



Blueprint for Going Digital with Intra-Fund Advice

2022

The Ignition framework

Financial advice delivers more than monetary benefits. Studies have shown that accessing financial advice not only improves financial position, but also positively benefits mental health, stress levels and relationships¹.

The need for accessible and affordable financial advice is increasing as the Australian population ages, but the number of advisers is decreasing², creating a widening advice capacity gap.

How people want to access advice is also evolving, with 50% of consumers (across all age groups) preferring to receive advice piece-by-piece or via a do-it-yourself advice service³, rather than a traditional holistic approach that produces a full financial plan.

For superannuation funds to meet members' advice needs into the future, they must offer advice at scale. Doing so, and at a reasonable cost, will only be possible by embracing a new generation of digital advice solutions delivering compliant, consistent, robust and personal advice. These technologies have evolved to a level of sophistication that is enabling pension funds globally to start delivering digital advice to members alongside or integrated with their human advice team.

Ignition Advice is a global leader in digital advice, an Australian business which has successfully deployed digital advice solutions for major financial institutions in the United Kingdom (UK) and Europe.

While the Australian superannuation system has its own specific characteristics, there are common underlying themes, drivers and objectives: for example the retirement needs of super fund members in Australia do not fundamentally differ to those of pension fund members in the UK and Europe.

This paper is the latest output of the research program we have undertaken to propose a model for implementing digital advice for Australian super funds.

In 2021, we collaborated with leading external consultants and lawyers to produce our *Single-Issue Personal Advice Blueprint*. This analysis assessed the principles, issues and risks associated with digital delivery of personal advice relating to single-issue and in-house products, together with the controls needed to manage those risks.

We also identified seven principles to deliver single issue personal advice at scale, using digital means, many of which equally apply to digitally delivered intra-fund advice. We have outlined the key principles needed by funds to enable the safe delivery of intra-fund advice to members on page 10.

Equipped with these principles, and Ignition's globally leading digital advice solution, Australian super funds can move forward with confidence: to address the advice gap, and improve member experience, accessibility, advice efficiency and retirement outcomes.

1. <https://www.life.hsbc.co.uk/customers/health-and-wellbeing-centre/health-and-wellbeing-study/>

2. Wealth Data Weekly Financial Adviser Movement Dashboard, February 2022

3. ASIC Report 224 Access to financial advice in Australia. This was reaffirmed in 2019 by Investment Trends research which reported that 38% of surveyed participants who were potential financial planner clients indicated that they preferred piece-by-piece advice models (including face-to-face, phone and online advice services).



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Executive Overview

Blueprint for Going Digital with Intra-Fund Advice is a guide to the rationale, opportunities, and issues of digital intra-fund advice for Australian super funds.

This blueprint outlines how both technology and regulation have evolved to enable super funds to compliantly deliver intra-fund advice at scale. We explore the opportunity and benefits of a digital advice solution for intra-fund advice, and how digital advice is already working for other providers, so Trustees can be confident in the effectiveness of these solutions for their members.

Intra-fund advice refers to limited or scaled personal advice in relation to a defined set of topics of insurance cover in superannuation, contribution levels, and investment options⁴ that a superannuation trustee can provide to a member, with the cost spread across all members as part of standard fees.

ASIC's intra-fund provisions are intended to facilitate simple and one-off advice for super fund members. To date, it has proven difficult for super funds to respond fully to that intent. In terms of overall delivery of assistance to members, many super funds rely heavily on general advice (where staying within the regulatory guidelines is an ongoing challenge), and intra-fund advice being delivered via small teams.

From the member's perspective, while general advice is a valuable way to better understand some of super's complexities, it is not always actionable. General advice cannot provide the depth and customisation of the member's specific situation that personal advice can.

Despite the rising number of members who need or would benefit from personal advice, the proportion of Australians using intra-fund advice has been relatively subdued: according to major super funds this is often around 1% pa (or less) of members. However for large funds with over 1 million members (increasingly common thanks to consolidation), that already translates to 10,000 or more instances of intra-fund advice each year.

There is increasing tension between the growing demand for personal advice, driven by rapidly increasing numbers of older members, and funds' limited personal advice capacity, capped by spending and / or FTE constraints – even assuming that the requisite number of additional advisers could be recruited from a shrinking industry pool.

To date that tension has often been resolved by the member seeking advice elsewhere, which can result in the member leaving the super fund. Unsurprisingly, many super funds see that as an unwelcome and sub-optimal member and fund outcome, after perhaps decades of patiently building the member's account balance.

As the number of older members within many super funds now grows rapidly, often accounting for a substantial percentage of fund assets, large numbers of such exits would undermine both the mission of many super funds, and their business model.

4. <https://asic.gov.au/about-asic/news-centre/articles/clarifying-intra-fund-advice/>

Applying digital advice technology to a fund's guidance and advice model offers a new solution to the tension between advice demand and supply, as the diagram below illustrates.

Digital advice can be applied to the entire spectrum of a fund's guidance and advice model, including its intra-fund advice offer (see Contributions, Insurance, Investment options modules in the diagram).

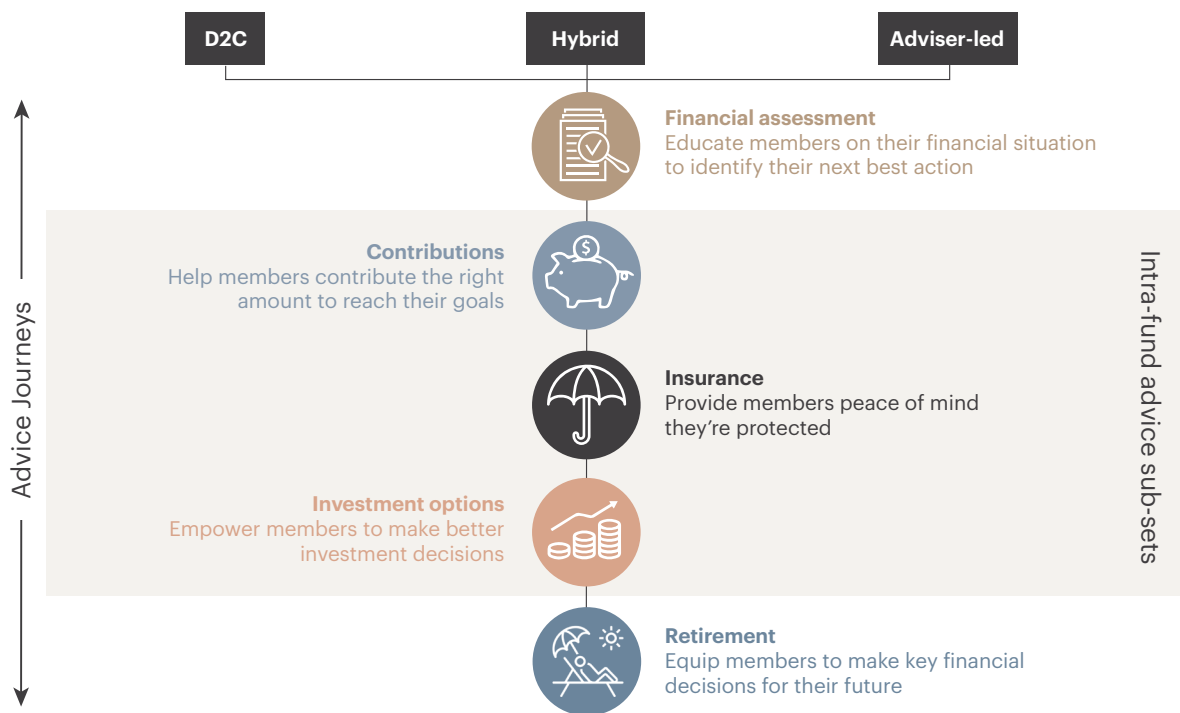
Applying digital advice to its intra-fund offer is where most funds will start, as this is a stress point of growing member demand and limited human advice capacity.

Digital advice, including intra-fund advice, can also be delivered by a fund in different ways, including member-driven (D2C in the diagram), adviser-led, and hybrid, where digital advice is used to leverage human intra-fund advice teams.

Most funds have indicated a preference for a hybrid model, because it allows their human advisers to be redeployed to support members with complex issues, while technology addresses the most common intra-fund advice needs. It results in a highly cost-effective and substantial increase in advice capacity, while improving member experience.

It is increasingly widely accepted that applying digital advice technologies is the only realistic route to achieving the goal of providing members with low-cost, consistent, compliant, robust personal advice at scale.

How digital advice can be delivered by funds



Section 1

A sustainable advice solution for members remains elusive



Australian super funds have a shared intent to act in members' best interests: including how to provide cost-effective, accessible advice to members to optimise their retirement outcomes. Increasingly, super funds are considering how they scale up their advice solution – particularly their intra-fund offer – to cater for the rising number of older members.

Existing intra-fund models are fundamentally capacity constrained

For super funds providing intra-fund advice, the most common delivery method is via phone-based advice teams, smaller numbers of in-person advisers employed by the fund, a related entity, or third party arrangements⁵. This approach has inherently limited reach, with funds having capacity to deliver advice to only a very small proportion of the member base (often 1-2%).

The pandemic-forced withdrawal of in-person elements in favour of phone and digital channels resulted in some improvement in education and advice capacity, for example through the efficiencies of video. However it remains impossible to achieve advice at scale using a human-only solution. Doubling the volume of advice output of most existing intra-fund advice models generally means roughly doubling the headcount required across advice, support, compliance, and management. As many super funds operate on low pricing and tight budgets (including the not-for-profit funds), there is little scope for most to cope with that type of capacity–cost trade-off.

Beyond cost and capacity limits, a combination of other constraints, real and perceived, have slowed super funds in evolving their intra-fund solutions:

- Low regulatory risk appetite for advice in the wake of the Royal Commission⁶.
- Competing strategic priorities.
- Concern about breaching the best interests duty and related obligations.
- Technology solutions have not been sufficiently mature to support compliant advice at the scale needed.
- Lack of member awareness about the availability and benefits of advice from their fund – some funds may not actively market their offer due an inability to serve higher levels of member demand.

More members need more help

From the member perspective, the issues raised in ASIC's Report 224: Access to financial advice in Australia 2010 remain largely the same, notwithstanding fund efforts to develop their advice capability since then.

Members face similar financial challenges and goals: but are now often asked to make more decisions, relating to more products and financial issues, in an increasingly complex financial environment. With data from the Household, Income and Labour Dynamics in Australia (HILDA) survey suggesting that 45% of Australians have low levels of financial literacy⁷, members are often ill-equipped to deal with those decisions.

5. ASIC REPORT 639: Financial advice by superannuation funds

6. Royal Commission into the Misconduct in the Banking, Superannuation and Financial Services Industry, final report 2019.

7. <https://www.financial-literacy-in-Australia-insights-from-Hilda-data.pdf>, March 2020

The public health and economic turmoil of the COVID-19 pandemic has not helped either, leaving many worried about their financial situation, and questioning their financial management abilities: Oracle's Money and Machine report (a global survey of >9,000 business leaders and consumers) found a doubling of financial anxiety among consumers since COVID-19⁸.

There have been efforts over the past decade to simplify superannuation, MySuper for example, but super in general and retirement in particular continues to be a difficult area for many members to navigate without assistance. Further, a stream of new financial products targeted at consumers, such as buy-now pay-later finance, micro-loans, ETFs, and crypto-currencies / digital assets, means that members have ever more to contend with when it comes to their financial situation.

General advice cannot be the complete solution

Given the costs and regulatory risks associated with personal advice, super funds have traditionally relied heavily on general advice provisions to help members make better choices around super. ASIC's REPORT 639 Financial Advice by Superannuation Funds found that general advice made up ~75% of advice accessed by members from their fund, across all funds.

But even general advice has its risks. Super funds have an ongoing battle to keep general advice conversations within regulatory boundaries. Constant monitoring and supervision is required, particularly following the High Court's clarification of the limits on general advice⁹.

One of the main issues with general advice is adequately equipping members to make an informed decision. While general advice can be valuable in helping educate, provide facts, and case studies, it does not enable members to apply those facts to their own situation and feel confident to take action. For example:

General advice can:	General advice cannot:
Inform a member about the different types of super contributions.	Advise the member whether to make contributions, what type of contribution(s), and how much to contribute.
Educate a member about the different investment risk profiles and risk/return trade-offs.	Tell the member how to invest their super from the available options to match their risk profile.
Discuss the types of insurance available within super and what they're designed to cover.	Guide the member about which types of cover they need and how much of each type of cover they need.

When super funds had relatively few older members or members with more complex situations (often the case for not-for-profit funds), personal advice needs could be addressed via small phone-based or in-person teams – although many funds acknowledge that members with these profiles have been lost to competitors. With memberships now aging, it is increasingly recognised that the only viable way to respond to rapidly growing older member cohorts – delivering robust, compliant personal advice at scale and at low cost – is via technology.



We have now reached a point where digital advice technology has matured to a level where single-issue personal advice can be delivered safely, compliantly, and at scale. The streamlined nature of intra-fund advice is also well-suited to a digital delivery solution.

8. <https://explore.oracle.com/money-and-machines/oracle-money-and-machines-report/>

9. <https://asic.gov.au/about-asic/news-centre/find-a-media-release/2021-releases/21-013mr-asic-successful-against-westpac-subsiidiaries-appeal-to-high-court/>

Policymakers and regulators support digital advice solutions

As super funds prepare to engage with technology solutions to advice, a common question is “what is the regulator’s view?”.

Favourable comments have been made by senior ministerial and regulatory policymakers, and a supportive political backdrop exists with the Minister for Superannuation, Financial Services and the Digital Economy, Jane Hume, encouraging the use of digital tools as a compliant solution to the advice gap¹⁰.

Despite this, and as noted in the Quality of Advice Review Issues Paper, anecdotal evidence suggests there is a cautious approach to being an early mover in adopting digital advice. Many industry stakeholders wonder if the favourable stance of policymakers is reflected in regulator enforcement teams.

Ignition’s analysis is that the regulator’s view is more accommodating than often thought, and that the regulator is pragmatic and receptive to funds proceeding with digital advice initiatives. ASIC has provided specific regulatory guidance (RG 255) about how to navigate some of the issues that digital advice providers need to consider.

“I want us to be in a place where the regulator can tick off a piece of software or an algorithm and say ‘if it fulfils these criteria and is used in this way, then it is compliant.’”

JANE HUME, Minister for Superannuation, Financial Services and the Digital Economy

From a practical perspective, we expect the Treasury’s 2022 Quality of Advice Review (QAR) will give Trustees an enhanced level of comfort in relation to digital advice. Recognising that high costs of advice compliance are being borne by consumers in the form of higher prices and reduced accessibility, the QAR aims to identify opportunities to streamline and simplify regulatory compliance obligations in a manner that will reduce cost and remove duplication. The potential for digital advice to play an important role is prominent in the March 2022 Issues Paper for the Review.

Digital advice means advisers will be able to “...better serve more clients at lower costs, helping make advice more affordable and accessible than ever,¹¹” — a relevant objective for all Trustees in their service of members.

JANE HUME, Minister for Superannuation, Financial Services and the Digital Economy

The principles of digital advice delivery are similar to intra-fund

Intra-fund is not a separate type of advice¹² – as a subset of personal advice, it must still comply with personal advice regulations and requirements.

In 2021, to assist financial institutions contemplating the digital delivery of personal advice, we worked with external consultants and lawyers to identify the principles, risks and controls associated with digital delivery of personal advice relating to single-issue and in-house products.

Seven principles need to be in place for super funds to offer intra-fund advice in accordance with the best interests duty (BID) and related obligations:

- 1. Adviser and member must understand and agree the scope of the advice**
- 2. Members for whom the advice service is not suitable must be filtered out of the service**
- 3. Sufficient member information must be collected to demonstrate a reasonable basis for the advice**
- 4. Member information must be complete before advice is generated**
- 5. Advice must not contemplate issues outside the three intra-fund topics of asset allocation, super contributions and insurance within super**
- 6. Digital advice must be as appropriate for the customer as in-person advice**
- 7. Quality of digital advice must be regularly monitored and tested**

While these principles consider advice delivery in a digital setting, they will already be very familiar to advice professionals running human intra-fund advice teams. That is not a coincidence: the adoption of digital delivery of intra-fund advice within a super fund does not require a huge regulatory-related jump. It remains intra-fund advice, simply delivered in a different manner.

10. <https://riskinfo.com.au/news/2021/09/21/digital-advice-will-augment-and-enhance-advisers-capabilities/>

11. <https://riskinfo.com.au/news/2021/09/21/digital-advice-will-augment-and-enhance-advisers-capabilities/>

12. <https://asic.gov.au/about-asic/news-centre/articles/clarifying-intra-fund-advice/>

International peer adoption of digital advice is picking up pace

An important signpost for Australian super funds is that the adoption of digital advice is now moving rapidly in markets facing similar investor / member / regulation trends.

International digital advice adoption originated with robo-advice (ie. investment advice only), as opposed to financial advice (ie. personal advice dealing with pension fund decisions etc.). High profile early movers in robo-advice included names such as US-based Wealthfront and Betterment (2008), and UK-based Nutmeg (2012). They proposed investment-only, online offerings of multi-asset direct-to-consumer portfolios, positioned as low cost and transparent. Their early progress in attracting customers was relatively slow, and all have since operated at a significant loss due to high customer acquisition costs and relatively low ongoing margins.

The adoption of digital channels for investment advice quickened considerably after major financial institutions with well-known brands – especially Vanguard – followed with their own robo-advice propositions. With large customer bases, deep marketing budgets, and appealing pricing structures, larger institutions have been able to overtake the first movers and achieve levels of adoption that fintechs – with relatively unknown brands and needing to win every client – struggled to achieve.

More recently, some large financial institutions have started to move beyond robo-advice to develop digital financial advice propositions that deal with customers' needs in relation to pensions, savings, and insurance – not just how their assets should be invested.

This is a much more complex undertaking than robo-advice, and of course operates within a highly regulated environment. Recognising this, financial institutions have typically partnered with specialist technology firms, such as Ignition, to deliver digital financial advice capabilities faster and more cost effectively than would be possible with in-house development. These capabilities integrate with the rest of the financial institution's technology stack and digital ecosystem, including their preferred investment engine.

Today, we are seeing true digital advice propositions being deployed, with European and UK financial institutions leading the way. So far, these have mostly been deployed via a combination of digital and human advice, termed 'hybrid advice'. Other major incumbents in those markets – including Lloyds Banking Group, Quilter, and Hargreaves Lansdown – have announced their intention to follow with significant investments in digital advice capability.

Based on current trends, we expect that all major participants in the UK wealth management industry will have incorporated digital financial advice into their advice strategy by the end of 2023.



Section 2

A changing environment means evolving intra-fund delivery

Three significant internal and external environment trends will soon converge:

1. Baby boomers are (already) retiring. The departure of this generation from the workforce will run its course through the rest of the 2020s, with super funds seeing rapidly growing numbers of members approaching the point at which they can access their super, and many moving from accumulation to decumulation.
2. The Retirement Income Covenant (RIC), which comes into effect on 1 July 2022, will drive a focus on the retirement income solutions which funds will offer to their retiring members – and inevitably the assistance which members will need to adopt those solutions.
3. The COVID-19 pandemic has forced high value services to shift from in-person to online, reinforcing the digital adoption by consumers already seen across more transactional services such as banking and travel¹³. Even as in-person service delivery becomes possible again, consumers are unlikely to fully revert – the digital consumption of advice in familiar territory no longer calls for a big change in behaviour.

Although the retirement of the baby boomers has been seen from a long way off, the development of retirement and related advice propositions has not been a top priority for those funds with relatively few older members. With demography and fund consolidation now changing member composition in significant ways, the RIC forces retirement product and advice issues up the priority list. While they will not be fully resolved in 2022, the submissions from super funds to the RIC consultation process indicates that funds understand the implications and will engage with them in a comprehensive manner.

There's a rising demographic swell

Older member segments are growing rapidly within many super funds, and large numbers of fund members will retire over the next 10 years. In fact, by 2030, 100 percent of baby boomers will be over 65, while a substantial number of Gen-Xers will also have hit 65.

For not-for-profit funds, with traditionally younger memberships and relatively small numbers of older members, this will present new challenges. Their baby boomer and older Gen-X members account for a

significant percentage of fund assets. Retaining those members and their assets is essential to the sustainability of a fund's business model and investment strategy, particularly where the fund holds material illiquid assets in private markets.

Industry consolidation also plays an important role: as smaller-sized funds consolidate, they often bring with them a cohort of older members with higher balances. As these funds merge to create larger funds, the end result can be a destination entity with a heavier demographic weight towards older members than the larger fund had previously.

With KPMG estimating that 1.8 million members, and \$300 billion assets will move from accumulation to the decumulation phase¹⁴, the priority of advice delivery for that older cohort progressively rises for super funds.

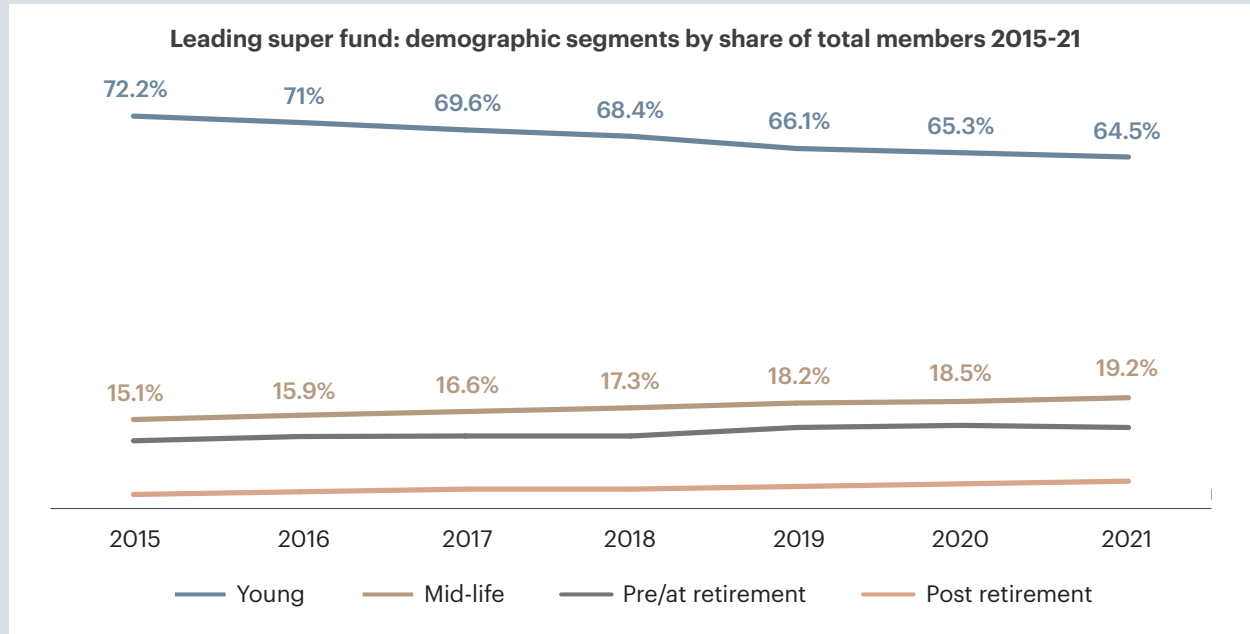
13. The Customer Imperative in Financial Services, Salesforce with Bain & Company, 2021

14. KPMG Super Insights Report 2020

CASE STUDY – Super funds are seeing rapid segment change¹⁵

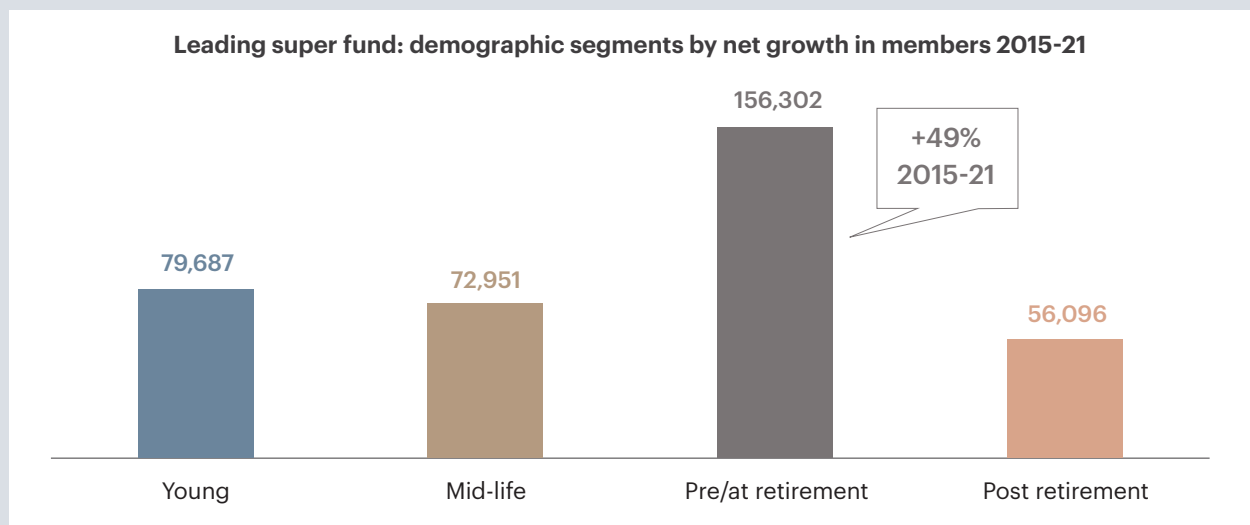
Other than as a result of mergers and consolidations, most super funds have relatively stable member numbers – rising or falling gradually. However, below the surface significant changes are occurring. The chart below illustrates member segment changes within one of Australia’s leading super funds over the 2015-21 period.

This shows clearly that while mid-life segments (aged 25-54) remain dominant, their share of members is in long term decline. The biggest increase is in pre-retirement and at-retirement members (aged 55-59). The share of membership of these members has increased by >400bps from 15.1% in 2015 to 19.2% in 2021.



The chart below translates the trend to absolute changes in member numbers per segment. We can see that this fund has enjoyed membership growth across all its major segments. However the surge is in the pre-retirement and at-retirement members. Not only has this segment increased by >150,000 members, it has grown by 49% vs overall fund membership growth of 17% over the same period.

This fund’s membership is fundamentally changing. Their pre-retirement and at-retirement segments will exceed 20% of members by mid-2023, and will almost certainly continue rising. This trend is not unique to this case study, and will see member demand for guidance, intra-fund advice, and comprehensive personal advice correspondingly increasing.



15. APRA Annual superannuation bulletin - June 2021 (released 31 January 2022)

New legislation is driving new thinking on retirement

Sailing through the rising demographic swell is the Retirement Income Covenant (RIC). Over the past 5-10 years, many super funds have been focused on dealing with regulatory issues such as the Royal Commission and the Your Future Your Super reforms, and building internal investment capability. In 2022, super funds are shifting their attention to the digital engagement of members, both overall and in terms of advice.

The RIC legislation which takes effect in July 2022 requires super fund trustees to have a retirement income strategy that outlines how they plan to assist their members in retirement. The strategy must consider how the trustee will assist their members to balance maximising their retirement income, manage risks, and have some flexible access to savings.

The expectation of the RIC is that super funds will develop and offer a new generation of intricate retirement products to their members, including features such as returns and longevity smoothing.

These are relatively sophisticated and complex products, the suitability of which has typically been dependent on members' personal circumstances, and almost always distributed to retirees as a result of personal advice. Unsurprisingly, many funds are considering how they will offer product-related guidance and advice in relation to their product response to the RIC.

Responding to the RIC offers super funds an opportunity to complete their member lifecycle proposition. Super funds have invested heavily in achieving the best possible outcomes from the accumulation phase for their members, and have strong incentives to ensure that those outcomes are preserved through their retirement and decumulation phase.

While responding to the RIC is about developing attractive retirement income products, it is also about ensuring robust guidance and advice in all its forms is accessible and affordable (where applicable) for members. A lack of advice, or poor advice, at the point of retirement can put at risk decades of patiently compounded returns.

The pandemic has accelerated digital adoption behaviours

The COVID-19 pandemic has changed the landscape of consumer expectations for access to, and use of, digital tools – across all industries. Digital channels have become a “must-have” as in-person interactions became difficult or impossible.

The circumstances of the COVID-19 pandemic have demanded the switch to digital channels for high-value services. However it comes after similar switches by many Australians for other important aspects of their financial lives such as banking and insurance, and life activities such as travel.

In adjacent industries, the use of online for similarly important personal services, such as health and professional services (legal/financial) consultations, increased to 41% and 16%, respectively, by 2021¹⁶. While some 13.6 million patients used a telehealth service between March 2020 and April 2021¹⁷.

Bain & Company found in a multi-industry study that consumers prefer digital channel experiences for all but the most emotive or complex financial experiences¹⁸. Notably, NPS was highest for customers who completed their transaction digitally end-to-end. The paper also found that the preference for digital channels extends across generations, with ~75% of respondents aged 64 and older also preferring digital channels.

A recent research paper from Vanguard¹⁹ of 1,500 US investors found that investors preferred digital channels to human delivered channels for portfolio outcomes (such as diversification) and functional tasks (such as ensuring all important data was captured and taken into account). This preference then allowed human advisers to focus on emotional aspects of advice such as behavioural coaching and providing emotional support.

These insights are encouraging for super funds wishing to incorporate a digital advice solution for their various member cohorts. While consumers value the convenience, simplicity, and robustness of digital, they also value the aspects which can only be delivered by people. Digital advice offers the best of both worlds by using member data to tailor advice journeys to their needs, leveraging technology for the functional tasks, and supporting members by human advice where needed.



Member wants and needs are merging with new regulations and legislation. Trustees will need to leverage digital technologies that allow them to scale compliantly.

16. <https://www.acma.gov.au/publications/2021-12/report/communications-and-media-australia-how-we-use-internet>

17. <https://www.health.gov.au/ministers/the-hon-greg-hunt-mp/media/universal-telehealth-extended-through-2021>

18. The Customer Imperative in Financial Services, Salesforce with Bain & Company, 2021

19. Quantifying the investor's view on the value of human and robo advice, February 2022

Section 3

Future-proofing intra-fund with digital advice



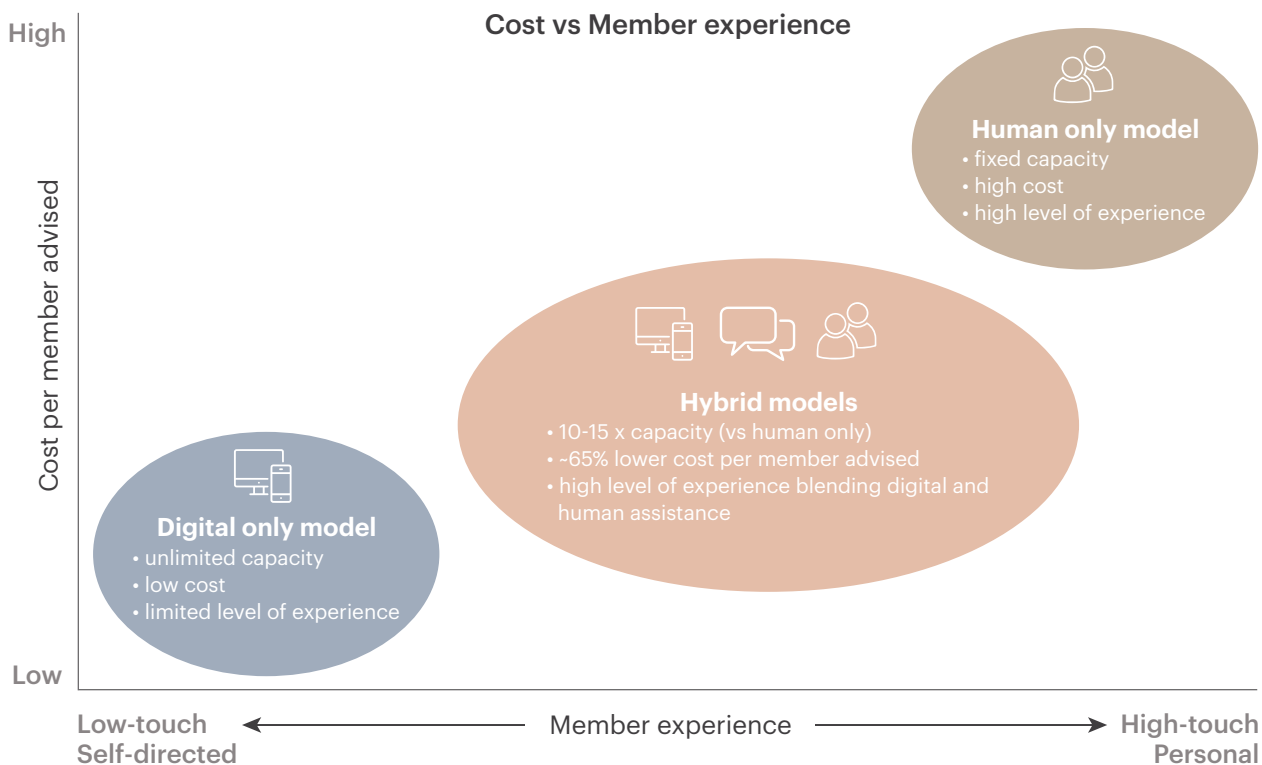
Digital advice is about setting up intra-fund advice for the future. By leveraging or complementing a fund's human-delivered intra-fund advice teams, both phone-based and in-person, digital advice dramatically expands a fund's capacity to assist members and allows more focus on those members and situations needing the most help.

A good digital advice solution for intra-fund advice offers a super fund a range of ways in which it can be implemented, matching the needs of its members and its advice philosophy:

- Fully member-directed, end-to-end digital advice experience.
- Adviser-led, with digital advice acting to greatly expand productivity and reduce costs.
- Hybrid models in between bring an adviser into the advice journey via triage or at the member's request.

Adding a digital advice capability fundamentally changes the economics of advice delivery for super funds.

Current advice models are essentially variable cost models with few economies of scale available. As a result, doubling advice capacity (for example) has represented a substantial increase in costs, with FTE having to be added to in-person or phone-based advice teams. Digital advice solutions change the cost model to a mix of variable and fixed costs. They allow many more members to be served at the current level of expenditure, and for growth in capacity to occur without costs rising in the same proportion.



Serve more members

It is widely accepted by super funds that they cannot provide intra-fund advice (let alone broader personal advice) to all members who would benefit from it via traditional human-led advice teams. With major funds having hundreds of thousands of members or more, the maths of human delivered advice becomes prohibitive. Even if it was possible to hire large numbers of financial advisers – doubtful given the significant shrinkage in industry adviser numbers – the impact on the fund’s cost structure would be ruinous.

That leaves digital as the only realistic solution to a fund’s advice capacity requirements. Ignition’s European experience suggests that financial institutions investing in a digital advice solution will experience:

- an increase in member advice capacity of 10-15x
- a reduction in advice delivery times of >80%
- improvements in the quality of advice and compliance outcomes
- expenditure of a similar level (or in some cases less), to their current human-led advice solution.

These metrics have been achieved using hybrid models of implementation with digital advice leveraging or complementing human advice teams. Ultimately (via member-driven implementation models) there is no cap on the number of members able to be serviced with the deployment of digital advice.

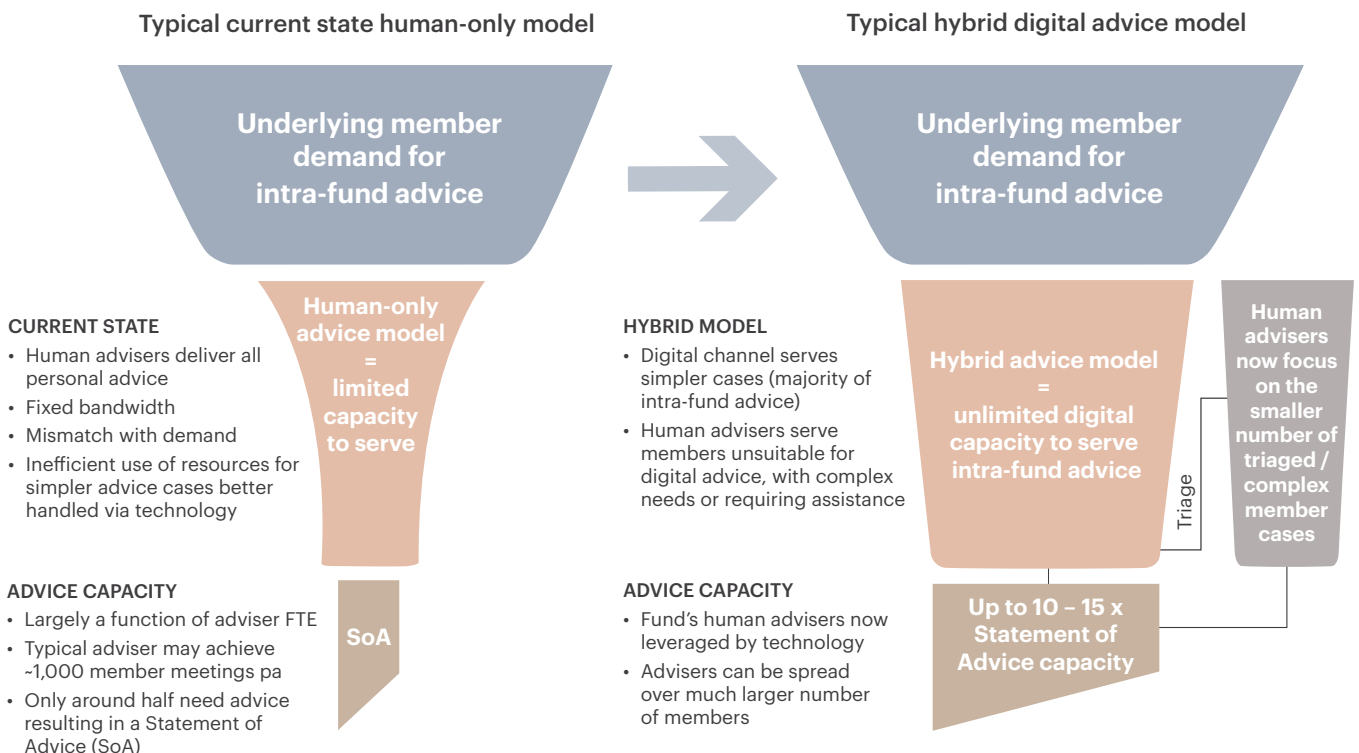
Consistency of experience and compliance by design

When a fund expands its traditional intra-fund advice capacity, it’s not just costs that traditionally expand – so too do compliance and experience issues. Even with the most effective processes, human behaviours result in unwanted variances in advice quality and member experience. The more intra-fund advisers, the more variance, monitoring obligations and potential headaches for management.

A quality digital advice solution removes these issues. Both the fund’s desired member experience and advice compliance plan can be accommodated into the solution design.

The outcome is consistency in experience, predictability in advice outcomes, and a personalised approach. Further, a digital advice capability will deliver a superior compliance track record across the fund’s member base due to the removal of the potential for variation in approaches and advice errors by individual advisers. With a digital advice solution, two members in identical situations would receive exactly the same advice.

How digital advice steps up fund advice capacity



Optimise advisers' expertise

It is similarly well understood that members' needs for assistance change throughout their lives – some being driven by life events, others by the passage of time and growth of their account. Some needs can be solved by information, others by general advice, a defined set by intra-fund advice, and some only by broader personal advice.

Traditional human-led advice capabilities are an expensive approach to solving for these very different needs, and usually require member instigation.

Digital advice capability does not just future-proof intra-fund advice, it can also help a super fund open up a much broader assistance solution across the entire member lifecycle:

- Member financial health assessment.
- One-off advice journeys, whether for intra-fund topics or broader advice needs.
- Connected journeys which create the scope for ongoing advice delivery.
- Member instigated or super fund triggered.

This is also good for a fund's human advisers in terms of role enrichment. Adding digital advice capability allows a super fund's valuable human advisers to be leveraged and focused (via a triage process) on more challenging and complex member situations, or when specifically desired by the member.

Increase member engagement to nurture lifetime relationships

While super funds have always been interested in lifetime member journey, long-term retention is becoming a strategic issue. Long-term, ideally lifetime, retention often results in better outcomes for both members and funds alike:

- For members, staying with a single super fund means avoiding associated costs of switching funds (substantial if they switch to an SMSF), as well as the risk that their new fund performs less well and / or costs more than their original fund.
- The fund benefits by retaining member and asset scale, resulting in lower costs and better investment performance for every member.

Positive member engagement is pivotal to member retention, and offering digital intra-fund advice can add a scalable level of personalised contact with members that is not possible through call centres or general member email updates.

The journey structure of digital advice allows super funds to provide members with intra-fund advice as they grow their super over years or decades, including helping members to understand what their 'next best action' would be, based on their personal situation at any given time.

This can offer a range of benefits to funds:

- Lift awareness of the overall advice offer, including guidance and comprehensive advice (where applicable).
- Improve member experience.
- Increase member engagement.
- Increase member advocacy.
- Improve member retention, particularly pre-retirement at-retirement segments.

Build member confidence to enjoy retirement

Members' level of confidence in achieving their desired retirement is an important metric which many super funds measure regularly.

While Australian super funds have objectively performed very well for their members compared to global peers, the behaviour of many retirees indicates that confidence to enjoy a dignified or comfortable retirement is not as high as it could be.

Research has shown that many members remain unsure about whether they will have "enough" assets to fund their retirement, and that large numbers of retirees do not feel comfortable drawing more than the minimum pension in retirement, despite financial modelling indicating that they could afford to spend substantially more than they do²⁰. There is a particular difficulty in helping retirees overcome a reluctance to draw down capital over time, rather than living solely from the yield generated by their capital.

There are some rational reasons for this behaviour, including concerns around future health and aged care costs, and fears of running out of money before they die. But part of the issue is that funds have been unable to educate, guide, or advise enough members to address those concerns, giving members the comfort they need to draw more income in retirement and enjoy a more comfortable lifestyle. Digital advice, as part of a fund's overall service offer, increases the potential for many more members to enjoy that higher level of confidence in retirement.

20. Treasury Retirement Income Review Final Report July 2020



Section 4

What to look for in a digital intra-fund solution

While there is broad acceptance that super funds need to digitise as many processes as possible to improve quality, accessibility, and lower costs, the lived experience of digital initiatives has been mixed. Some 58% of IT leaders report ‘somewhat challenging’ digital transformation (DX) experiences to date²¹.

However, implementing a digital advice solution no longer means an enterprise-wide digital transformation, or a multi-year rollout. If funds choose the right provider, implementing digital advice (intra-fund or otherwise) can be faster, cheaper, and less disruptive than most digital projects.

To select the right digital advice solution for their fund, Trustees should look for expertise in five key areas:

- **Platform integration** – A high quality digital platform will offer swift and smooth integration into a fund’s existing tech stack and digital ecosystem(s).
- **Member experience** – Digital advice journeys must be developed with members at the centre of the user experience to ensure high levels of engagement.
- **Data privacy and security** – Baseline security measures are a must, but choosing a provider that offers externally-audited information security controls, hosting of member data within jurisdiction, and proven compliance with privacy regulations such as GDPR, will provide trustees with greater peace of mind.
- **Sector expertise** – In-depth knowledge of digital deployment, financial advice, and the Australian superannuation landscape will support quicker time to market.
- **Ability to future-proof** – Continuous evolution of both super and financial advice governance demands that any digital platform must have capacity for swift updates to ensure ongoing regulatory and business compliance.
- **Proven experience** – A provider that brings deep experience in designing, implementing and managing digital advice solutions ensures confidence and trust.

21. <https://www.zdnet.com/article/digital-transformation-is-changing-heres-what-comes-next/>

This priority checklist will help Trustees identify the right digital advice provider:

Area of expertise	Questions to ask digital advice providers
Platform integration	<ul style="list-style-type: none"> <input type="checkbox"/> Does the platform seamlessly integrate into existing digital ecosystems and experiences? Can your provider contemplate two-way data sharing? <input type="checkbox"/> What experience does the provider have in implementation? <input type="checkbox"/> How rapidly can the platform be implemented?
Sector expertise	<ul style="list-style-type: none"> <input type="checkbox"/> Does the provider have deep knowledge and understanding of financial advice? <input type="checkbox"/> Does the provider have understanding and experience of the Australian superannuation industry complexities? <input type="checkbox"/> Is the provider familiar with Australian financial regulatory requirements? <input type="checkbox"/> Does the provider have experience in designing member first solutions?
Proven experience	<ul style="list-style-type: none"> <input type="checkbox"/> Does the provider have case-studies and referenceable clients for previous deployments?
Member experience	<ul style="list-style-type: none"> <input type="checkbox"/> Does the platform offer an omni-channel experience incorporating needs analysis, guidance and advice for a seamless member and adviser experience? <input type="checkbox"/> What level of confidence can be delivered in member completion rates? <input type="checkbox"/> Does the platform allow flexibility in brand and tone of voice to create your unique (and on-brand) member experience? <input type="checkbox"/> Does the platform facilitate triaging to ensure only suitable members use the process?
Security and compliance protocols	<ul style="list-style-type: none"> <input type="checkbox"/> Does the provider have current ISO/IEC 27001:2013 registration? <input type="checkbox"/> Does the provider consider compliance by design? <input type="checkbox"/> Does the platform facilitate comprehensive audit and control processes?
Future proofing	<ul style="list-style-type: none"> <input type="checkbox"/> Is the platform easy and cost-effective to update for regulatory and business changes? <input type="checkbox"/> Does the platform enable iterative deployment to launch single advice journeys and add new member journeys at a later date?

Asking these questions gives funds the opportunity to explore, understand, and compare provider capabilities, and ultimately ensure confidence in platform choice.

Section 5

Why Ignition?



We help our clients build their advice vision in a fast and scalable way, making financial advice available and accessible to large numbers of super fund members who may have never experienced the benefits of financial advice. We do this in a way that allows every Ignition client to develop a unique digital advice offer that reflects their strategic objectives and their vision for financial advice. No two Ignition clients have exactly the same digital advice solution in market.

We put the member at the centre

Accessing financial advice has never been easier for members, because we put them at the heart of the experience.

We work with our clients to enable a super fund advice journey that helps members make the most of their super by speaking their language and providing simple and effective advice.

We build from a foundation of customer design that solves the needs of the human user by:

- Putting the member at the centre of the advice experience.
- Applying psychology to nudge members confidently through the journey.
- Developing information hierarchy to accommodate different levels of financial literacy and interest.
- Anchoring recommendations to member needs and goals.
- Providing insights and context while speaking the member's language: "Strategy A will enable your retirement goals" vs. "Strategy A will leave you with \$150k."

Like many of Australia's leading super funds, Ignition's approach centres on the member. Starting with the member, we build the features and experiences needed for an easy, personal, robust, and compliant advice journey experience. And where needed, we offer additional services to meet the more expert needs of advisers.

The result is a connected and seamless customer experience, focused on what members care about – easy, convenient advice to achieve their goals.

Our customer-first technology principles



Universal: to make help accessible, welcoming and respectful.



Use Friction: to help members pause and think before proceeding.



Human: it's about the members, not the super fund or the platform.



Iterate, then iterate again: keeping things easy and bite-sized.



Resonant: addressing members' problems in a way that's appealing to them.

Australian technology, proven international experience

At Ignition, we are proud to be an Australian founded, advice technology company. We are also proud to deliver our services to global institutions in Europe and the UK.

We are a leading global specialist in digital advice, supported by a team with decades of local and international financial advice expertise. Our work is focused on the digital delivery of personal advice, centred on the member.

We are seeing rapid adoption of digital advice models in these regions, where institutions are typically partnering with fin-tech 3rd-parties²² to deliver digital-first channels to their customers. Adoption drivers include:

- A need to provide retirement advice to large numbers of pension fund members with small to medium sized accounts.
- A desire to provide a solution to the mass market of investors for whom traditional advice is too costly or over-engineered.
- A desire to achieve the quantum of productivity improvements for advice (cost, time) which have been experienced in other service industries.
- Recognition that many customers now prefer to engage digitally.
- Regulatory evolution such as the UK's Investment Pathways, a type of smart default requiring non-advised drawdown pension customers (similar to an Australian allocated pension) to pick one of four pathways that meet their individual objectives prior to accessing their pension savings.

While the Australian advice landscape differs in respects to that in the UK and Europe, we share enough similarities across regulation and market dynamics for Australian super funds to safely reference them as an example of how a digital intra-fund advice solution could work.

Like Australia, the UK at-retirement pension market has particularly strong demand for advice. It is a time when key decisions must be made, and there are large numbers of members with small to medium accounts who would benefit from advice on choosing whether to cash out or commence a drawdown income stream.

To support these members, we are seeing digital advice models being adopted across the UK with hybrid models being the preferred approach. Hybrid models integrate digital advice capabilities – ranging from financial health checks through to personalised advice – with an existing human adviser capability. This is dramatically improving productivity, and allowing UK institutions to serve segments for whom advice fees have become prohibitive.

Applying our successful experience in the UK and Europe to our deep knowledge of the Australian market enables super funds to confidently add a new digital-first channel to their offer.



Our clients' results show that digital advice is making financial advice cheaper, faster, and more accessible:

- **Reduced operating overheads by 65% or more**
- **Ability to service 10-15x more clients**
- **Reduced advice delivery time frame by >80%**

Enterprise-grade SaaS platform with world-class security

Our SaaS platform provides smarter, more flexible and more secure advice delivery, while integrating seamlessly into existing systems.

Ignition has held an externally-certified Information Security Management System compliant with ISO/IEC 27001:2013 since 2018. This certification provides baseline assurance that we take security of member information extremely seriously.

In addition, we submit Ignition's platform to six-monthly "penetration tests" from professional software security experts. This ensures we are able to address any potential risks quickly and effectively. We also conduct automated vulnerability scanning and static code analysis on a daily basis to ensure our systems are up to date with protection against known current threats.

22. <https://www.ftadviser.com/your-industry/2020/03/13/which-robo-advisers-are-working/?page=2>

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 superannuation funds, banks, insurers 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 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](https://www.discoverignition.com)

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