



Australia Insights
**Digital advice
is key to improving
advice engagement**

About Ignition

Ignition is a leading global advice technology specialist for financial institutions seeking to help more customers access financial advice in a fast and scalable way.

We help our clients combine the power of digital intelligence with a human touch to enable smarter, more flexible and more secure advice delivery.

We partner with banks and wealth managers worldwide. Our SaaS platform integrates seamlessly into existing systems enabling our clients to deliver a customer-centric experience that brings a customer and an adviser together into a single advice workflow.

For more details on how we can help you build your advice vision and enable more customers to make better financial decisions, visit discoverignition.com

Digital advice is key to improving advice engagement for consumers

The role of technology in financial advice, and how beneficial (or otherwise) it can be, has been the subject of much debate in recent years.

The technology in question has taken many and varied forms. Ten years ago, the concept of robo-advice swept through the industry. It was seen by some as the solution to reducing the cost of financial advice and making it easier for investors to access advice; it was also viewed by many as a threat to the traditional advice model. However the threat didn't really eventuate, for a variety of reasons. Perhaps the main reason was cost – robo-advice only allows for low fees on small amounts of money, and the cost of acquiring clients is very high. One estimate is that it takes five years to recoup the costs of winning a client, and significant scale is therefore required to make a profit.

While robo-advice hasn't lived up to its initial promise, other technological developments in the financial advice industry are much more promising, in particular digital, or hybrid, advice.



One of the most important lessons learnt from efforts such as robo-advice is the importance of involving a human element in the advice journey to ensure that customers can access the necessary support and reassurance when they need it.

Therefore the technology being developed today is intended to augment a human advice model rather than replace it.

The events of the past year, where global lockdowns have forced the accelerated take-up of approaches such as Zoom meetings and client portals, have only underlined the potential role of digital advice.

Financial institutions are increasingly recognising that they can provide tailored and personalised services to their customers using technology as a valuable tool. Further, they can do so in a far more efficient and cost-effective manner than they may have hoped was possible.



Digital advice will not just help institutions deliver personal financial advice at scale to their customers; it should also assist with growing and educating their potential customer base, by improving the level of engagement and helping build understanding of the complexities of financial planning.

Some of the key areas that digital advice can assist in delivering more efficiency and engagement are:

Fact finding

This is perhaps the most time intensive element of the financial advice process. The time – and therefore the cost – of compiling the information required to provide appropriate advice is significant, including:

- What are the customer's personal details
- What are their goals and what is the relative importance of those goals?
- What savings and investments, superannuation and insurance arrangements do they currently have?
- What debt do they owe?
- Do they have any dependants ?
- What is their income and expenditure?

This is one of the key areas where digital advice can reduce time and cost. Done right, it can also improve customer service, provide more convenience, and deliver a better quality and level of detail on which a financial plan is based.

Engagement and personalisation

Another key benefit of digital advice is how it can boost engagement with customers by taking them on their own personalised journey through the advice process. For example, if a customer is saving for school fees, the digital service should know what the fees are in the local area. It should know what the current mortgage interest rates are across banks, and be able to calculate how changes in tax brackets or the superannuation guarantee will affect income. This level of accuracy and responsiveness helps to improve the level of comfort and consequently trust felt by customers.

Much of this is driven by the improved access to third party data, not least through open banking. And it is likely to only continue improving in coming years.



Furthermore, digital advice services enable a higher degree of personalisation for consumers. This includes the channel through which they prefer to engage, the language and tone of voice that best suits them, and even the time of day that they wish to engage.

Behaviour

Techniques used by game designers – known as gamification – can also be used in digital advice to help drive behavioural change and educate people.

A good example is using task 'levels' to help customers understand concepts such as downside risk or dollar cost averaging, rather than long-winded tracts of text with jargon and acronyms. Customers see themselves progressing in their understanding and feel a sense of achievement rather than feeling overwhelmed by how much they still don't know.

The use of scenarios has also proven to be effective in assessing and understanding a consumer's attitude to risk and loss, rather than using questionnaires. These scenarios help consumers understand their attitude towards their finances, and allow consistent advice to be delivered with greater efficiency.

Delivery

Once all relevant information has been captured, the next step in the advice process is to analyse the information and prepare a plan or recommendation for the customer.

In the past, digital approaches were primarily focussed on identifying the client's risk appetite and investing nominated amounts in an investment portfolio, and in many ways were more a sales journey than an advice one. Where a traditional robo solution says to the customer, "tell us how much you want to invest", today a digital personal advice journey tells the customer whether or not they can even afford to invest.

Today's digital advice offerings are able to take clients on a meaningful journey that can help them answer key questions such as:

- How much should I save?
- When can I retire?
- Should I buy an annuity?
- What is a sustainable level of income I can take in retirement?
- How much life insurance should I have?

In an integrated hybrid digital advice model, the role of a human adviser can be as hands-on or off as required, depending on the advice model implemented by the financial institution.

Investment strategy

Portfolio construction requires the compilation and assessment of a large amount of data about individual clients, taking into account a wide range of variables and preferences such as goals, timeframes and, increasingly, considerations such as ESG.

Technology – in particular AI techniques – is well suited to sophisticated modelling and testing of different scenarios and outcomes, helping to create personalised portfolios that meet the needs of individual clients. While such techniques are still relatively new, they are likely to become more widespread as the technology evolves.

Compliance

Almost every financial institution or advice provider would nominate compliance as one of the most time-intensive and complicated parts of the advice process – and only increasing in complexity.

Ensuring that the advice being delivered to a customer is compliant, in their best interests, and consistent with their goals and objectives, is absolutely vital.

Digital advice based on predictive and consistent algorithms means that human biases or views that may inadvertently filter into the advice are eliminated. Every data point and keystroke is captured, providing a full audit trail and enabling complete transparency of process.

Most importantly, advice outputs consider all relevant customer inputs and, along with transparent assumptions, ensure the advice given to the customer satisfies the best interests duty, the appropriateness test, and the institution's own advice rules. And if it becomes apparent that customers have more complex circumstances than the digital solution can accommodate, the customer can be triaged to a more appropriate advice channel.

From beginning to end of the financial planning process, a hybrid digital advice approach can help improve the journey for institutions, advisers and clients. It allows institutions to deliver compliant advice at scale to their customers and facilitates a human adviser to be brought into an advice journey as needed, while using technology and AI to do some of the heavy lifting. Most importantly, it delivers a compliant, engaging and timely advice experience for the customer.



Ignition is reimagining financial advice.
We combine the power of digital intelligence with a
human touch to enable smarter, more flexible and more
secure advice delivery for everyone.

discoverignition.com

APAC Head Office

Sydney, Australia

Level 17

100 Miller Street

North Sydney NSW 2060

australia@ignitionadvice.com

+61 1300 656 924

European Head Office

Dublin, Ireland

13 Adelaide Road

Dublin, DO2 P950

ireland@ignitionadvice.com

+353 1 555 1662

European Operations

London, United Kingdom

5th Floor

One New Change

London, EC4M 9AF

uk@ignitionadvice.com

+353 1 555 1662

Copyright © 2021 Ignition Advice Pty Ltd. All rights reserved.

This paper may not be reproduced or redistributed, in whole or in part, without the written permission of Ignition.