Gerard Kerr, ClearView

Gerard Kerr is ClearView's general manager, life insurance. He has over 35 years' international financial services experience and a deep understanding of every facet of life insurance. Previously, Gerard held a number of senior roles at Zurich Financial Services Australia (formerly OnePath/ANZ Wealth). Earlier in his career, he worked at Asteron Life (now Suncorp Wealth Management) and Prudential International.

Handwashing and social distancing: Creating adviser opportunities

Gerard Kerr

Health and safety concerns and heightened uncertainty are fuelling demand for personal advice, but how big is the opportunity?

COVID-19 has increased everyone's awareness of the importance of health and safety.

For example, prior to early 2020, people were relatively laissez-faire about hygiene and personal space. Now they vigorously wash their hands perhaps up to 20 times a day, flinch if someone stands too close to them; and at restaurants, menus are becoming rarer.

More than a year on, the threat of COVID-19 remains, meaning improved health and safety practices are pretty much a permanent way of life. Further, people are thinking about other things they can do to better manage their health and protect their loved ones, such as ensuring appropriate life insurances are in place.

Australians are also spending less and saving more with one-third of households reporting a drop in income due to COVID-19, according to the Australian Institute of Family Studies' (AIFS) *Families in Australia Survey: Life During COVID-19, Report no. 6: Financial wellbeing and COVID-19* publication of November 2020.

COVID-19 may have started as a health crisis, but it quickly morphed into a financial and social crisis. At its peak, almost one million Australians had lost their jobs.

Australia's buoyant job market continued to defy the odds, with job ads in March 2021 jumping 7.4% to hit a 12-year high of 190,542, while the Australian Bureau of Statistics cited labour shortages in some industries.

However, the Consumer Policy Research Centre's (CPRC) *COVID-19 and Consumers: from crisis to recovery* report of June 2020 found that 60% of Australians (12 million people) were still concerned about the longer-term impact of COVID-19 on their financial wellbeing.

Ranked in order, the top three concerns identified were the ability to pay rent/mortgage, bills and insurance.

Cue financial adviser

In this transitional COVID-19 environment, the value and importance of personal financial advice has never been more apparent.

Although the financial services industry has never been that good at identifying key events in a person's life and reaching out in a timely manner, that seems less relevant right now.

COVID-19 is the accounting equivalent of the end of the financial year. It has eliminated the need for advisers to sharpen their skills so that they are better able to target consumers at opportune times.

COVID-19 has taken the guesswork out of client acquisition and engagement.

According to the ClearView COVID-19 Impacts Survey, conducted between March and April 2021, around 22% of advised clients are currently experiencing significant temporary stress and 16% are experiencing significant ongoing stress.

At the end of January 2021, more than one million employees were still reliant on JobKeeper, based on research by the Australian Taxation Office.

In the past 12 months, discussions about COVID-19 relief measures and whether clients are on track to achieve their retirement goals have dominated client meetings, according to the COVID-19 Impacts Survey 2021.

Other major topics include: investment opportunities, property and housing issues, retirement planning and life insurance.

Demand reignited

As long as there is complexity and uncertainty in life, professional financial advice will continue to be important.

The traditional catalysts prompting people to seek advice remain: marriage, divorce, buying a property, the birth of a child, new job, gaining an inheritance, retirement, redundancy, or the death of a loved one or close friend.

Pandemics just got added to the list.

Against the backdrop of COVID-19, advisers have a unique opportunity to actively engage clients and demonstrate the value of advice by talking about how they have helped people during this uncertain period.

According to the *ASX Australian Investor Study 2020*, 63% of Australians were open to receiving advice and 17% were more likely to seek advice after COVID-19.

This is on top of the 27% of Australians who engaged the services of an adviser, broker, or wealth manager in the past 12 months.

Doing what they do best

According to the ClearView Adviser Pulse Survey, conducted in November 2020, over 57% of financial advisers proactively helped clients who were suffering financial hardship due to COVID-19 access government support.

Beyond the practical financial support, advisers got out of their comfort zone, communicating with clients via Zoom and other digital channels, continuing the relationship even though they could not meet face-to-face.

But this level of client support is neither new nor different. Advisers have a long history of putting their clients first. We have seen this continue through COVID-19.

Over the longer term, this will result in more referrals and opportunities to grow their business.

Interestingly, according to the ClearView Adviser Pulse Survey, 65% of advisers believed helping clients to understand and access government benefits, including COVID-19 relief measures, was a key part of their role.

While 65% may not sound high, it is notable considering the industry's tendency to stick to providing advice on life insurance, superannuation, and investments.

It is further evidence of the industry's focus on client-centricity.

As such, advisers have cemented their position as a trusted adviser.

Even those relatively unaffected by COVID-19 have sought help from their adviser to understand their insurances, navigate volatile market conditions and ensure they remain on track towards their goals and objectives.

According to the *ASX Australian Investor Study 2020*, in the period from January 2020 to May 2020, advised investors were particularly active in increasing their holdings, with most crediting their adviser for helping them effectively manage the financial impacts of the pandemic.

Overall, the ASX study found that advised investors were more likely to increase their exposure to growth assets like shares, rather than reduce them.

Almost 70% of advised investors made changes to their portfolio in 2020, with 26% looking for opportunities to take advantage of depressed asset prices to invest their spare cash in the market.

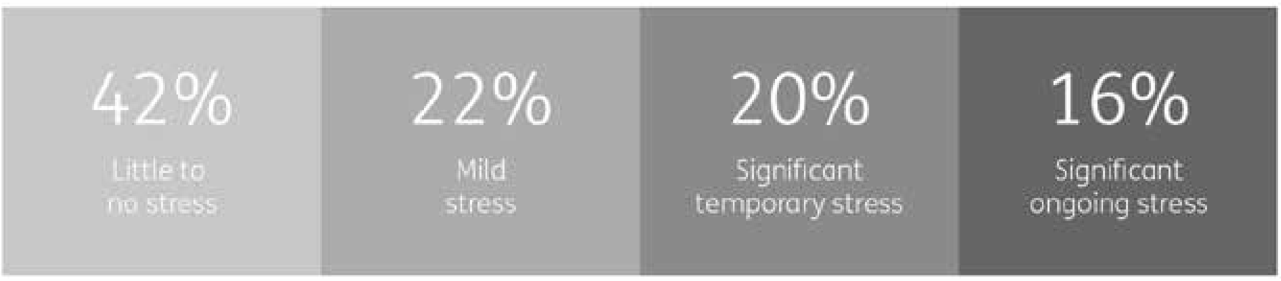
Few advised investors made the mistake of selling in a declining market and, therefore, crystalising losses.

When asked to describe the value of the advice they received in managing the impact of COVID-19, 84% de-

The quote

In this transitional COVID-19 environment, the value and importance of personal financial advice has never been more apparent.

Figure 1. Average (%) of your client base that have experienced financial stress in the past 12 months



Source: ClearView COVID-19 Impacts Survey 2021 scribed their adviser as "helpful" including 41% who described them as "very helpful". Disappointingly, 13% said they were yet to hear from their adviser.

Supply and demand phenomenon

The current advice opportunity is significant, as demand for financial advice is building at a time when adviser numbers are falling.

ClearView's COVID-19 Impacts Survey 2021 found that around 54% of advisers believed that COVID-19 had increased public awareness of the importance of planning for the future and seeking professional financial advice.

It also found that over 30% of advisers believed that COVID-19 had increased public awareness of their mortality and need for life insurance. It also found that a quarter of advisers said clients were more open and receptive to reviewing their life insurance arrangements, due to COVID-19.

According to research by the AIFS, published in its *Families in Australia Survey: Life During COVID-19, Report no. 6*, among those who had experienced a large drop in income due to COVID-19, 19% sought advice from family and friends and 12% asked for help from a welfare or community group.

The CPRC's *COVID-19 and Consumers: from crisis to recovery* report found that mortgage brokers had been the most proactive in terms of offering credit advice to consumers.

Unless the industry finds a way to meet the increased demand for financial advice by making it more affordable as well as replenishing adviser numbers, there is a risk that unqualified advice will proliferate. **FS**