

In-house or outsource?

In this feature, two super funds present different perspectives on the model of financial advice they offer members. **MICHELLE GRIFFITHS** and **HELEN DAVIS** share their experiences.

There are many service models of financial advice now available to trustees, from very basic general advice services to comprehensive personal advice options. Accordingly, there are many reasons why a trustee might choose to provide such services to their members.

For AvSuper the decision to provide personal advice solutions – and to deliver this service using our existing in-house team – ultimately came down to a decision to address a very real and quantifiable demand from existing members for quality personal financial advice in a way that was consistent with strategic objectives and our customer service principles.

MEMBER DEMAND FOR ADVICE

AvSuper members are generally pretty engaged with their super and with their fund, and they tend to be financially literate with a strong interest in investment information in particular. We also have a surprisingly high number of members who regularly pop in to our Canberra office to speak to our member services team. AvSuper members also tend to have amongst the highest average account balances in Australia. They usually finish their working lives with what is in anyone's terms, a lot of money to invest in retirement and with life expectancies on the rise, retirement can be quite a long time for many of them.

We believe this goes some way towards explaining why member demand for good personal financial advice throughout their working lives – and especially super specific and retirement planning advice – has always been very strong amongst the majority of our members.

TRUST AND TRUSTING RELATIONSHIPS

AvSuper's view is that good member relationships and communication lines are simply too valuable to trust to third party providers and we've always maintained an in-house member services (call centre) team. Our members already have a long-term relationship with us, it's easy for them to approach us, and we have access to the required resources and expertise about their super – so why shouldn't our members be able to tap into that?

We've also long held the view that it would be inappropriate, as a committed fiduciary, to simply hand members a large cheque when they retire and that we have a responsibility to ensure members are educated about income streams and other investment options in retirement. This has worked very well for AvSuper, with over 80 per cent of retiring members transferring to our income stream division each year. But it requires a suitable advice framework to respond to this demand.

An in-house advice model was therefore a very natural extension of our existing member service capabilities, but the challenge has always been to ensure the service would be flexible enough to meet member demand and changing regulatory conditions in such a way as to ensure it consistently adds value to members.

MAKING ADVICE ACCESSIBLE

Recent research has shown that less than a third of our population has a financial adviser – there may be a myriad of reasons for this but, whatever the cause, it's just not common practice at the moment.

By making personal advice available through a super fund, firstly, we are making advice services more accessible. Secondly, as we help our members make these decisions, we are deepening our relationship with them, improving retention levels and creating even more super engagement. This helps ensure that their retirement savings are more likely to be maintained with a long-term perspective.

TECHNOLOGY MAKES GIVING ADVICE EASIER

Technology has shaped the way we've delivered services to AvSuper members over many years and it continues to make a significant difference to the way we now deliver advice services.

Improved interactive tools such as online calculators, webinars, personal urls ('purls'), and video conferencing have widened the choice of connectivity channels and mean financial advice can now be delivered much faster than traditional face-to-face meetings and group seminars. For many of our younger members, and for those in remote

communities, this kind of responsiveness is easier to promote and get engagement from. Importantly, it's also considerably more affordable and efficient for trustees to implement and monitor. Perhaps more importantly, instant online access also means advice can be implemented very quickly – on the spot in some instances.

ADVICE MODEL NEEDS TO SUIT THE MEMBERS

Intra-fund (or scaled) advice usually suits a specific need for members, either in general or just at specific times, and it can be provided fairly quickly. 'Modules' of such advice, whether general or personal, are often an effective means of filling a gap for many members and can easily be provided by in-house teams – who usually know members' arrangements with their fund better than an anonymous outsourced arrangement.

Full service financial planning on the other hand is a different and much wider scoped service within the same spectrum that will suit other members' situations much better. Overall, I don't think either piece of advice would necessarily serve any purpose if it was isolated from the other; both need to be working together in a cohesive framework.

But I'm not sure that these distinctions matter for many of our members. They just want affordable financial advice from a trusted partner that meets their stated needs and is in their best interests. For trustees building or responding to member demand and engagement, an in-house service team is ideal for providing flexible and tailored financial advice to members.



Michelle Griffiths is CEO, AvSuper.

As I write this article, ASIC Consultation Paper 164, *Additional guidance on how to scale advice*, has triggered another round of discussion about who should provide advice, what type (topics) of advice should be provided, and who should finance that advice. I say discussion, but let's be honest, there is some heated debate and polarity of views. So before discussing why a fund might utilise a partnership to provide advice, it's useful to have a common understanding of 'advice'.

As funds our role is to provide retirement benefits for our members. We accept contributions, invest the monies, and then pay benefits either as lump sums or pensions. As trustees is it enough to administer accounts, manage monies, and communicate with members? Or do members expect more from us in fulfilling the role of providing retirement benefits? Increasingly members are seeking superannuation products (eg accumulation accounts, account-based pensions) or product elements (eg investment options, insurance) to be packaged together with a supportive service mix. QSuper's research tells us that almost 90 per cent of members would seek simple advice (or help) if it was offered by their superannuation fund. Members call it 'help' as they see us as the experts in our own products. The fact that under legislation it is considered 'advice' is a moot point to a member who wants some help selecting their investment option.

The help members seek can range from the relatively simple, like which investment option they should choose, through to more complex issues like retirement considerations. Or it can involve non-superannuation matters such as the trade off between mortgage payments and extra contributions. This is where a partnership arrangement can deliver real benefits and enable trustees to meet the needs of a member.

If you consider a continuum of services provided to a member, it ranges from factual information at one end, through to general advice, scaled advice, and then comprehensive advice. This 'help' can be delivered through several channels such as written documents, online, seminars, phone, and face-to-face. Generally as the complexity of advice increases, the demand for more expensive channels (ie face-to-face) increases. A fund needs to decide not only what type of advice it will provide to members, but also what channels will

be used to deliver that advice. This has implications for the types of skills and systems required. In some cases funds may be well placed to deliver the advice, in others financial planning firms may be better placed. To act in the interests of members, trustees must weigh up the benefits and costs of providing different services.

The licensing, systems, and people resources to provide advice are different from those of managing member accounts. For many funds, to establish and maintain an ability to provide financial advice is not an effective option, either for reasons of cost, access to resources, or appetite to take on the risks of financial advice. In the same way that a member's account is required to be administered and the trustee outsources administration, a trustee may determine that advice is a core part of the services to be provided to members, yet decide to outsource the provision of that advice.

When outsourcing advice, the service offered to members is very visible to the members and will influence their experience with the fund. It is important to consider how to manage that perception and to balance the provision of easy access for members to these services whilst protecting the fund's brand. To support a member who seeks help from the fund it is necessary to have a closer arrangement than that of an external provider. QSuper's research shows that whilst the cost of advice is a barrier, to many members the barriers of time to access and difficulty were even more significant. If the intent is to support members and meet their need for help, it is important that it is easy for members to seamlessly navigate through different types of 'advice', whether it be from the fund or from an outsourced provider.

Creating a well managed partnership with a financial advice firm enables trustees to access the expertise and systems of the provider, while managing the experience of the member to ensure consistency with the fund's brand. The member experience can be enhanced by forming a close partnership between the frontline staff within the fund and specialists from the financial advice organisation.

Establishing this partnership and supporting it with an ongoing communication plan that involves training and regular meetings allows both entities

to learn from each other and develop ways of working together that will truly benefit members. This degree of integration makes it easier for the members to access advice, particularly scaled advice, and this experience creates quality transitions (referrals) along the advice continuum, so more members access the professional support they need.

Along with ongoing communication, must come supportive technology. Being able to transfer calls, share client information (with permission of course) and update member files accordingly, provides a seamless, end-to-end service for members. An integrated partnership arrangement can facilitate this sharing where the best system and data source is utilised across the member experience.

One benefit of a close working relationship between a superannuation fund and a financial advice organisation is the opportunity for financial advisers to develop a solid understanding of the fund's products. Being able to answer questions about how the product works and how to get the best leverage from the product can only lead to increased member satisfaction and a better retention rate for the fund.

In addition, a partnership allows trustees to establish a point at which they can create some professional distance between the advice a member receives about the fund and what the fund says about itself to its members.

The decision to outsource financial advice involves a number of variables, and it is something that must be given careful consideration. Once these variables are weighed up, the ultimate deciding factor is; "What is in the best financial interest of members?"



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