



Institute of Actuaries of Australia

4th Financial Services Forum

Innovation in Financial Markets

19 and 20 May 2008 – Melbourne

Future innovation in wealth management - *A Market of One*

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Today I'm going to talk to you about....

- Importance of employers as a gateway for employees' super savings
- Importance of advice capability for retaining retirees' funds
- Are retirees subsidising corporate schemes?
- Will master funds win in the long-term?
- Future product and channel innovations – ***A Market of One***



Importance of employers as a gateway for employees' super savings

- Will always be important and increasingly important because:
 - Attraction and retention issues are causing employers to find ways to add value to employees
 - Access to Financial Advice is becoming an employee benefit (either via a panel of providers or exclusive provider)
 - Eventually will be a hygiene factor
- Possible that DB might make a resurgence as an attraction and retention tool
 - Needs extra support
- Employees also looking to their employer to educate them
 - Employers are a gateway to increased financial literacy



Importance of advice capability for retaining retirees' funds

- External planners – advice to switch funds is based on sometimes inadequate data or fund knowledge
- Preferred advisers helps mitigate this risk – the fee question is always the key issue
- Retention rates increase with proper advice
- Managing outflows can be as important as new business inflows in mature fund (up to 30% retention gains in our experience)



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Retirees subsidising corporate schemes

- It is always a multi-parameter model when setting the pricing
- It is up to the employer at the negotiation stage to decide on the balance between fee types and interest groups



Will master funds win in the long term?

- The wrong question to ask...respectfully!
- Master funds, DIY and industry funds will all have a place
- Parallels with the direct share advice models
 - Full service stockbroker, online stockbroker and financial planner models all co-exist and prosper.
 - As much about the investors' attitude as it is about the service channel.
- Depends on what the member is looking for
 - A Market of One



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Future product and channel innovations

- the evolving super member; *A Market of One*

- Members of super funds are changing from member to consumer
- We need a multi-faceted but aligned approach to engaging them



Creating A Market of One

How

- Articulate the member *value proposition*
- Cluster members by *needs*
- Gain a *single view* of each member, including a *memory* of all interactions
- Identify *current value* of each member as well as *potential value* (eg. Retention, increased share of wallet, cross sell, up sell, referral)
- Develop *targeted member interactions* to unlock potential value
- Customise and empower service channels to speak with *individuals* and *realise potential value*



Value to member

- Personalised service – *different* members are treated *differently*
- Enhanced satisfaction and loyalty



Value to fund

- Maximise the value of each member
- Enhanced retention and participation
- Business metrics to assess return on customer (ROC) and return on investment (ROI)
- Business growth

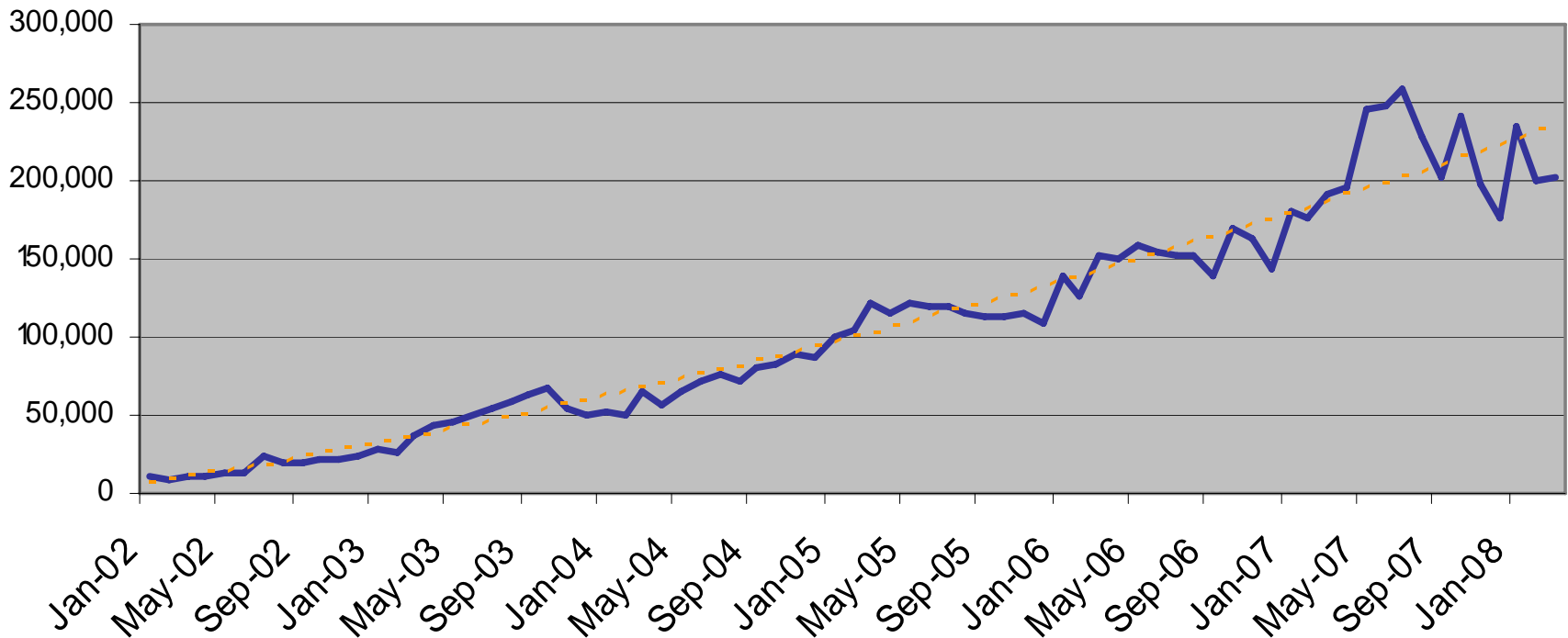


Online transactions

- in six years, online transactions have risen by 2,300%

Online transactions* peaked at **257,951** in July 2007 (2,300% higher than January 2002)

Online Transactions



*Online transactions include benefit quotations, contact details or beneficiary changes, investment choice switches, TFN updates, BPAY contributions



The “current” future - technology enables *real* personalisation

- Online education, such as webcasts and podcasts
- Linking super and banking online experiences
- Portals through the employer relationship to all employee benefits including health, super, financial education and advice, absence management etc
- Provision of financial advice as an employee benefit to become ubiquitous and a hygiene factor
- Financial advisers to be co-located with employers
- Tax deductibility of financial advice
- The \$200 financial plan

Opening doors to advice

SUPERANNUATION contributions enjoy a tax-advantaged status in Australia for the very simple reason that there is strong bipartisan support for people to play a greater role in funding their retirements. Can we sustain a similar argument with respect to financial planning?

Mercer Wealth Solutions in early April canvassed the idea that the Federal Government should consider making all forms of financial advice tax-deductible – a notion that has also been canvassed by executives working within the superannuation industry.

Mercer financial advice leader Scott Walters suggested that in circumstances where consumers can pay anywhere from \$1,500 to \$10,000 for the development of a comprehensive personal financial plan, a tax offset of up to \$1,000 on such an expense would seem reasonable.

Call for more tax deductions for financial advice

NICK BRUINING

One of the country’s biggest superannuation administration providers has

management, compounding returns and cash flow management.

“A financial planner can help consumers understand the benefits and risks of investing relative to their par-

years down the track.

Many financial planning firms work around the problem by making use of the much-maligned entry or placement fee, particularly when



The “future” future - technology enables *real* personalisation

- **We already have technology that allows us to highly personalise the online experience:**
 - Picks up on your preferences and incorporates active suggestions to create calls to action
- **Financial advice over the internet is coming**
- **Communication with Gen X and Gen Y to be different to baby boomers:**
 - Video chat and instant messaging with your super fund, instant response via SMS or email, re-define the call centre, convergence of advice provider websites with social networking sites



- **SMS campaigns already in use**
- **“Social networking” with your fund**
- **DIY financial planning**