

Advice practice profitability report



Contents

Executive summary	2
Business landscape	4
Barriers to growth	6
Serving clients profitably	8
Implementation and ongoing servicing	10
Efficiency drivers	12
Opportunities for improvement	14
Conclusion	16

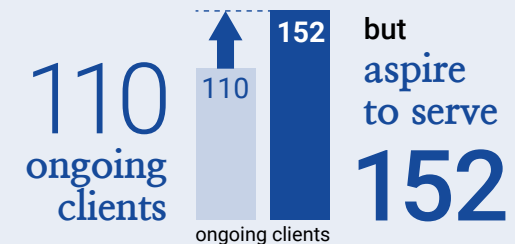
Executive summary

At CFS we believe that understanding advisers' business processes will enable us to better serve the industry. We commissioned independent research firm Empower Business Advisory to conduct a comprehensive study on advice business processes, with the goal of quantifying the cost-to-serve, assessing the profitability of delivering advice, and understanding the levers we can pull to best support advisers.

Reducing the cost of serving clients is a crucial objective for most advisers, though their motivations vary. Some aim to advise a larger number of clients, while others want to enhance their value propositions or make advice more accessible for those with less established wealth. Many also seek to improve margins or achieve a better work-life balance.

The reward for lowering the cost-to-serve is substantial: delivering ongoing financial advice to over 650,000 additional Australians, a 38% increase, and providing one-off advice to many more.

Financial advisers manage on average



Financial advisers are aiming to lift business profitability and increase capacity to serve.

Over the next 3 years



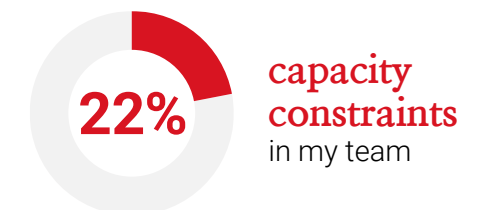
want to increase revenue per client



want to serve more clients annually

Most common hurdles

to advising more clients for those advisers surveyed are

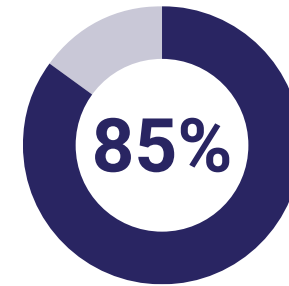
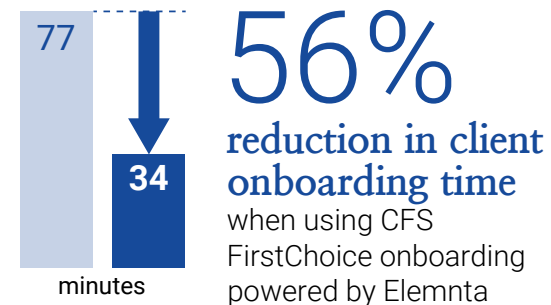
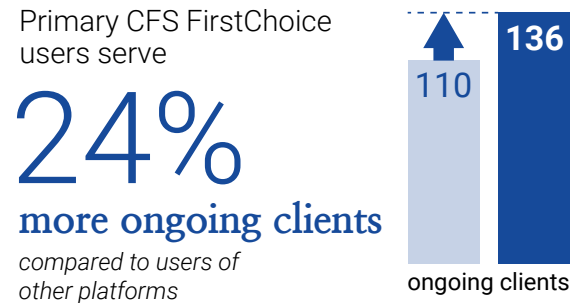


Executive summary

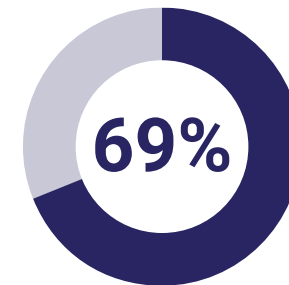
How CFS FirstChoice can improve your business

Advisers' technology and product partners can play a key role in this endeavour, as they offer several levers to lower the cost-to-serve. These include enhanced efficiency, reliable service to give advisers the confidence to write more business, cost-effective products that justify Best Interests Duty, and seamless integration with third-party systems to eliminate rework. Even the simplicity of a technology partner's proposition plays a significant role, ensuring advisers can execute tasks without unnecessary distractions.

This paper explores advisers' current goals, highlights what platform providers are excelling at today, and uncovers opportunities to further enhance the accessibility of quality financial advice. Ultimately, advancements in lowering the cost-to-serve not only promise to streamline adviser operations but also deliver more personalised, value-rich experiences that directly benefit clients, setting a new standard for financial advice.



of clients were **served profitably** in the last year by primary users of CFS FirstChoice
compared to 82% for the average adviser



FirstChoice users net agree* that **FirstChoice lowers their cost-to-serve**
compared to 54% for users of other platforms

* % agree minus % disagree

Top reasons FirstChoice is well suited

to serving clients with simple advice needs

low cost and fees

76%

simple admin and processing

66%

choice of investment options

56%

ease of use/navigation

56%

Business landscape

Medium-term strategic priorities

Financial advisers are on a transformative path, aiming to lift business profitability and increase their capacity to serve. Over the next three years, 54% see increasing revenue per client as a strategic priority, followed closely by 50% wanting to serve more clients annually.

Technology providers can play a crucial role in supporting this journey, as many advisers see simplifying operations and reducing the cost of servicing clients among their top priorities.

As detailed later in this report, advisers believe enhancing efficiency will play an important role in creating the bandwidth for them to improve their value proposition and service offering to clients.

“We seek to grow but maintain the quality and nature of our service – the feel of the business”

“Reduce compliance burden where possible”

What growth looks like

Financial advisers manage 110 ongoing clients each, on average, but aspire to serve 152 – provided business hurdles are overcome. With 15,500 advisers industry-wide, an additional 42 clients each could lead to 650,000 more Australians receiving ongoing financial advice, increasing the total to 2.4 million.

Average number of clients per adviser:

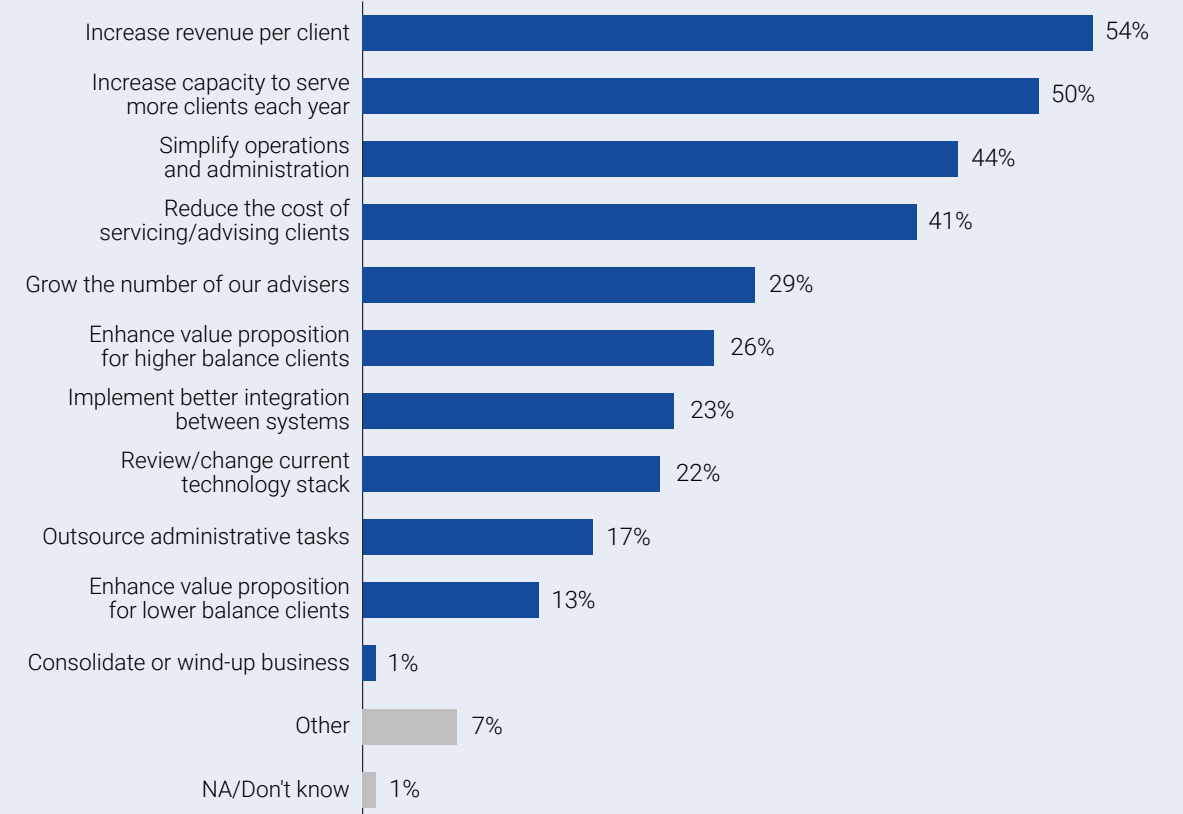
110 Ongoing clients served today

152 Ideal number (if hurdles met)

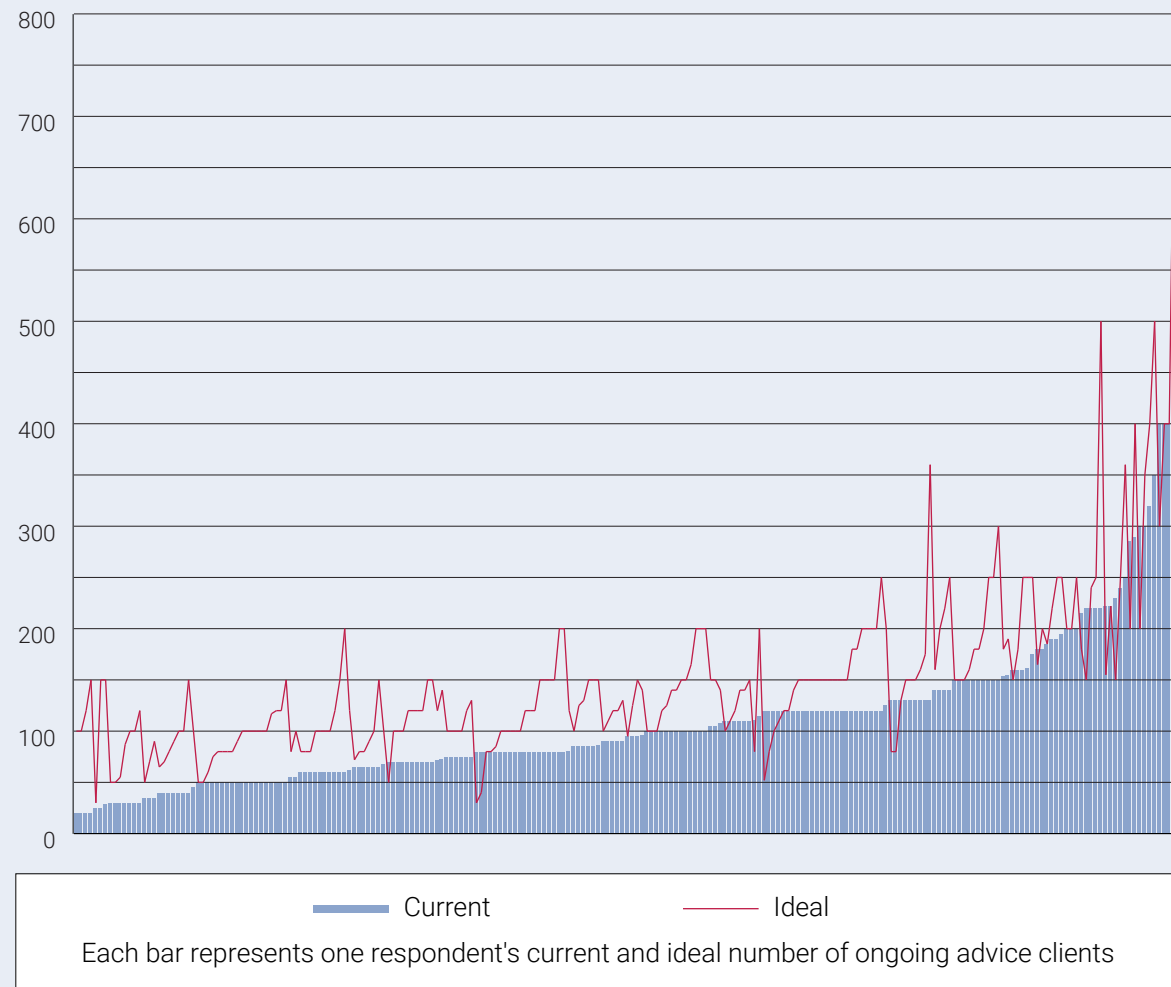
650,000
more people could be getting advice

As a business, what are your firm's strategic priorities for the next three years?

Financial advisers [n=255]



Approximately how many clients do you personally manage on an ongoing basis and, if all hurdles are addressed, what is your ideal maximum? Financial advisers [n=250]



Adviser business profile by current number of ongoing advice clients

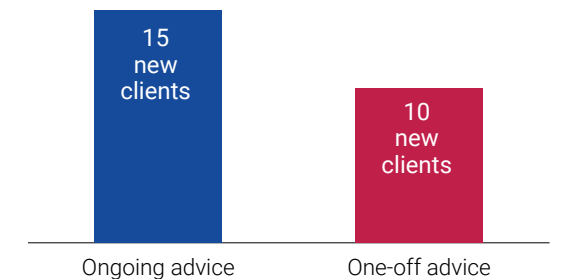
Average	20–50 clients	51–100 clients	101–150 clients	150+ clients
Client balance	\$929k	\$895k	\$671k	\$439k
FUA	\$34m	\$62m	\$79m	\$92m
Served profitably	79%	84%	83%	81%

Advisers vary in client volume and focus. Generally, there is an inverse relationship between client numbers and average portfolio sizes. Advisers managing 20-50 clients each have average balances of \$929k per client/family, compared to \$439k for those managing over 150 clients.

It is noteworthy that advisers serving fewer than 50 clients include both ambitious Professional Year advisers and those intentionally focusing on a select number of wealthy clients – the latter opting for controlled growth to uphold service standards.

New client mix over the last year

Average number of new clients



Average portfolio size of new clients: **\$655k**

Barriers to growth

The hurdles to advising more clients

Two-thirds of advisers are facing obstacles in their growth journey, largely due to supply-side challenges rather than demand issues. The most common hurdles are inefficiencies in the advice process and ongoing servicing requirements. This frequently includes generating Statements of Advice (SOAs) and Records of Advice (ROAs), as well as managing regular client reviews, fee consents, and other recurring tasks.

Capacity constraints present another major challenge. Advisers often find themselves or their client service teams operating at full capacity. Interestingly, only 7% report that both they and their staff are simultaneously at capacity, highlighting that there are specific bottlenecks within their operations.

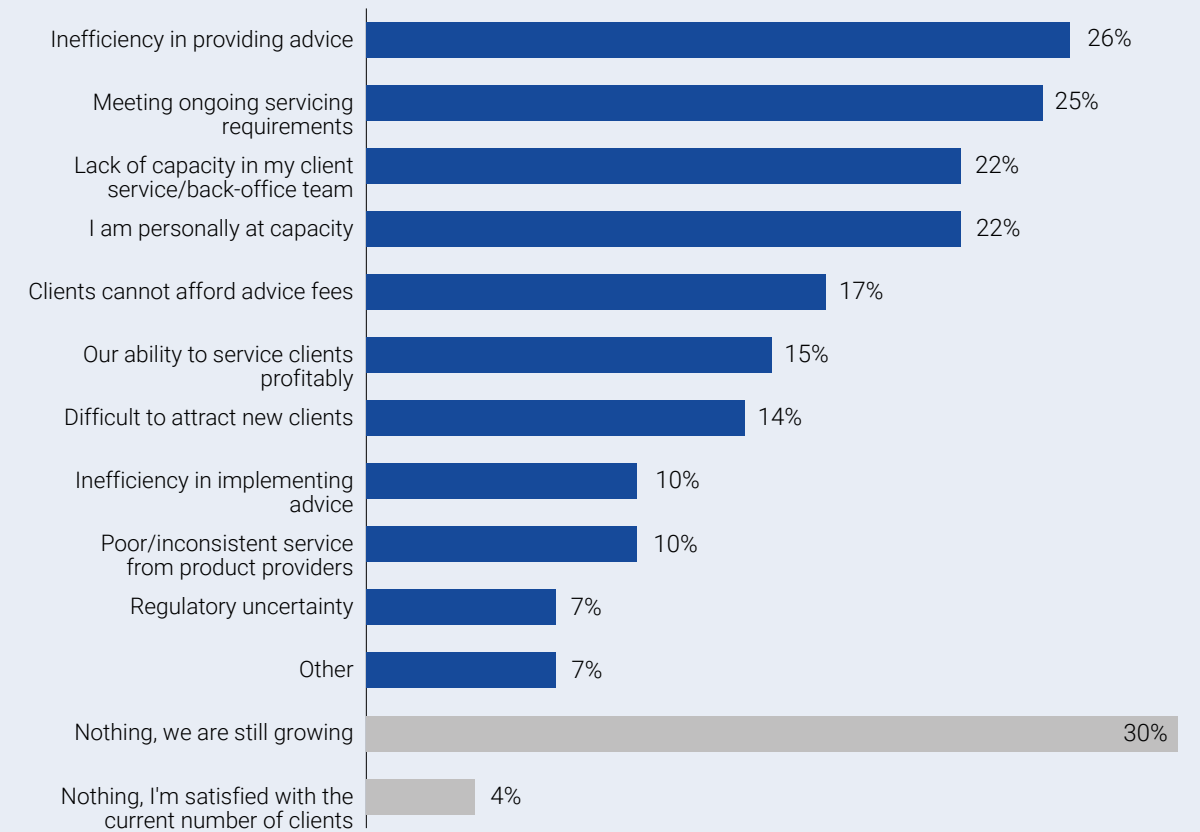
In this context, reducing the cost-to-serve becomes even more essential. Advisers are sometimes forced to balance between making advice affordable and maintaining practice profitability. This tension partly drives a shift towards serving higher net worth clients, who can more readily afford the fees that reflect the business's operating costs.

“Under resourced in staff from an implementation point of view”

“Finding the right types of clients”

What prevents you from advising/servicing more clients?

Financial advisers [n=254]



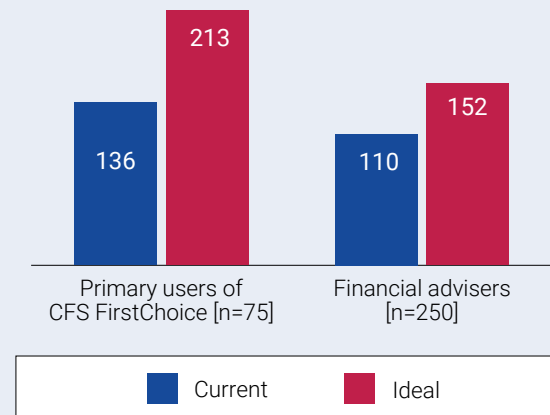
How CFS FirstChoice users compare

Number of clients served

Primary users of CFS FirstChoice serve 24% more ongoing clients than users of other platforms. (Primary users are those who used the platform for the majority of new accounts they opened in the last 12 months.)

They demonstrate higher growth ambitions, targeting an average of 213 clients each.

Average number of clients serviced today vs ideal



New clients

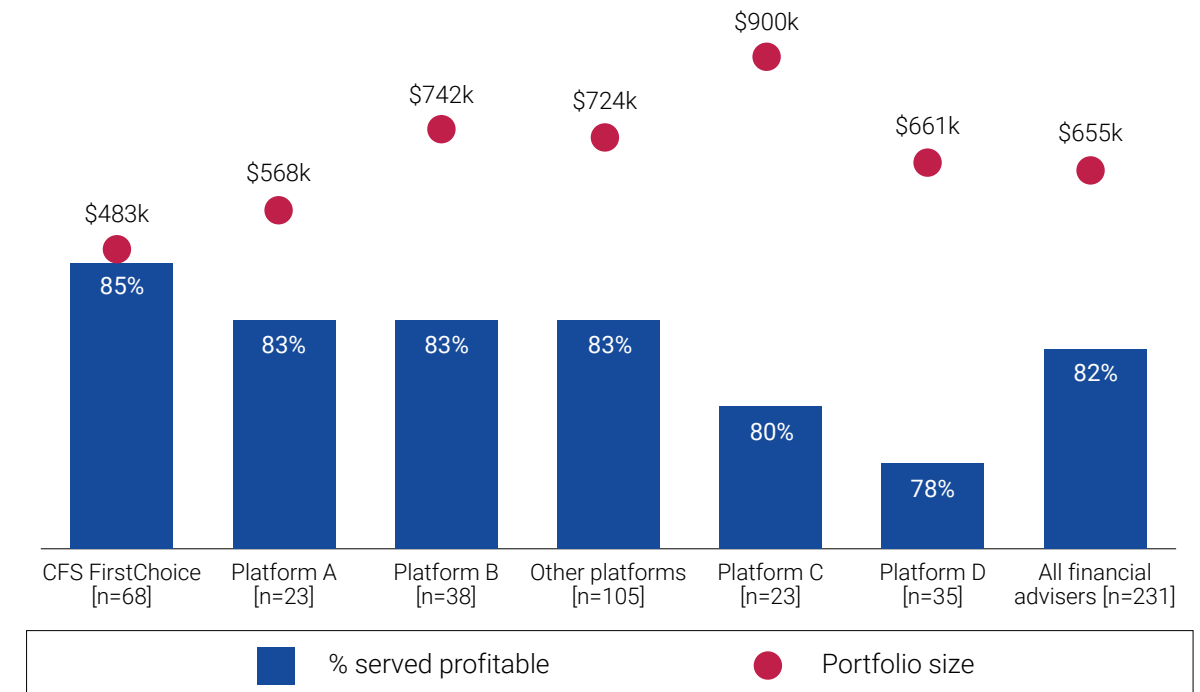
Advisers using CFS FirstChoice alongside another platform typically won a greater number of new clients over the past year. This is largely because CFS FirstChoice is seen to enable them to profitably service clients they otherwise would be unable to accommodate.

New ongoing advice clients acquired in last 12 months	Number acquired	Average size
Primary users of CFS FirstChoice	15	\$483,000
Use CFS FirstChoice together with another platform	18	\$600,000
Only use other platforms	13	\$747,000
Typical adviser	15	\$655,000

Clients served profitably

Primary users of CFS FirstChoice managed to serve 85% of their clients profitably in the last 12 months, despite their new clients having an average portfolio size that is 26% smaller than the industry average.

Average share of clients served profitably and Average new client balance in the last 12 months. By Primary platform



Serving clients profitably

Profitability of advice

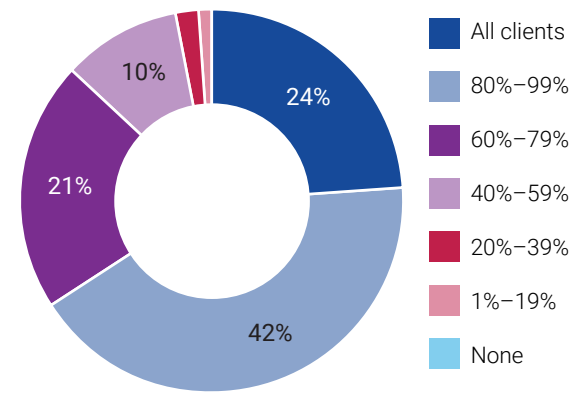
Advisers profitably served 82% of their clients over the past 12 months, on average.

Just 24% managed to serve all their clients profitably, compared to 36% who profitably served fewer than 80% of their clients. Some in this latter group opt to forgo initial margins on advice, instead recouping costs through ongoing fees over the lifetime of the client relationship.

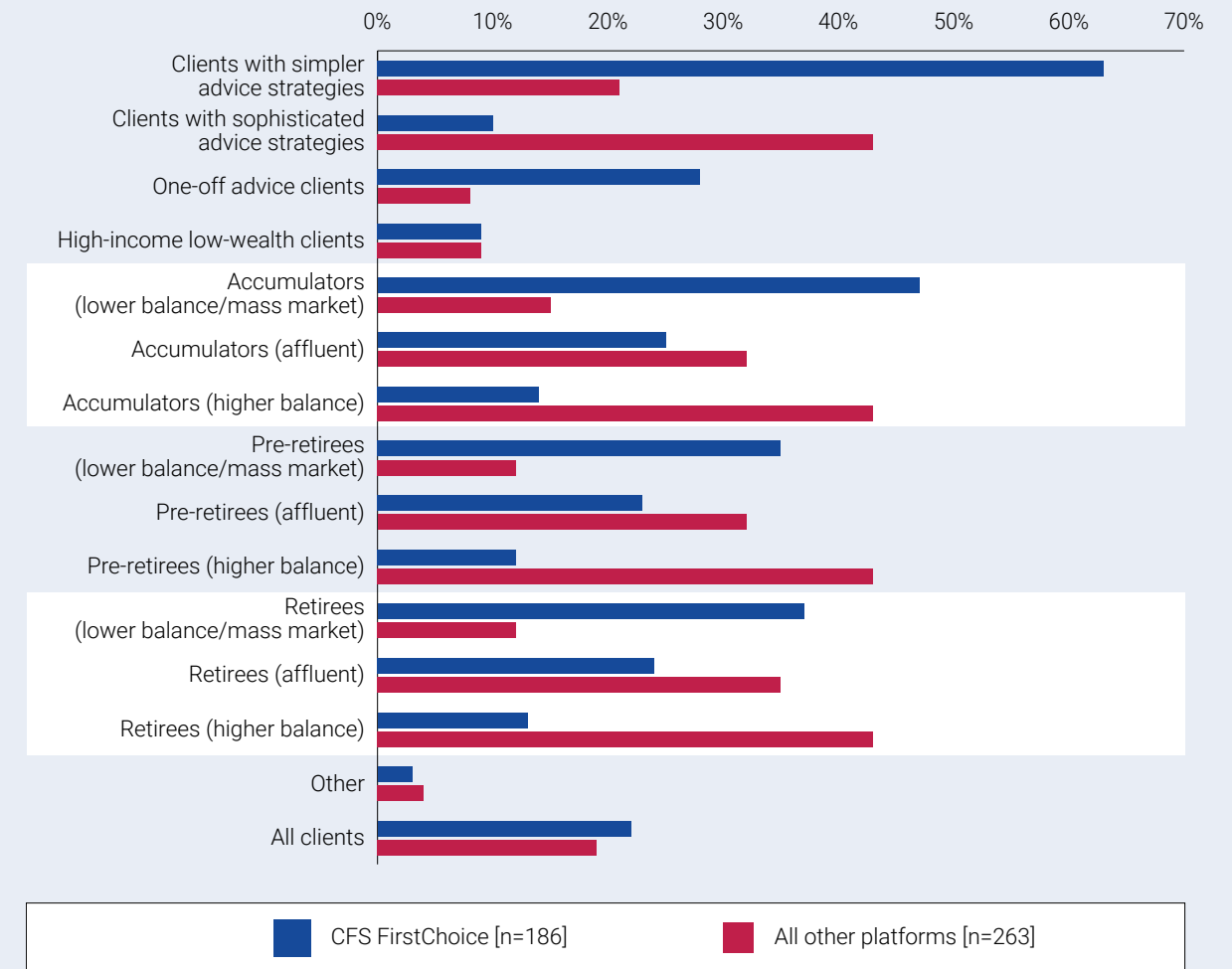
Platform choice matters for profitably serving specific client segments, with only one in five advisers believing their preferred platform is well suited for all clients they serve.

CFS FirstChoice stands out for its suitability for clients with simpler advice needs. Among its users, 22% use it for all clients, and a further 63% use it specifically for those requiring simpler advice strategies, regardless of wealth levels. Other platforms are more likely to be seen as suitable for servicing clients with more sophisticated advice needs or higher balances.

Share of clients served profitably in the last year. Financial advisers [n=231]



Which client segments do you believe this platform is particularly well suited to serving profitably while also meeting clients' advice needs?



Why CFS FirstChoice is chosen

Drivers for serving clients with simpler advice strategies profitably

After identifying the client segments where CFS FirstChoice excels in serving profitably – primarily those with simpler advice strategies – we explored what makes this platform particularly well suited.

Cost-competitiveness stands out as the most cited reason.

However, fees are just one aspect; on average, users mention over six reasons for how CFS FirstChoice facilitates profitable client servicing. Other common reasons include its simple administration and processing, having the right choice of investments, ease of use, reliability, and strong service/support.

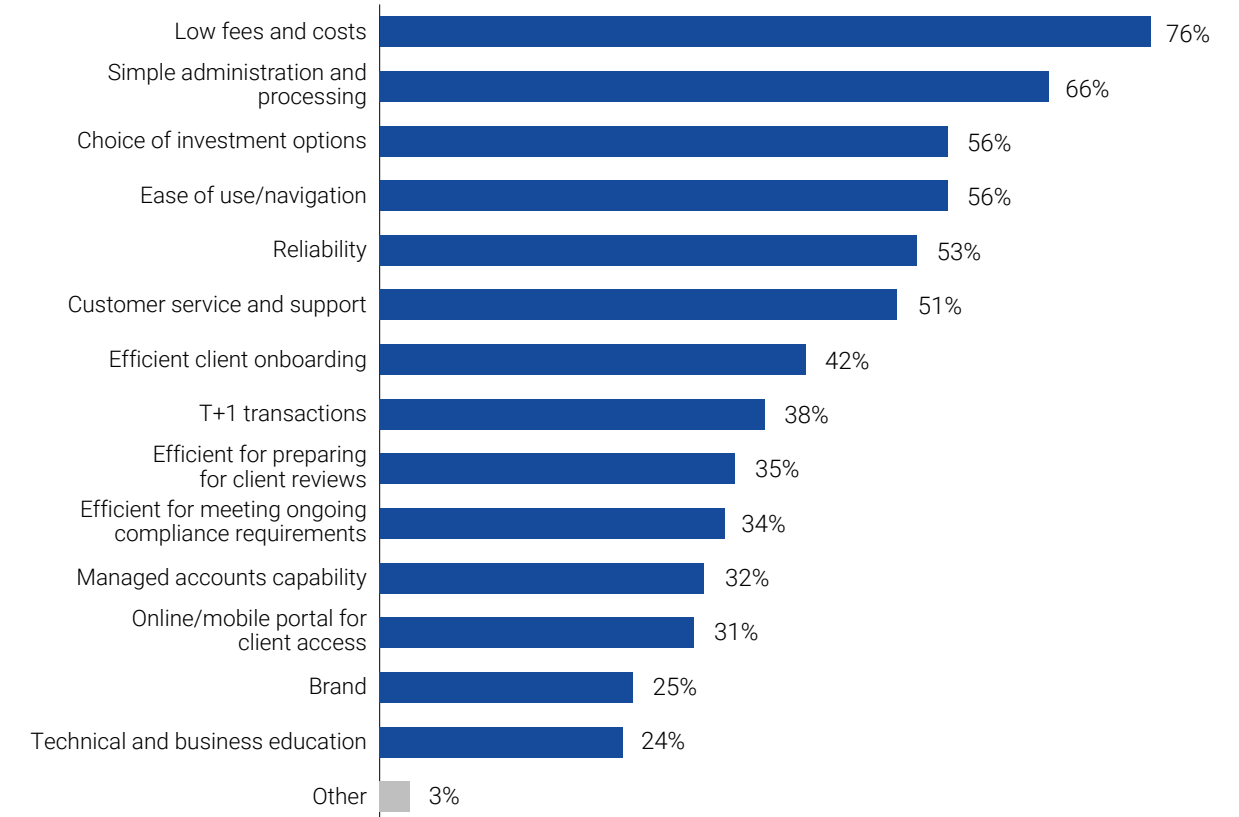
CFS FirstChoice users say:

Well known platform which provides access to both low balance and affluent clients with simple needs”

Cost effective platform ideally suited to less sophisticated/lower balance clients. This allows us to serve them cost effectively and therefore serve a wider market”

We use CFS for basic clients who want a cheap and effective strategy and investment options. CFS reduces the cost of serving as their reporting is easy and simple to read”

What makes CFS FirstChoice well suited to serving these clients profitably? CFS FirstChoice users [n=186]



Implementation and ongoing servicing

Time spent on common platform tasks

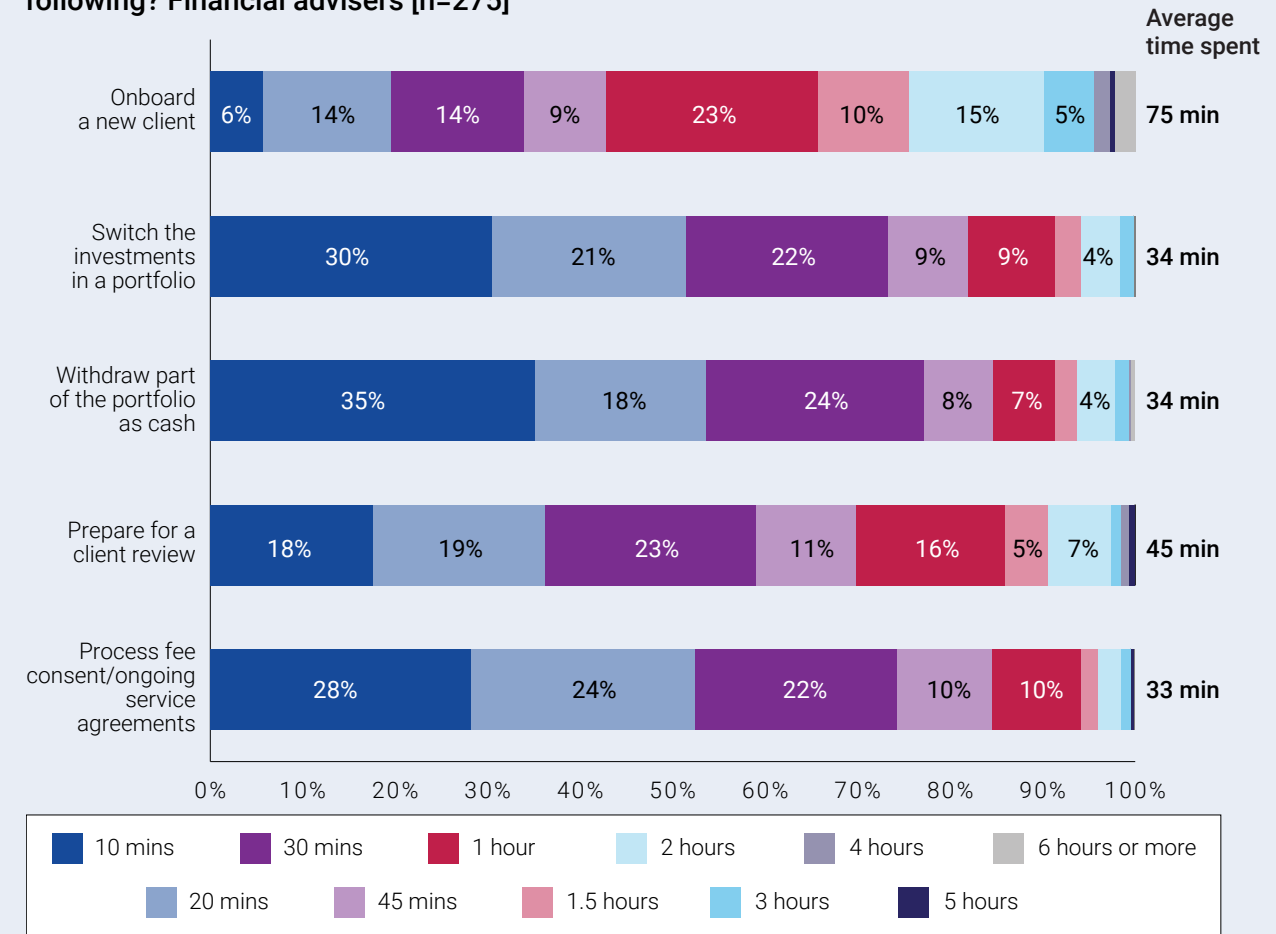
To help advisers reduce their cost to serve, it is important to understand which tasks consume the most time for them and their staff during the advice process. For platforms, the implementation of advice and ongoing client servicing are key areas they can influence.

Among the activities we measured, onboarding new clients onto the platform is the most time-intensive, taking an average of 1 hour and 15 minutes. This duration is due to the numerous steps involved, such as filling application forms, organising rollovers, and investing client funds once available. Fortunately, this process is only required at the start of the client relationship or when switching platforms.

There is significant variation among advisers regarding the effort required for onboarding, with a third spending 30 minutes or less and another third taking 2 hours or more.

Among recurring tasks, preparing for a client review is the most time-consuming, averaging 45 minutes. This includes collating all relevant information and generating necessary documents. Switching investments, processing withdrawals, and meeting fee consent obligations each take a similar amount of time, typically 30 minutes or less.

In a typical client situation, how much effort does it take you and/or your team to do the following? Financial advisers [n=275]



The new CFS FirstChoice origination process

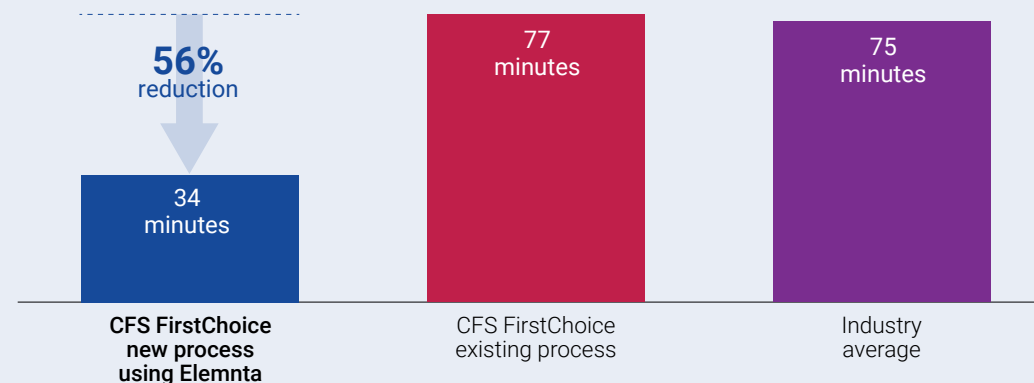
In January 2024, CFS FirstChoice launched its new origination process powered by Elemnta.

This new process streamlines client onboarding by integrating the platform with planning software to prepopulate online application forms and set up accounts for all members of a client family group in a single, efficient journey.

The functionality allows easy identification of prepopulated fields, choice of digital or paper submission based on client preference, a single digital signature per entity to be applied across all forms when signing digitally, and the option to delay form submission for situations like two-step rollovers.

The survey results show that users of the new origination process take just 34 minutes to onboard a typical client, compared to 77 minutes on average for others. This translates to a 56% reduction in onboarding time.

Average minutes it takes advisers to onboard a new client [n=274]



56% reduction in onboarding time when using CFS FirstChoice powered by Elemnta

“CFS FirstChoice offers a comprehensive suite of tools designed to streamline client interactions and enhance operational efficiency. One key example is our automated client onboarding process, which drastically reduces the time and resources required to bring new clients on board. By digitising and automating formerly manual tasks such as document collection, verification, and compliance checks, we’ve been able to cut onboarding times by up to 50% while simultaneously minimising errors. This not only improves the client experience by delivering a faster, smoother onboarding journey but also significantly reduces administrative costs for our firm. With CFS FirstChoice, we’re empowering our team to focus more on delivering personalised service and strategic advice, rather than getting bogged down in paperwork”

– CFS FirstChoice user

Efficiency drivers

How platforms help improve efficiency

Platforms each bring their own strengths to the table in helping advisers reduce their cost of serving clients. To identify best practices, we asked respondents to share key examples of how their primary platform benefits them the most.

A key improvement is the shift towards digital instructions, which enable immediate processing. This advancement eliminates the need for manual forms and reduces the need to track or follow up on tasks. CFS FirstChoice users highlight:

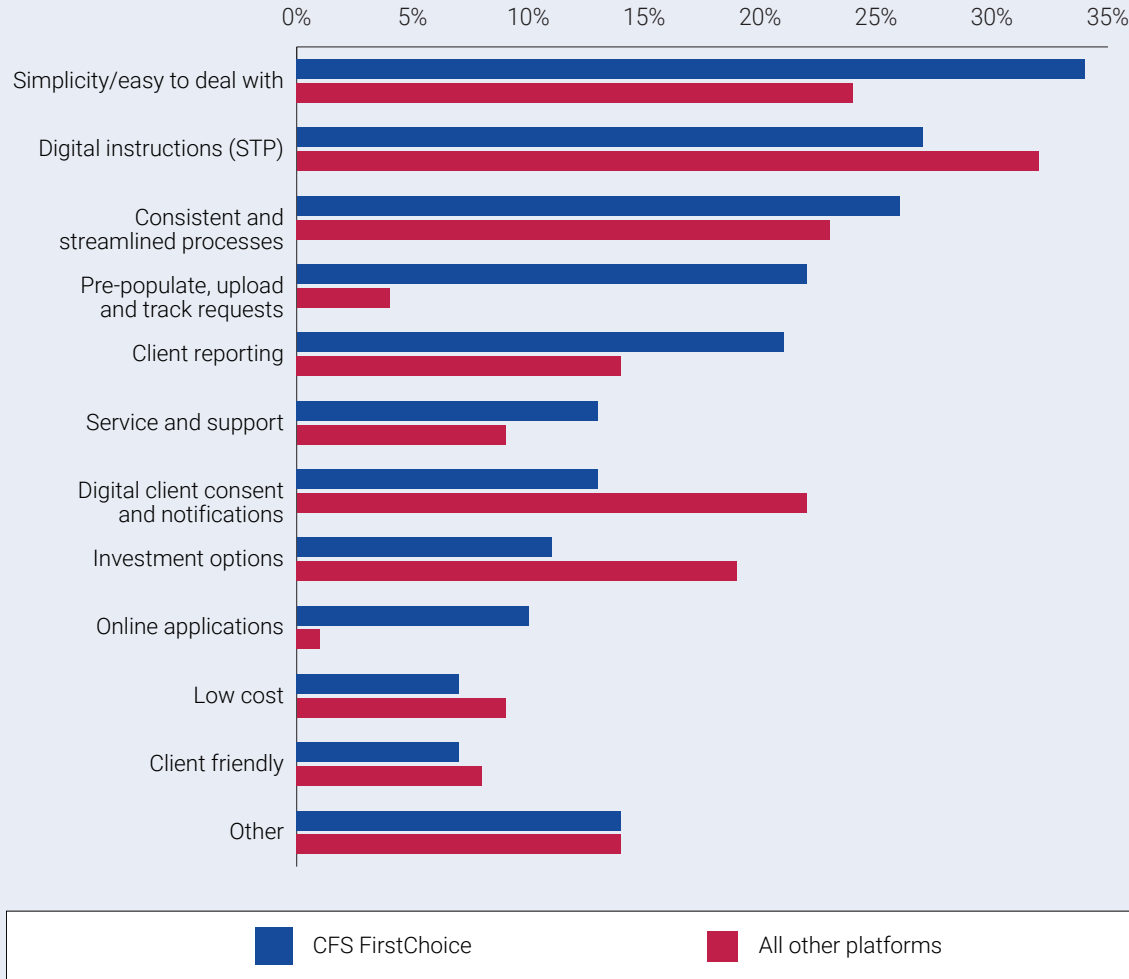
“Digital functionality – we are able to complete many tasks digitally including client applications which significantly reduce time and expedites the new client process”

Where forms are necessary, prepopulating them with existing client details helps save time and reduce errors. Additionally, secure uploading and online tracking drive confidence in administrative processes. CFS FirstChoice users note:

“The ability to prepare prepopulated forms for our clients to sign reduces the error rate significantly”

“I find the ability to upload documents a real bonus and it is secure. Reduces the need for me to race around seeing clients to sign forms and then post off”

What is a key example of how your primary platform helps you improve business efficiency and reduce the cost of serving clients? [n=266]



“Simplicity of master trust platform when onboarding clients, making investment changes and withdrawals. Simple processes keep things moving quickly and smoothly for clients. Making withdrawals via adviser functionality is efficient and helps keep client contact to a minimum so we can action their request quickly. Making trades to portfolios is also very efficient and quick”

To fully realise the benefits of digital instructions, platforms should support digital client consent. CFS FirstChoice users appreciate:

“With Adviser Online Transaction Authority, I am able to perform many types of transaction without the need of getting client to complete documents/forms. This really helps increasing efficiency overall. We enjoy using the Digital Communication tools for clients to complete docs and/or provide consent digitally. This also helps make our overall business operate smoothly and more efficiently”

Client reports are essential for demonstrating value. They need to be easy for clients to understand and have flexible configuration options to align them to each client’s needs. CFS FirstChoice users appreciate:

“The options available when generating reports are very good as you can be quite specific about what to show. You can simplify it, for clients that really want the basics”

Consistent processes and good service are key enablers of servicing more clients. Consistency allows advisers to complete tasks in a repeatable manner, while good service gives confidence in handling unique situations. CFS FirstChoice users mention:

“The comfort of knowing what to expect. No unnecessary delays, unusual requests for additional information, or questioning of the documentation provided. And generally, requests to amend instructions are dealt with quickly and professionally. Call centre staff are always happy to engage”

Investment options are not just about having the widest range, but also having the right choice. While CFS FirstChoice may not have as many options as a wrap platform, it is still valued for its menu, which helps reduce the cost of serving clients. CFS FirstChoice users note:

“Having the SMA features now help us service a larger part of the client base more consistently, allowing us to tick the compliance boxes as well as add further value to clients”

A simple digital interface and easy navigation help users save time. CFS FirstChoice users say:

“Your system is very intuitive, making it very easy to navigate. Not only that, but it is clear a lot of thought has gone into making the most used features as simple as possible for advisers. By far CFS is the easiest platform to navigate, generate reports, renew adviser service fee forms and complete trades. You have great functionality, while keeping things as simple and straight forward as possible”

Opportunities for improvement

Contribution to practice efficiency

Advisers were asked to rate their platforms across various Agree-Disagree statements to assess how well these platforms help reduce the cost-to-serve. For peer comparison, we calculated the net score (the percentage who agree minus those who disagree).

Advisers rate their preferred platforms highest for enabling them to serve a wider range of clients profitably; deliver peace of mind to clients; and scale and grow their business.

CFS FirstChoice stands out in the above metrics and further excels in its perceived effectiveness in servicing clients with simpler advice strategies, reducing business complexity, and lowering the cost to serve. These benefits resonate across a diverse range of adviser segments. For example, among advisers focusing on high-net-worth (HNW) clients with average balances over \$1 million, a net 79% agree CFS FirstChoice is great for servicing clients with simpler advice strategies, compared to just 38% for other platforms.

CFS have a very straightforward application process which can be easily uploaded on FirstNet. Once paperwork is lodged the turnaround for an account opening is very prompt. This in turn reduces the amount of following up required by admin staff. The correspondence from CFS keeping our office up to date also saves us having to do that ourselves. Reporting functionality also makes review preparation efficient"

– CFS FirstChoice user

HNW oriented advisers
(average client balance of \$1m+)

79% net agree*

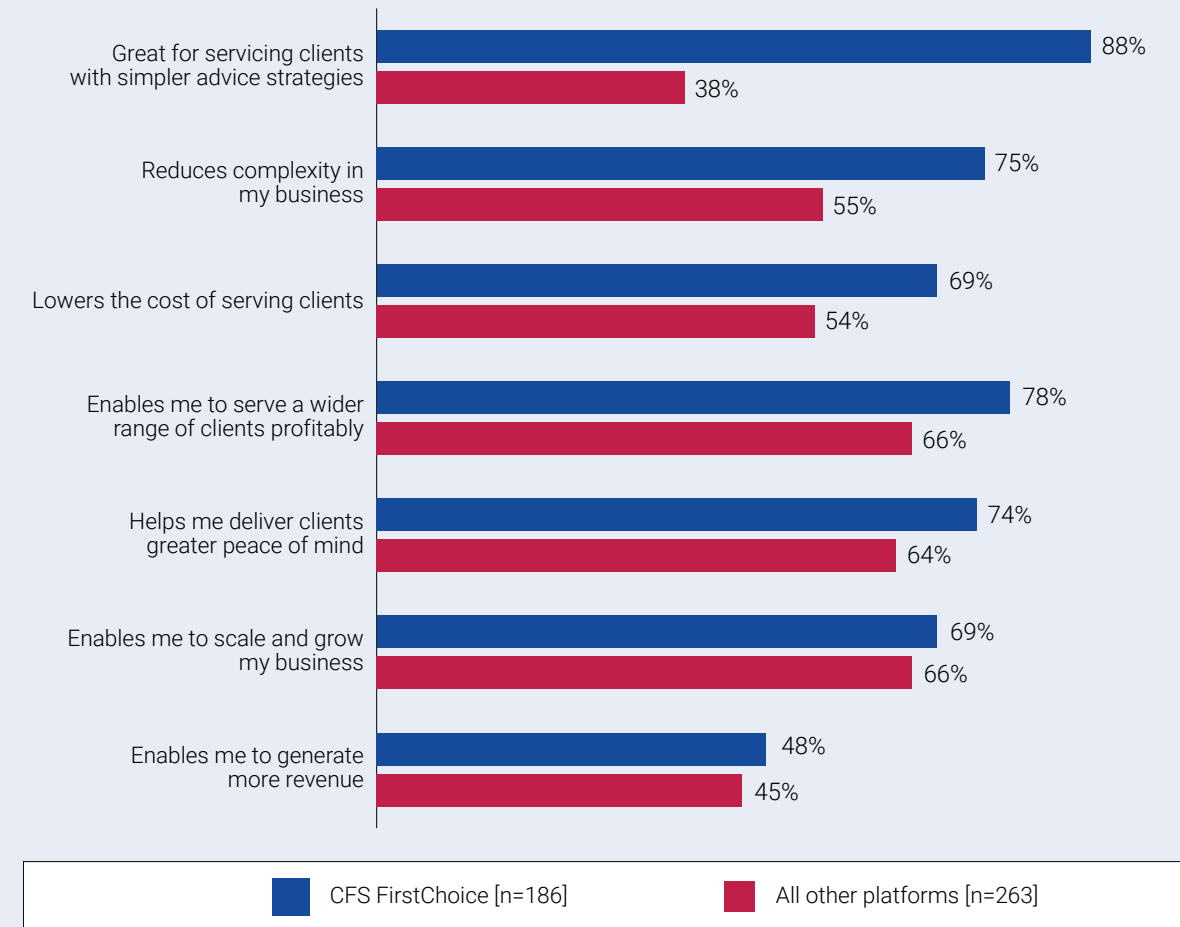
FirstChoice is great for servicing clients with simpler advice needs compared to 38% for those who use other platforms

69% net agree*

FirstChoice reduces complexity in their business compared to 60% for those who use other platforms

* % agree minus % disagree

To what extent do you agree or disagree with the following statements about [this platform]? Net Agreement Score (% agree minus % disagree)



What platforms should focus on to help reduce the cost of serving clients

Survey respondents shared insightful feedback on how platforms can help reduce the cost of serving clients. Our final open-ended question revealed both individual and collective opportunities for platforms to better support advisers.

Key suggestions for platforms include:

“Keep the client as the focus”

“Pre-fill forms using the client’s details. Accept a standardised fee consent form”

“Better client portal for simple processing to be done by client rather than adviser. App support so client can check balances”

“One step super re contribution strategy processes. No need for client engagement for re contribution”

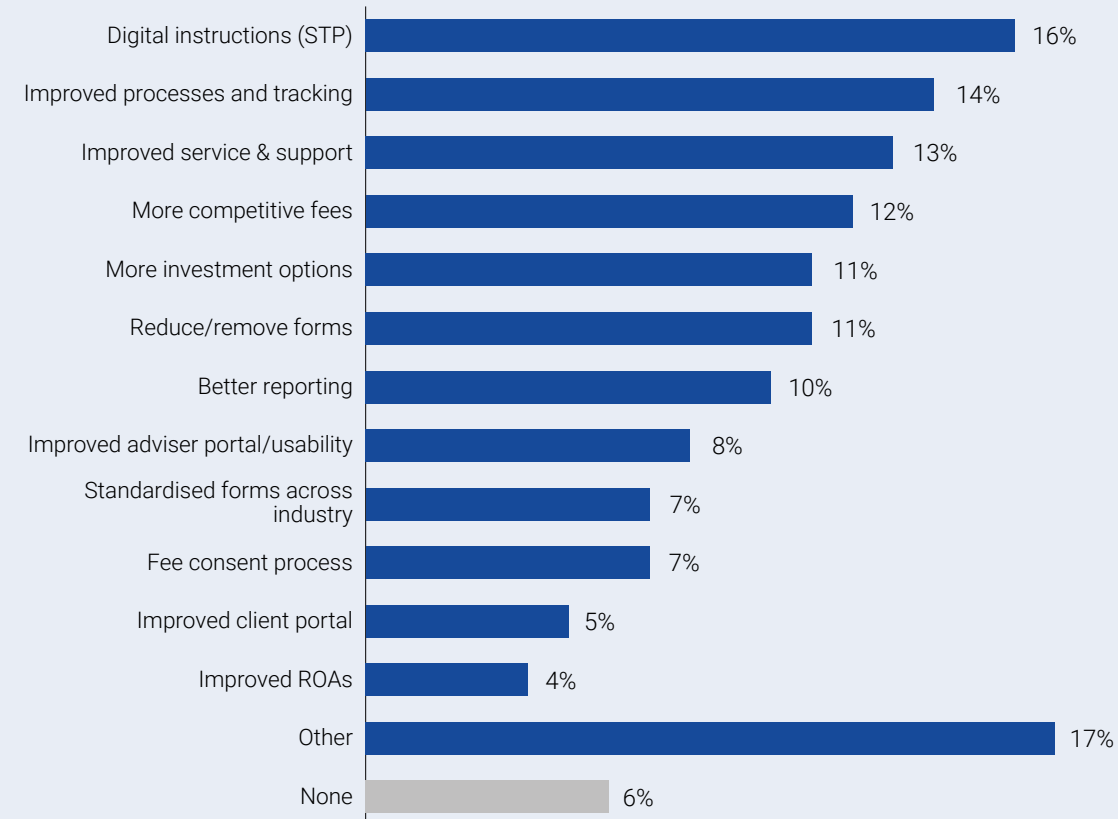
“Report packs, auto-rebalancing/bulk rebalancing”

“Greater level of flexibility for both clients that wish to be digital or non-digital”

“Smooth processes. Like restarting a pension with just one form. Withdrawal and recontribution when going to pension, as a book entry. In-specie payments between platforms, like pension payments into an investment account. Paper forms for clients to sign, so everything can be taken care of in the meeting and the client doesn’t have to go home and log in and do things. They pay us to make their lives easier, not give them homework”

“Electronic processing of forms without the need for signature e.g. sending a link via text message and the client can action on their phone. Things like fee consent, switch requests, rollover requests etc”

What can platforms do differently or improve to help you reduce the cost of serving clients? Financial advisers [n=222]



Conclusion

Advisers' platform and technology partners are well positioned to support the sustainability of their practices and help them achieve their business objectives. Advisers foresee a blend of positive professional and personal improvements they would make as an outcome of becoming more efficient.

With advisers currently operating under significant pressure, 52% believe improved platform efficiencies would help them achieve better work-life balance. A quarter also see efficiency gains as a pathway to improved staff mental health.

Efficiency improvements from platforms would also empower advisers to expand and revamp their businesses. This includes 51% who would manage a larger client book; 45% who would leverage the increased capacity to refine their business models and processes, ensuring they can deliver prompt and transparent service that

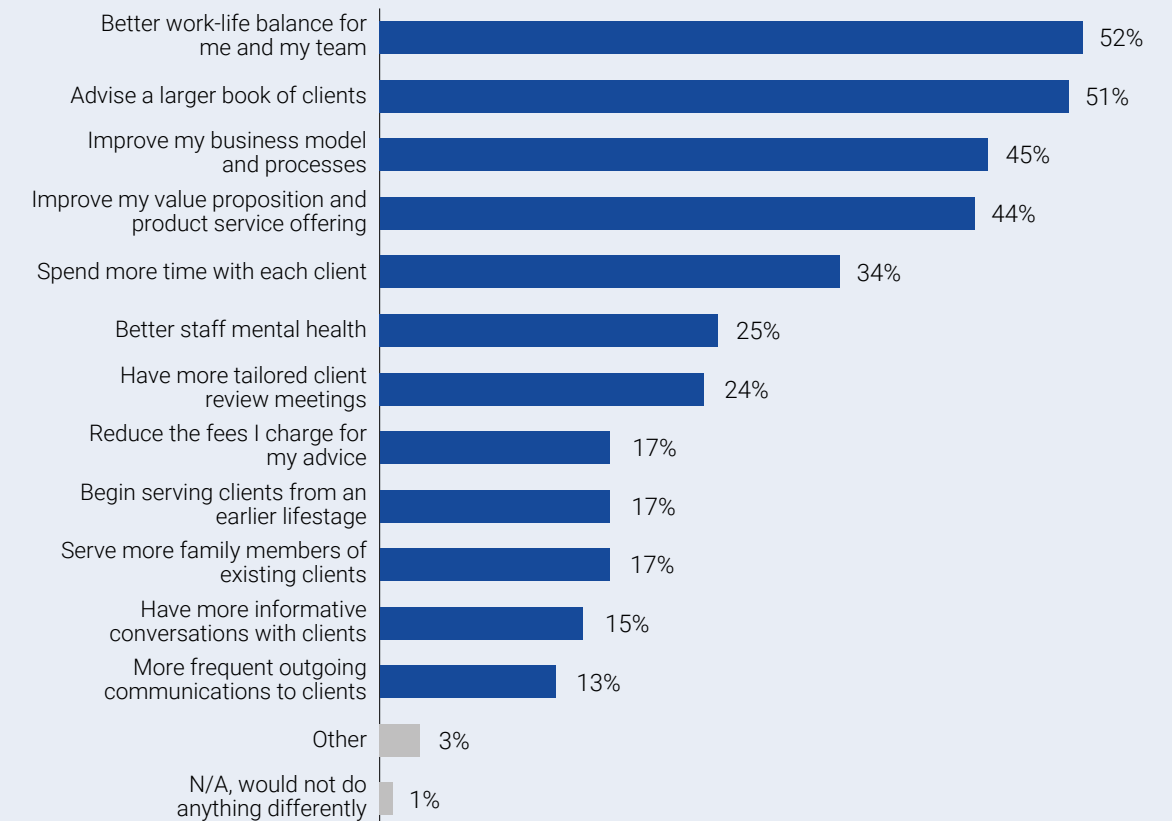
enhances client satisfaction; and 44% who would enhance their value propositions and product offerings, delivering further value to their clients.

The outcomes of these efficiency gains go beyond scaling up advice operations – they help enrich the client experience. Advisers anticipate spending more quality time with each client, conducting more tailored client review meetings, and potentially reducing the overall fees they charge.

As highlighted in this report, CFS FirstChoice users believe the platform promotes simplicity and helps reduce the cost to serve, with many preferring it for serving clients with simpler needs.

By enabling advisers to lower their cost-to-serve, platforms can contribute to a more accessible, scalable, and client-focused industry.

What would you do differently if platforms helped you become more efficient and lowered the cost of serving clients?



EMPOWER /// BUSINESS ADVISORY

Methodology

The Advice practice profitability report was produced by independent research firm Empower Business Advisory.

The analysis is based on an online survey run between 28 May and 7 June 2024, with respondents invited from both independent sources and the full database of CFS FirstChoice users. After data cleaning and validation, a total of 303 valid survey completes were received. This includes:

- 188 respondents who use and rated CFS FirstChoice, and 265 respondents who use and rated other platforms (including those who use both)
- 258 respondents who are financial advisers and 45 who are support staff in an advice practice

The findings in this report are representative of financial advisers based on the platforms they use, FUA, flows, number of clients served, and whether they are self-licensed.

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