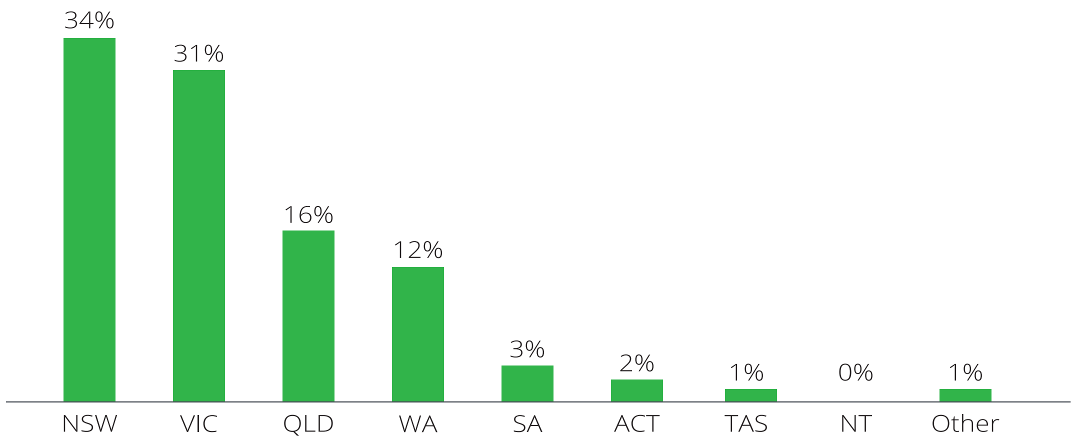
How does our survey compare?

Many surveys in this industry strongly focus on the consumers of financial advice. We surveyed practitioners in the industry to understand their business model, anticipated future needs and their perception of the industry's future. Survey demographics are largely consistent with industry statistics on gender, age, level of education and location.

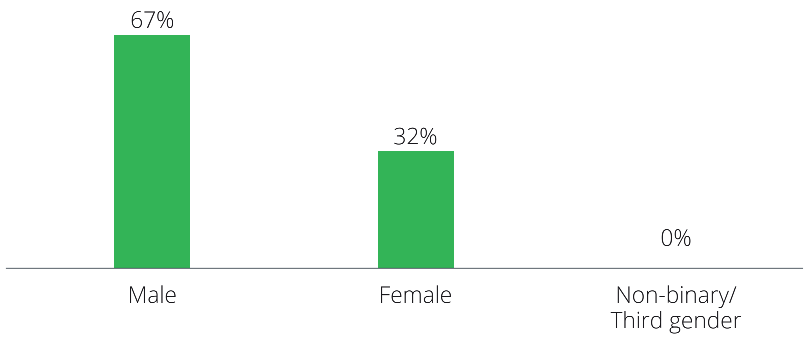


of our survey respondents are **financial advisers**, and **11%** are **practice managers**

States and Territories of survey respondents

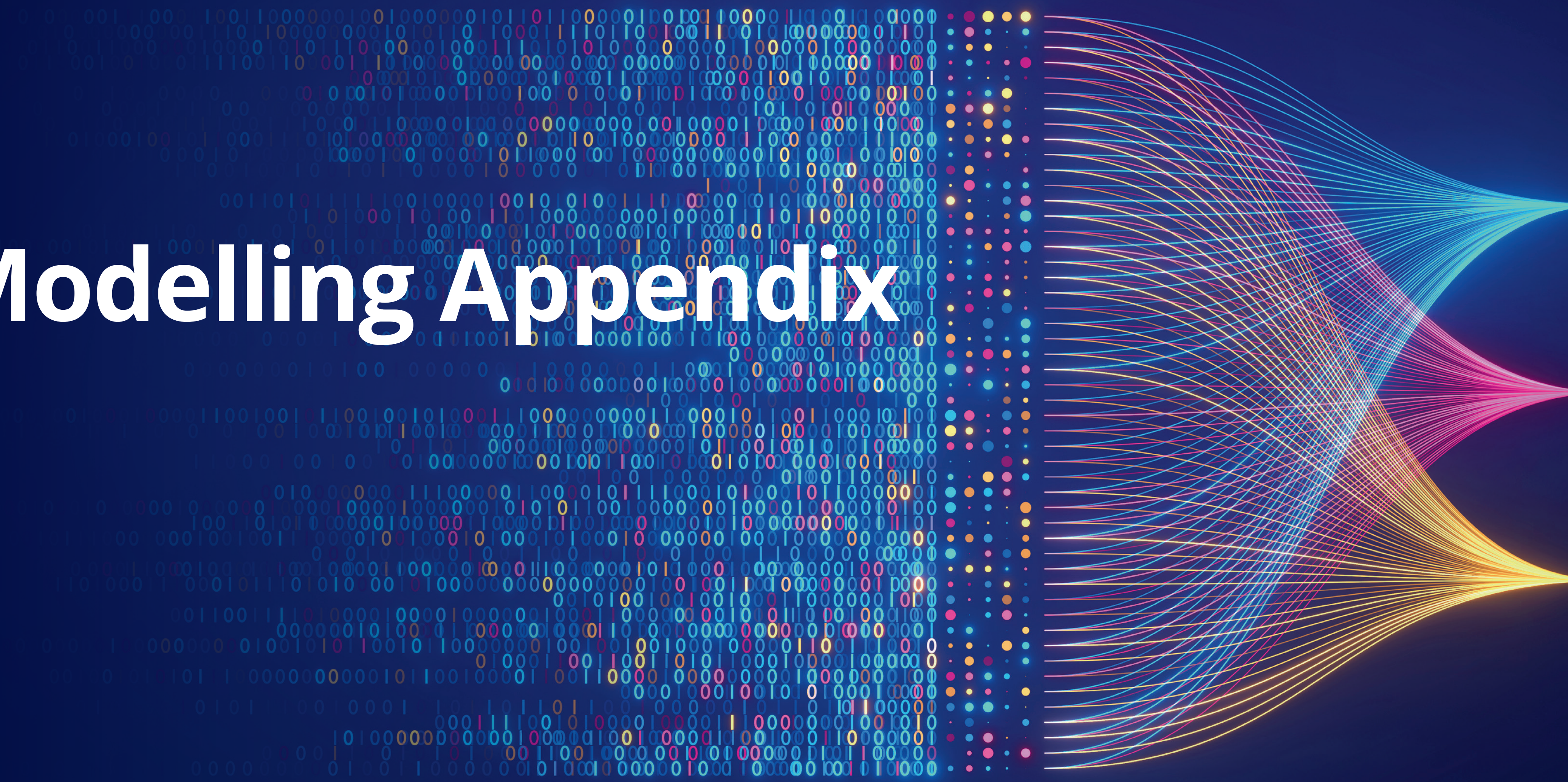


Gender of survey respondents



Source: Deloitte Access Economics Tomorrow's Financial Adviser Survey. Respondents (n=242)

Modelling Appendix



Megatrend modelling – Approach and data

In addition to the two primary axes there are three key dimensions which help to inform the scoring of megatrends. These are consumer, business models and advice product, and technology. Each dimension comprises a combination of quantitative and qualitative analysis to support the megatrends analysis.

Consumer

This dimension considers how broader demographics will shift the need and demand for financial advice, for example across age, gender, income, life stage, cultural and ethnic background, etc.

It focuses on factors about the customers themselves; for example, a baseline understanding of financial literacy and how it impacts the market for financial advice, but also their risk appetite, or attitudes and values.

Key data sources

Data for this dimension relates to the characteristics of the consumer and may include demographic characteristics (e.g., income, financial literacy, age), personal tax situation, average funds under management (FUA), preferences for communication, expected incidence of births, deaths and marriages, global mobility and demand for financial advice.

Business models and advice product

This dimension focuses on how financial advisers, planners and licensed institutions generate revenue by providing financial advice, and the types of advice that are provided (i.e., superannuation advice, retirement demand, tax planning, etc.).

This dimension explores impacts to the business models, including revenue, profitability, types of fee models, and more. It considers the scalability of advice and costs to deliver.

Key data sources

Data for this dimension relates to the characteristics of the products and adviser business models, including financial metrics such as revenue and margin, expected compliance burden, general regulatory landscape, asset classes, delivery cost, fees and charges and the number of clients per adviser.

Technology

This dimension considers the use of technology in delivering financial advice and how this can impact business profitability.

Today, individuals seeking financial advice have access to a range of digital tools and platforms delivering advice, such as robo-advisers. Likewise, advisers have access to an array of tools and platforms that can be used for delivering financial advice. The role of technology can make delivering mass, scalable advice more feasible, while also making personalised and face-to-face financial advice more accessible through online conferencing platforms.

Key data sources

Data for this dimension relates to the extent of digital-first advice models and may include digital platform advice adoption, regulatory changes impacting the role of technology, planning software integrations and data feeds, increased access to data sources (e.g., MyGov) and third-party alliances.

Megatrend modelling – Financial advice complexity

Each of the seven megatrends has been considered with respect to complexity and channels of delivery. The below table outlines criteria used to guide assessments of the complexity involved with each megatrend. Higher scores indicate increased complexity associated with advice delivery.

	1 = Not complex	2 = Moderately complex	3 = Complex	4 = Highly complex	5 = Extremely complex
Individual characteristics, goals and needs	Relatively simple, clear individual goals and needs	Moderate complexity due to some liquidity needs, moderate risk tolerance, basic estate planning, diverse income sources, and manageable debt	Diverse and intricate liquidity needs, variable risk tolerance, significant estate planning requirements, a mix of income sources, and substantial debt. Hands on support needed	Highly complex individual goals and needs. Clients have exceptionally diverse and intricate liquidity needs, variable and challenging risk tolerance, extensive estate planning demands, numerous income sources, and substantial debt management requirements. Instensive support needed.	Most complex personal clients as a result of multiple businesses, complex investments, global assets, complex remuneration arrangements, significant debt and cash flow intricacies, complex risk management and tax strategies. Dedicated time and engagement.
Product complexity and diversity	Straightforward investment portfolio with basic asset classes, simple financial products, and a straightforward tax situation	Moderately complex investment portfolios with a variety of asset classes	Complex investment portfolios with diverse and intricate asset classes with resulting tax considerations or time required for support and education	Investment portfolios containing numerous and intricate asset classes, an array of highly complex financial products, and an intricate tax situation requiring advanced strategies for tax optimisation and compliance	The most complex financial advice as result of circumstance such as holding highly complex financial products, including structured derivatives, intricate private equity holdings, accompanied by an exceptionally intricate tax situation and may be complicated by global mobility and multijurisdictional tax obligations
Complex life events	Routine life events with infrequent major changes	Occasional complex life events, but they are not the primary focus of financial planning	Occasional complex life events and/or more frequent routine life events and they require planning considerations	Frequently influenced by major and complex life events, and they require advanced planning	Frequent and highly complex life events that require substantial planning
Regulatory complexity	Stable and straightforward regulatory condition	Some regulatory ambiguity exists, but it does not significantly impact financial planning and/or is not applicable	Notable regulatory ambiguity, with changing tax laws, regulations, and financial market conditions	Financial advice is subject to significant regulatory ambiguity, requiring constant monitoring and adaptation to changing laws and regulations	Exceptional level of expertise in compliance and adaptation required to respond to frequent changes in tax laws, regulations, and financial market conditions

Megatrend modelling – Financial advice fees and personalisation

The below table outlines criteria used to guide assessments of the channels of delivery involved with each megatrend. Higher scores indicate a higher personalised product, lower scores indicate a mass delivery business model.

	1 = Low fee, mass delivery	**2 = Moderate fee, somewhat personalised**	**3 = Balanced fee, customised planning**	**4 = Higher fee, advanced personalisation**	**5 = High fee, ultra personalisation**
Face-to-face consultation	Zero in-person consultation	Zero in-person consultation with limited virtual consultations one-on-one advice with financial adviser. Virtual speaker programs are attended more often than in-person speaker programs	Advice consultations are balanced across face-to-face and virtual delivery. Balanced attendance at digital and in-person speaker programs	High in-person consultation with limited virtual consultations with financial adviser. In-person speaker programs are attended more often than virtual speaker programs	Exclusively face-to-face consultation based on thorough understanding of client's bespoke needs through extended ongoing, routine contact
Traditional delivery model	Client and adviser mastery of robo-adviser investment platforms, clients have exceptional digital literacy to track investments via financial planning software, numerous platform integrations with third party providers (e.g., digital wallets) to centralise asset and planning overview	Clients and advisers have proficiency in using robo-adviser investment platforms, with adequate digital literacy to track investments through financial planning software. There are some platform integrations with third-party providers, allowing for basic asset management and planning overview.	Clients and advisers exhibit moderate usage of robo-adviser investment platforms, with basic digital literacy to monitor investments via financial planning software. There are a few platform integrations with third-party providers, contributing to limited asset centralisation.	Clients and advisers have limited engagement with robo-adviser investment platforms, with minimal digital literacy to review investments through financial planning software. There are few or no platform integrations with third-party providers, resulting in fragmented asset management and planning overview.	Zero use of robo-advisers and zero engagement with financial planning platforms to check investments and performance
Annual consumer spend obtaining financial advice	Fees paid for advice are below 50% of $4,250 (< $2,125)	Fees paid for advice are below 10%-50% of $4,250 ($2,125 - $3,825)	Fees paid for advice are within 10% of $4,250 ($3,825 - $4,675)	Fees paid for advice are above 10%-50% of $4,250 ($4,675- $6,475)	Fees paid for advice exceed $4,250 by more than 50% ($6,375)
Delivery cost	Low delivery cost, low margin and high advice volume	Moderate to low delivery cost, margin and moderate to high advice volume	Balanced delivery cost, variable margin and advice volume	High delivery cost, high margin, low advice volume	Highest delivery cost using an array of platform integrations with personal finance applications, highest margin and lowest advice volume

Megatrend modelling – Financial opportunity for high performing businesses

The below table outlines methodology to quantify the increased profitability of higher performing financial advisory businesses, presented on slide 12.

Calculation reference	Description	Value	Source	Calculation
(1)	Fees charged for statement of advice (SOA)	N/A – calculated on an individual company basis	Deloitte Access Economics, Tomorrow's financial adviser survey (n=232)	N/A
(2)	Minimum that could be charged for SOA and still maintain viable business			N/A
(3)	Business margin			(2) – (1)
(4)	Median revenue	$3.5M		N/A
(5)	High performing companies' margin	40%* (rounded)		75th percentile business margin (3)
(6)	Average performing companies' margin	25%* (rounded)		Average business margin (3)
(7)	High performing annual profit	$1,414,286		(4) * (5)
(8)	Average annual profit	$864,639		(4) * (6)
(9)	Available opportunity in annual profit	$549,646		(7) – (8)

* Difference does not equal to 16% due to rounding

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Executive Summary

Outlook – volatility and opportunity

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