Australian Ethical

Opportunity next

Capturing the great generational wealth transfer

Disclaimer

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Information from CoreData's syndicated studies, the Adviser Pulse Check and Investor Sentiment Index, were also used in this paper to provide further background and context.

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Investing ethically and sustainably means that the investment universe will generally be more limited than non-ethical, non-sustainable portfolios in similar asset classes. This means that the portfolio(s) may not have exposure to specific assets which over or underperform over the investment cycle, and so the returns and volatility of the portfolio(s) may be higher or lower than non-ethical, non-sustainable portfolios over all investment time frames.

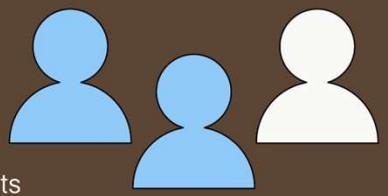
Australia's great generational wealth transfer is underway

A transformative shift is occurring in the Australian financial landscape as Baby Boomers transition from accumulating assets into decumulation. The transfer of their wealth to the next generation has already begun as many look to share their wealth with the next generation while they are still alive.

$3.5 trillion

in wealth is anticipated to change hands from Baby Boomers to a new generation of investors over the next two decades[1]

Nearly 2 in 3

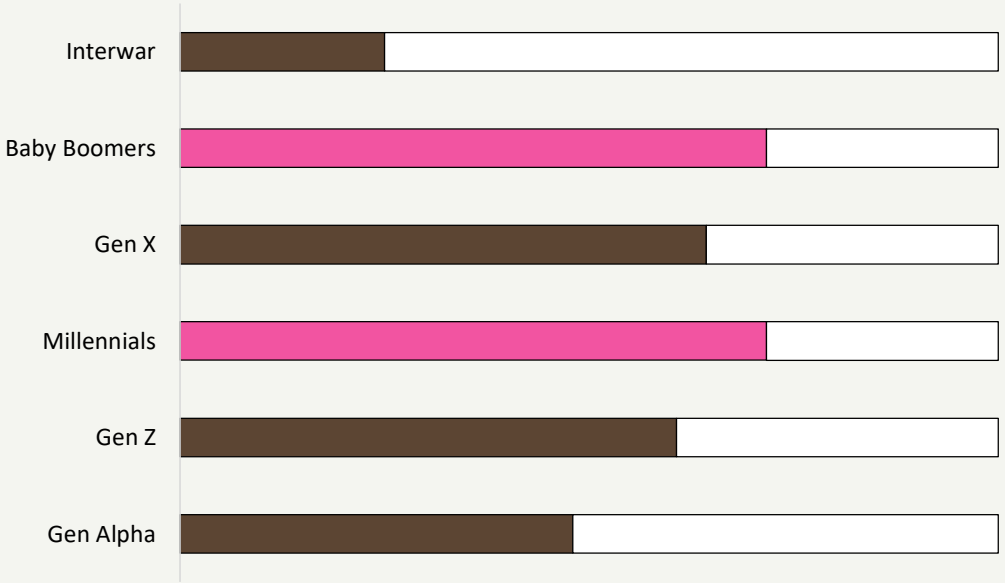


financial advice clients are Baby Boomers or older

1. Productivity Commission 2021, Wealth transfers and their economic effects, Research paper, Canberra; pc.gov.au/research/completed/wealth-transfers

Australia’s generation shift

In the mid-1960s, nearly two in every five Australians were Baby Boomers



Baby Boomers and **Millennials** now each account for 21.5% of the nation’s 25.5m residents[1]

Baby Boomer
Born 1946-1964

Gen X
Born 1965-1980

Millennials (Gen Y)
Born 1981-1995

Gen Z
Born 1996-2009

1 Australian Bureau of Statistics, Population: Census 2021; abs.gov.au/statistics/people/population/population-census/2021

Savvy advisers are leaning into this opportunity and realising the benefits

Many advisers are proactively engaging with their clients' children & beneficiaries in a bid to strengthen relationships, retain their clients, and protect and grow the future value of their practice.

of advisers **actively encourage** clients to involve their children/beneficiaries in wealth transfer conversations

↓

Retain >50% of clients **77%**

Retain <50% of clients **23%**

More touchpoints with clients' beneficiaries **79%**

Increase in client satisfaction **77%**

↓

Client retention and engagement benefits

meanwhile **wait** for their clients to suggest involving their children/beneficiaries in wealth transfer conversations

↓

Retain >50% of clients **47%**

Retain <50% of clients **53%**

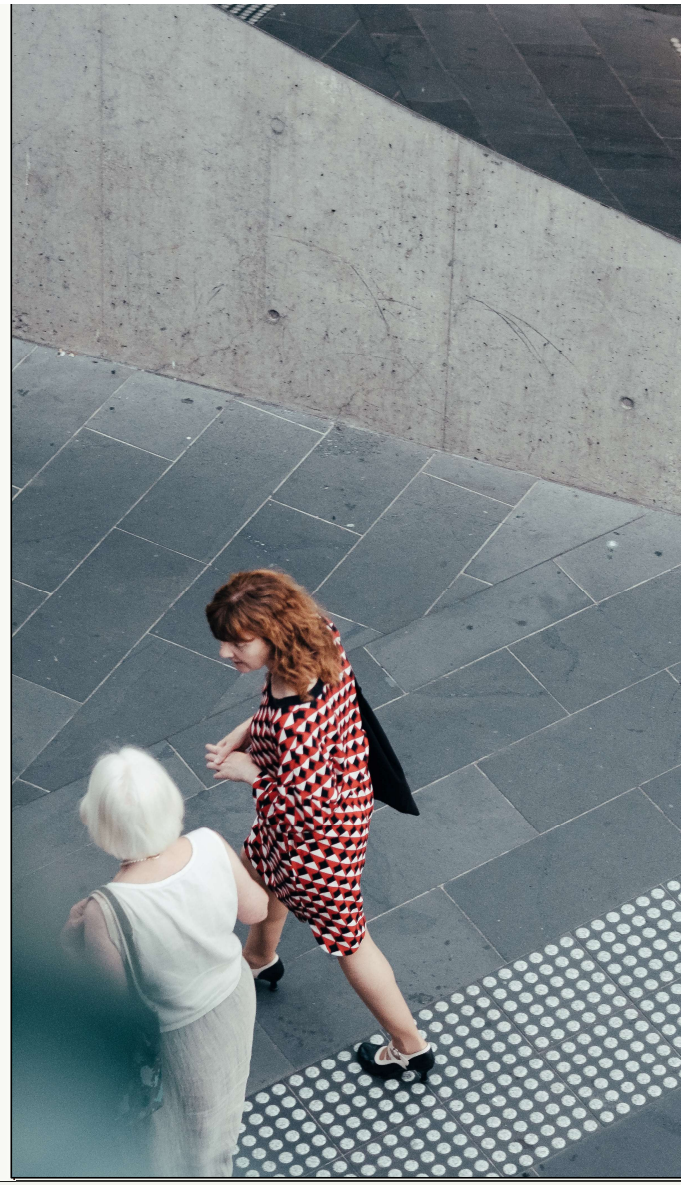
More touchpoints with clients' beneficiaries **56%**

Increase in client satisfaction **56%**

↓

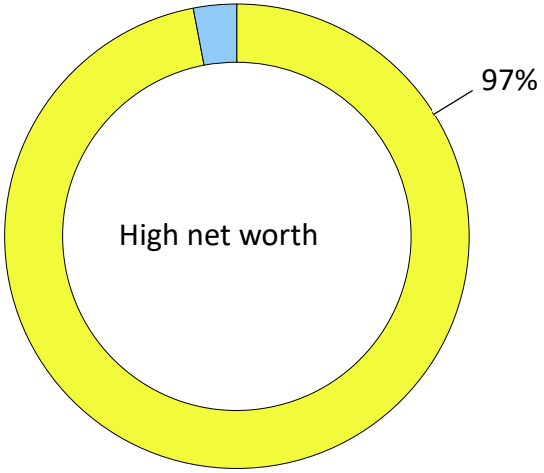
Client retention and engagement opportunity loss

7% of advisers prefer not to involve their clients' children or beneficiaries at all.

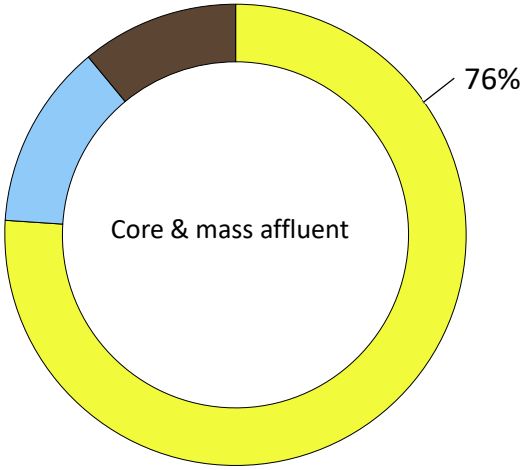


The trusted relationships advisers have with their clients is prized

HNW clients would **almost unanimously** recommend their adviser to their children



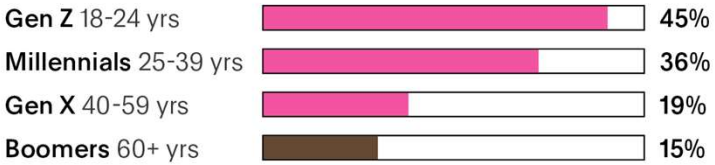
Over 3-in-4 core and mass affluent clients would recommend their adviser to their children



Understanding the needs of next-gen clients

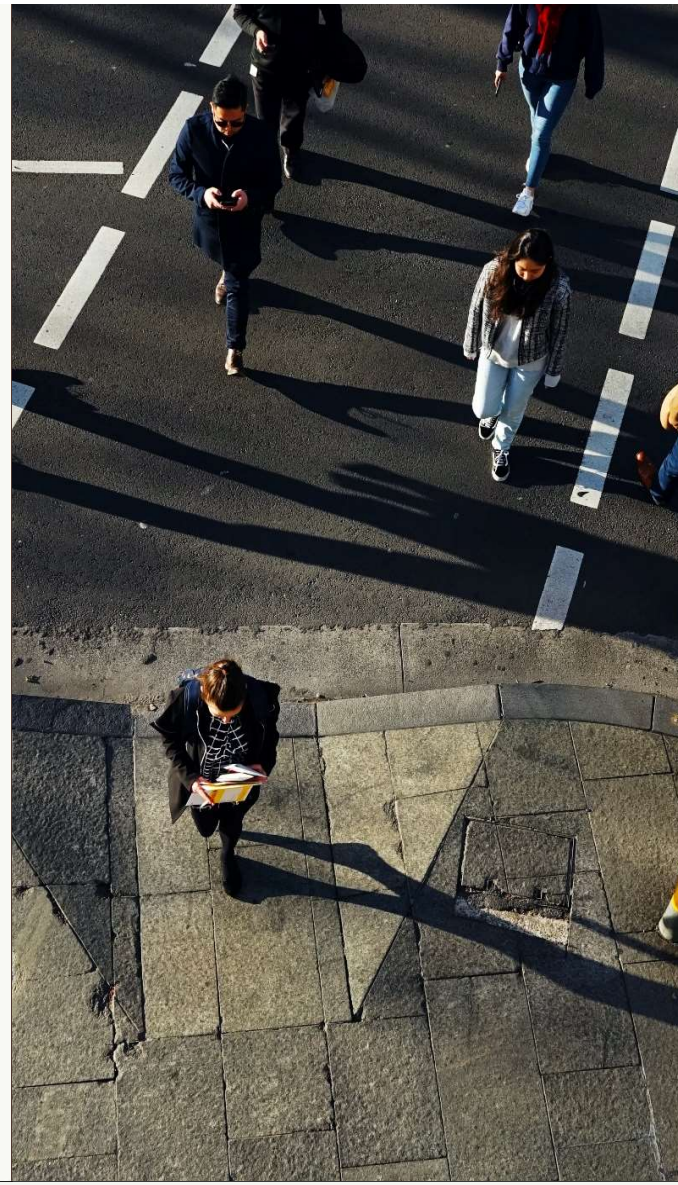
While Baby Boomers are focused on the preservation and orderly transfer of their wealth, their children & beneficiaries will inherit these assets with new objectives and a distinctly different set of values – how they invest won't necessarily resemble the way of their parents.

A greater proportion of younger Australians plan to invest responsibly in the next 12 months[2]



of consumers now **expect** financial advisers to be knowledgeable about responsible investment options[2]

This is now the #1 expectation Australians place on financial advisers (ahead of investment returns)



2. Responsible Investment Association of Australia, From Values to Riches 2022: Charting consumer demand for responsible investing in Australia; responsibleinvestment.org/aus-consumer-research

Advisers are tapping into responsible investing to support their strategy

With growing interest from Gen X and Millennials in investments that deliver ethical outcomes, many advisers are leveraging responsible investing to help address their needs.

52%

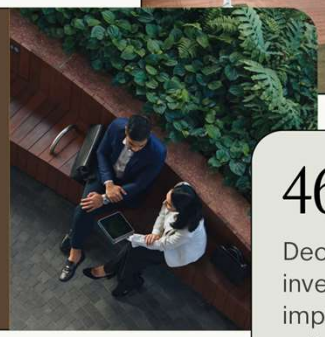
Advisers agree demonstrating a strong understanding of responsible investing can help attract more young clients

47%

Nearly half of advisers have incorporated responsible investing into their advice value proposition

91%

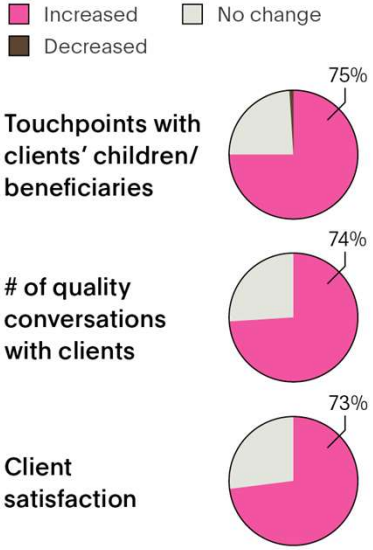
Recommend responsible investments either actively or in response to client demand



46%

Declare responsible investing is an important factor in satisfying their Best Interest Duty to clients

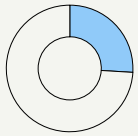
Advisers with responsible investing in their value prop report strong client engagement through the wealth transfer process.



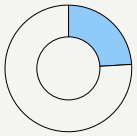
How advisers are planning to address the opportunity

47% plan to facilitate family conversations

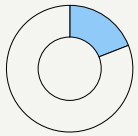
40% are engaging clients now



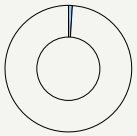
26% plan to further education and learning



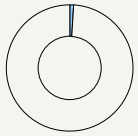
24% plan to quantify the opportunity in their business



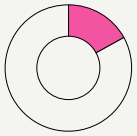
19% plan to develop a proposition for this segment



1% plan to form a special business unit to focus on this segment



1% have other plans



17% have no current plan but will develop one

Multiple responses permitted.

Download the full report

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