

Investors losing faith in advisors

(12 February 2009 – Australia) Research conducted by East & Partners in January 2009 shows a considerable change regarding where High Net Worth Individuals (HNWI) will go to seek advice regarding their future wealth creation.

At present, HNWIs place 63.8 percent of their net investable wealth under advice and directly manage the remaining 36.2 percent.

However, the financial events of the past twelve months have resulted in a dramatic fall in personal wealth, with over 50 percent of the HNWIs interviewed saying their net wealth has been reduced by 20 percent or more.

This considerable reduction in the net wealth of HNWIs has caused them to re-evaluate their wealth creation strategies. Most significant is the fact that the vast majority of HNWIs (72.5 percent) are planning to directly manage future investable funds with only 27.5 percent saying that they would use an advisor.

There is also an enormous change regarding where HNWIs intend to park future investable funds. At present, only 6.1 percent of a HNWIs wealth is placed in cash/bank deposits. However, were those same HNWIs to have \$100,000 in clear investable funds today, an average of 67.9 percent of it would be placed into cash / bank deposits.

"These results clearly illustrate that the investment landscape has changed significantly. The events that have rocked financial markets around the world in the past year have dramatically eroded the personal wealth of HNWIs. As a result it appears that HNWIs have simply lost confidence in their current wealth advisors," East & Partners' head of market analysis, Robert Morgan said.

"Our research shows that only a very small percentage of HNWIs place their wealth creation in the hands of their business bank. However, with HNWIs being disillusioned with their current advisor, a clear opening exists for the major domestic banks to assume the mantle of HNWI 'trusted advisor' and significantly grow their private banking business units," Mr Morgan said.

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About East & Partners' Research

The research discussed above is based on direct interviews conducted in January 2009 with 881 Chief Financial Officers who qualified as being High Net Worth Individuals i.e. each individual had investable wealth over A\$1 million.

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