

Media Release

New research reveals significant positive savings effects of financial advice for individuals and national economy

The CEO of the Investment and Financial Services Association (IFSA), John Brogden, has today released the results of research conducted by KPMG Econtech for IFSA on the positive savings effects for those receiving financial advice.

The research has revealed that those who have a financial planner save an additional \$2,457 each year, compared to a similar individual who does not have a financial planner.

The researchers also undertook economy-wide modelling to estimate the impact of more Australians receiving financial advice, and found that if an extra 5 per cent of Australians were to receive financial advice, there would be a 0.5 per cent of GDP gain in national savings by 2014/15, compared to the status quo.

“Australia is at a critical point now concerning the regulation of financial advice. This research is a timely reminder of the significant value of financial advice - for individuals, families and the national economy”, said Mr Brogden.

“Government and regulators must be careful not to implement unnecessary reforms that will increase the cost of financial advice, as it is clear that this could have a detrimental effect on the financial security of Australians, as well as having a consequent negative effect on the national economy”.

The research also estimated that, under the increased national savings scenario:

- an increase in national saving leads to less dependence on foreign financing of domestic capital, and in the long run, foreign liabilities would be approximately 1.5 per cent of GDP lower;
- lower reliance on foreign investment could lower the risk premium for investment in Australia, so that gains in business capital are sustained in the longer term; and
- GDP is 0.6 per cent above the baseline in 2014/15, supported by gains in business capital and employment of 0.4 per cent and 0.1 per cent respectively.

“The significance of this research should not be underestimated. The current economic environment and the ageing population in Australia mean that Australians must be given all the support they can get to provide for their current financial security, and to save for their retirement.

“It is now beyond doubt that the receipt of financial advice is a key component in the national savings equation.

“Indeed, it is time that the wealth management industry in Australia, in partnership with government, better explains the practical value of financial advice and explores ways to make quality financial advice more widely accessible to Australians,” concluded Mr Brogden.

The KPMG EconTECH report, ‘Value Proposition of Financial Advisory Networks’ is available in the publications area on the [IFSA website: www.ifsa.com.au](http://www.ifsa.com.au)

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