



APAC Insights

Insights from
our submission
to the Quality of
Advice Review

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, life insurers and wealth managers worldwide. Our SaaS platform integrates seamlessly into existing systems enabling our clients to deliver a frictionless, 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

In response to the Quality of Advice Review (QAR) Issues Paper, Ignition Advice is pleased to have made a confidential submission.

This edition of our APAC Insight series highlights six key areas of discussion from our submission.

For more information, please contact our APAC CEO, Craig Keary, at Craig.Keary@ignitionadvice.com

Technology the only realistic solution to the QAR's objectives.

Australia's advice gap is growing and will only get bigger as a perfect storm of regulatory, demographic and environmental factors converge to place quality advice even further out of reach for the everyday consumer.

Adviser numbers are in significant decline due to advice re-regulation, while the number of consumers needing accessible and affordable advice is rising. Consumer cohorts such as baby boomers are already retiring – 100% will be over 65 by 2030 – as are a substantial number of Gen-Xers.

How best to make a significant dent in that gap? The Quality of Advice Review Issues Paper raises both incremental changes to advice regulation, and the more substantial possibilities arising from technology. The key issue is that incremental measures, which add, say, 10% to capacity or reduce costs by 10%, will not be anywhere near enough to close the gap. Other cost initiatives, such as reducing the current regulatory load, are also worthwhile, but it is clear that the cost reduction potential of such initiatives will also be incremental in nature: they will not improve accessibility or reduce the cost of advice by 50% or more. To deliver that

scale of improvement, you need disruptive changes to the supply of advice, which only technology-based initiatives can deliver, and at advice price points which are in-line with consumer expectations and/or the financial capacity of institutions.

Digital fundamentally changes the economics of advice delivery

For institutions, their current human advice modes are essentially variable cost models with limited opportunities for economies of scale. For example, doubling advice capacity could only be achieved by adding additional FTE resourcing to existing in-person or phone-based advice team, resulting in a substantial increase in costs.

Digital advice solutions, however, reduce the average cost per piece of advice by changing the cost model from fully variable to a mix of variable and fixed costs. This allows many more customers to be served at the current level of expenditure, and for growth in capacity to occur without costs rising in the same proportion, thereby reducing the cost to serve for each piece of advice.

Whether an institution is seeking to use digital advice to scale their current human advice model, or to introduce a new distribution channel, they should consider a number of factors.

These include the type of advice, the deployment model selected (customer-driven through adviser-led and hybrid models in between), the scale available to the advice provider, growth and so on. For example, a large super fund wishing to digitise intra-fund advice via a model that adopts hybrid digital advice (where technology leverages the human advice force rather than replaces it), can achieve a step-down in costs of approximately two-thirds (around \$100 or less per piece of intra-fund advice).

Digital advice defined

Digital advice can be seen as the next generation of advice delivery. Robo-advice, which is often confused with digital advice, is a first-generation term.

Robo typically takes consumers through a simple fact find, and then uses algorithm calculators to allocate or suggest a suitable investment portfolio – usually investment-only and not catering to retirement products such as super, or suggest a suitable investment portfolio – usually investment-only and not catering to retirement products such as super, or insurance products. Robo ticks the boxes for providing convenience and self-serve for consumers, and can be a quicker and more affordable way to invest non-super savings.

Digital advice, however, is the digital enablement of advice delivery. It includes delivery of single-issue personal advice with a Statement of Advice that complies with best interest duty and related obligations. Digital advice also uses fact-finds and algorithms, but where robo focuses on how to allocate an investment, digital advice encompasses whether or not the customer should be investing, or adding to super, or various other strategies, because of affordability, suitability of, or complexity of advice needs.

Regulatory changes are not required to enable the adoption of digital advice by Australian institutions

Hybrid digital advice is the next generation

Ignition's view is that the regulatory framework does not hinder the provision of digital advice and that regulatory changes are not required to enable the adoption of digital advice by Australian institutions. Digital advice is a new way to access single issue personal advice and is not a different form of advice in itself. It can be delivered via three modes:

1. Customer-led, where there is no human adviser/involvement and help and education is available within the advice journey.
2. Adviser-led, with a human adviser leading the customer through the advice journey.
3. Hybrid, where the customer is able to seek help as needed, or on a triage basis as they progress through the digital advice journey.

Institutions can be confident that digital advice swims between the flags, and meets all compliance requirements of traditional advice rules such as best interests duty, and appropriateness test.

Importantly, digital advice does not result in any dilution of compliance standards. Rather, the automation of data gathering, checking and algorithmic development of recommendations, results in consistent and quality advice outcomes for consumers. Data collection is streamlined and automatically checked for outliers, errors, inconsistencies and conflicts. Nothing can slip through the cracks of digital collection.

Institutions can be confident that digital advice swims between the flags. It meets all compliance requirements of traditional advice rules such as best interests duty, and appropriateness test.

Digital advice serves new markets

It is a common perception by many consumers that financial advice is for the wealthy, and traditional providers typically target the minority who have significant levels of investable assets and/or income. Yet it's everyday consumers who are actually the most in need of, and would benefit from, financial advice. And everyday consumers can be reached by large financial institutions – super funds, banks, insurers - who already have relationships with them.

The benefits of digital advice for institutions (and consumers) include that ultimately there is no cap on the number of customers they can economically serve via a digital model, due to the much more efficient allocation of resources. This is the advantage of the hybrid advice model, where the institution's human advisers deal primarily with the customers most in need of human intervention, while the institution's digital advice capability deals with those customers who have simpler requirements, need less human intervention, and/or have a preference for digital channels.

For the consumer, the advice accessibility and affordability equation is transformed. They can access advice when and how they like, 24/7, via the institution's digital advice capability, with human advisers standing behind the process, as and when needed.

They will come when you offer it

Australians are famously fast adopters of digital technologies that are done well. Additionally, and by necessity, the pandemic has accelerated the digital adoption of high value services by the wider population. Even high value services previously delivered primarily face-to-face, such as medical and legal, are now delivered through digital channels, offering a strong evidence point that consumers are also likely to welcome increased accessibility to financial advice via digital means.

There is no turning back: digital is coming to advice just as it has to other financial and professional services. Institutions are well placed to deliver digital advice at scale to meet this need, making financial advice, and financial wellbeing, more accessible and affordable for everyone.



We propose that digital advice technology is the only realistic route to achieving the goals of providing Australians with low-cost, compliant and robust personal advice at scale.

Australia's financial institutions are ideally placed to reach significant numbers of Australians and close the advice gap via deployment of a digital advice capability.



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.

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