The Advisable Australian

The Emerging Affluent

Fight for the future market

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Introduction – The fight for the future market

The Emerging Affluent are Advisable Australians who are the ideal future clients for financial advisers, now and in the future. They are younger individuals with higher-than-average incomes, household wealth that is growing, and a strong appetite for investing.

In The Advisable Australian Volume 1: A new way to think about Australian investors report, we identified groups of Australians (aged 30+) who were more likely to seek financial advice. In Volume 2 we do a deep dive on one specific group of The Advisable Australian, The Emerging Affluent.

The Emerging Affluent, as the name suggests, are younger individuals who are on the way to becoming affluent – a group of people with more potential to earn.

They are typically highly educated and often have senior job roles and management positions. They have healthy incomes, sizable investments and a large appetite for further investments. They are generally found in metro areas and are extremely confident technology users.

This is a group that has the advantage of time where their wealth will likely continue to grow. Also, as their Baby Boomer parents age, the wealth transferring down to this next generation will increase. We see this happening already, but the peak is still approaching.

The Emerging Affluent control about $2.2 trillion of household wealth, which includes their investment assets, house and superannuation.

There are 1.5 million of them and on average these individuals have investment assets of $260,000.

The Emerging Affluent have an appetite and understanding of financial advice which is larger than any other group. One in four (39.9%) use advice today, whilst a further five in 10 (51.5%) are likely or would possibly take up advice. Only one in 10 say they would never use financial advice.

Of those Emerging Affluents not using advice, almost 7 in 10 (67.2%) per cent plan to realistically start receiving advice in the next five year.

For wealth businesses to thrive into the future The Emerging Affluent is a critical market to be aware of, if they are not already servicing them today.

This report is a playbook for financial advisers on how to attract, manage and retain The Emerging Affluent.

We examine:

1. **Their profile:** Who they are, considering the six unique dimensions of The Advisable Australian. Refer to page 08.
2. **Marketing tactics:** How to reach and market to them, including their pricing needs and how to overcome their barriers in seeking advice. Refer to page 31.
3. **Tailoring your value proposition:** How to make sure your advice and service proposition meet their needs, including their communication preferences. Refer to page 39.

The Advisable Australian Survey which is the basis for these reports was conducted by CoreData and in field from September 28 to October 10 2020 and received 1,012 valid responses consisting of 618 responses from those 'currently advised' by a financial adviser and 235 'never advised' and 159 'previously advised.'

The Advisable Australian age and affluence segmentation model

In this report we segment The Advisable Australian universe by two dimensions, age and affluence, resulting in four distinct persona segments.

1. **Emerging Affluent:** Under 45 years old, wealthier individuals, highly engaged and interested in investing, most likely to seek an adviser.
2. **Emerging Mass Market:** Under 45 years old with modest to low wealth, with low levels of investing.
3. **Established Affluent:** Over 45 years old, wealthy individuals, highly engaged in investing and most likely to already have an adviser.
4. **Established Mass Market:** Over 45 years old, lower-income earners with fewer investments.

"Emerging" is defined as those aged under 45 years old, while "established" is defined as those aged over 45. The definition of "affluence" versus "mass market" considers a combination of personal income, household income, residential property value relative to debt, the household's investment portfolio and super.

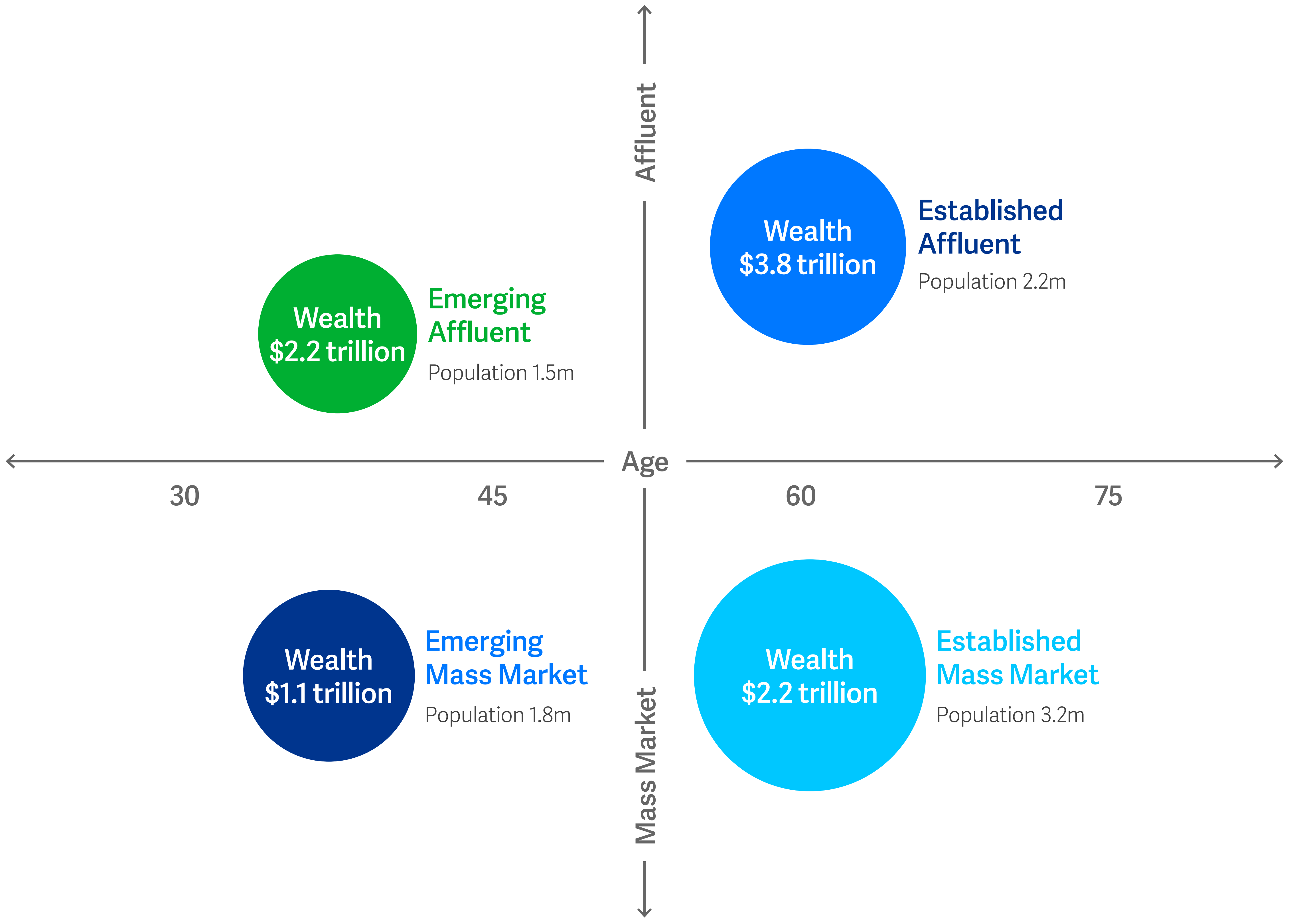
A person shifts from the mass market to being defined as affluent when they reach a certain threshold on any of the following wealth measures – that is to say, an individual is regarded as affluent if:

- Personal income is greater than $100,000, or
- Household income is greater than $150,000, or
- Household investment portfolio is over $250,000, or
- Residential property equity is greater than $650,000 (this is determined by subtracting outstanding household debt from residential property value), or
- Household super is greater than $100,000 (if under 35 years old), greater than $250,000 (if 35 to 45 years old) and greater than $500,000 (if aged over 45 years old).

The Emerging Affluent is the smallest group measured by number of people, yet it is the second-largest group in terms of household wealth. There are 1.5 million Emerging Affluent individuals, with household wealth totaling $2.2 trillion.

This combined with the fact that they are the most likely to seek advice in the short term (and are also the least likely not to seek advice), makes them as an important as the older Established Affluent as a target market.

Age/Affluence model: The four segments by age and wealth



The Advisable Australian age and affluence segmentation model

As the name suggests, The Emerging Affluent and Established Affluent are relatively wealthier than the mass market segments.

We see that The Emerging Affluent have the highest average household income at around $202,000, the highest average household property value at just over $1 million and the second highest average household investment portfolio, at around $286,000.

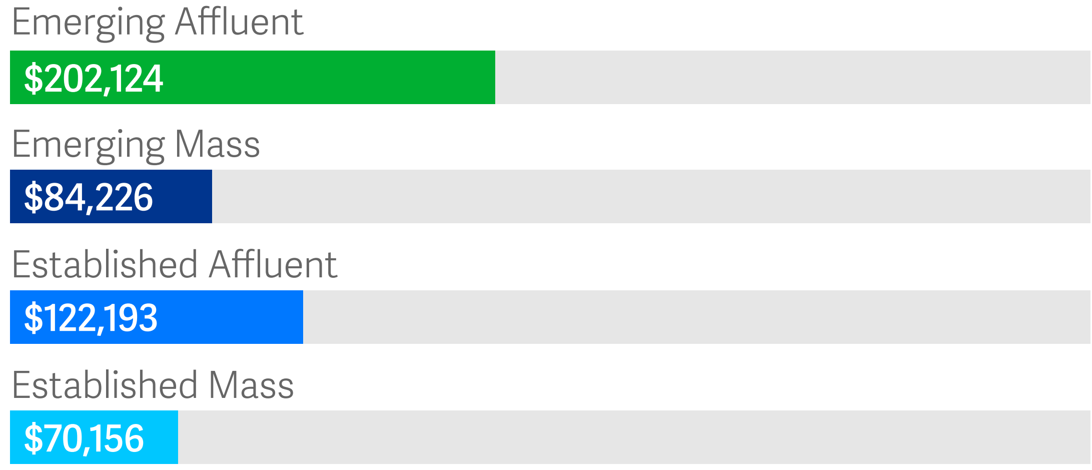
They also have higher super balances. When compared to their age-related peer group, The Emerging Mass, they have significant higher super balances ($229,000 versus $90,000).

They have an advantage in terms of age, having more time to accumulate wealth.

Both Emerging groups are younger at, on average, 37 years old while the Established Affluent group is 60 years old and The Established Mass Market group is slightly older at 61.

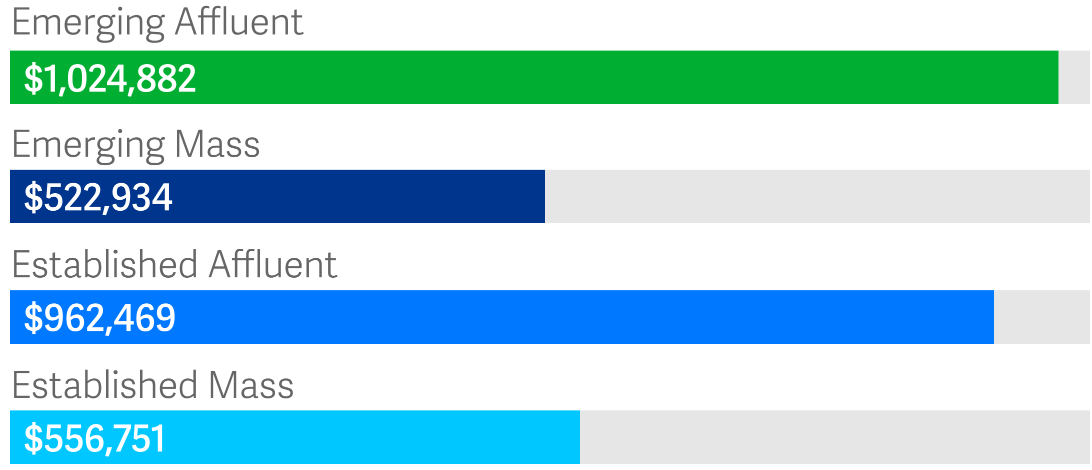
The Emerging Affluent has by far the highest average household income

Average household income



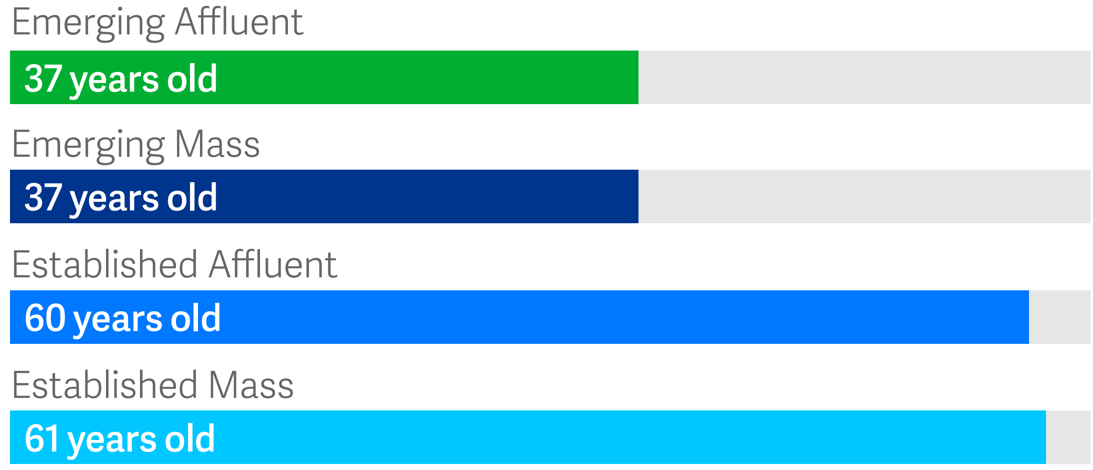
Emerging and Established Affluent groups have high and similar property values

Average residential property value



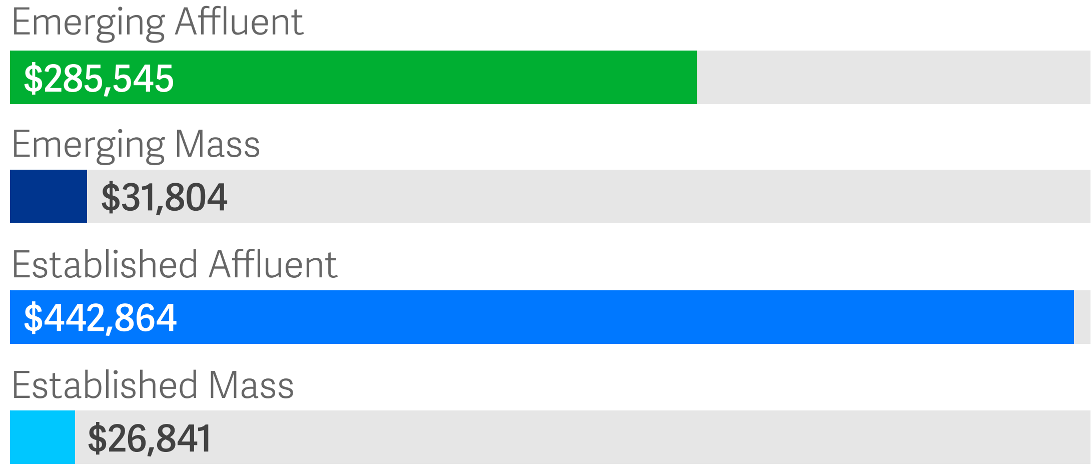
Average age for the Emerging Affluent is 37 years old

Average age profile in years



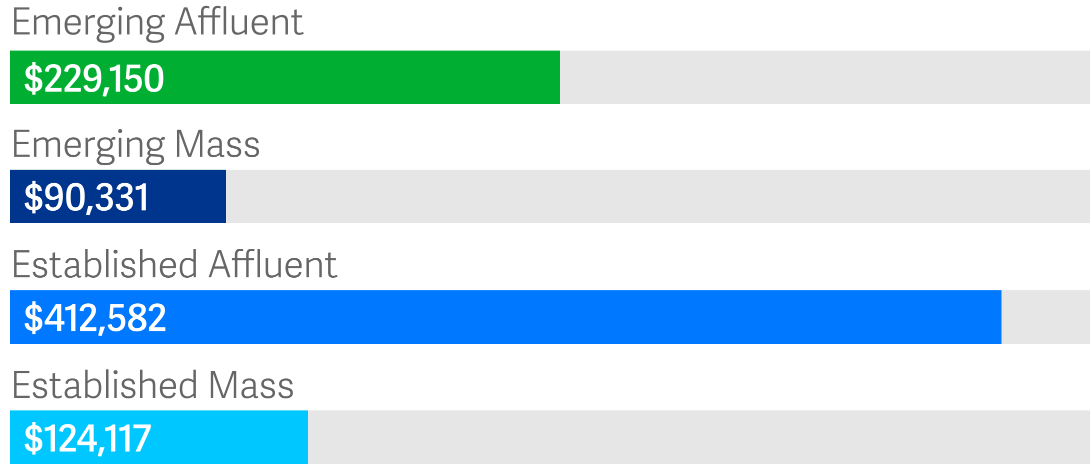
Emerging Affluents have the second largest investment portfolios on average

Average household investment portfolio



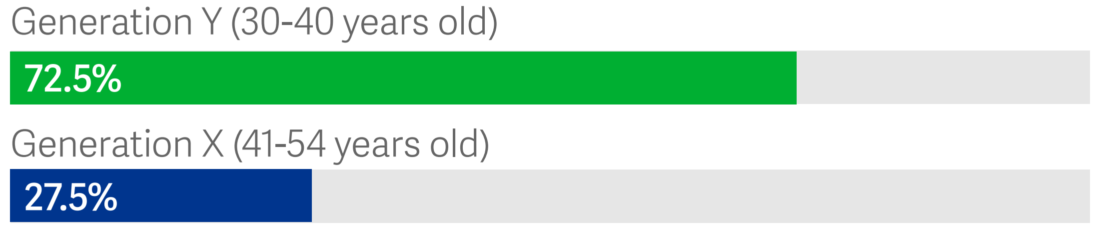
Emerging Affluents have significantly more super than their similar aged peer group, the Emerging Mass

Average household superannuation



The Emerging Affluent are mainly Gen Y

Emerging Affluent by generation band



Averages only tell part of the wealth story of Emerging Affluents.

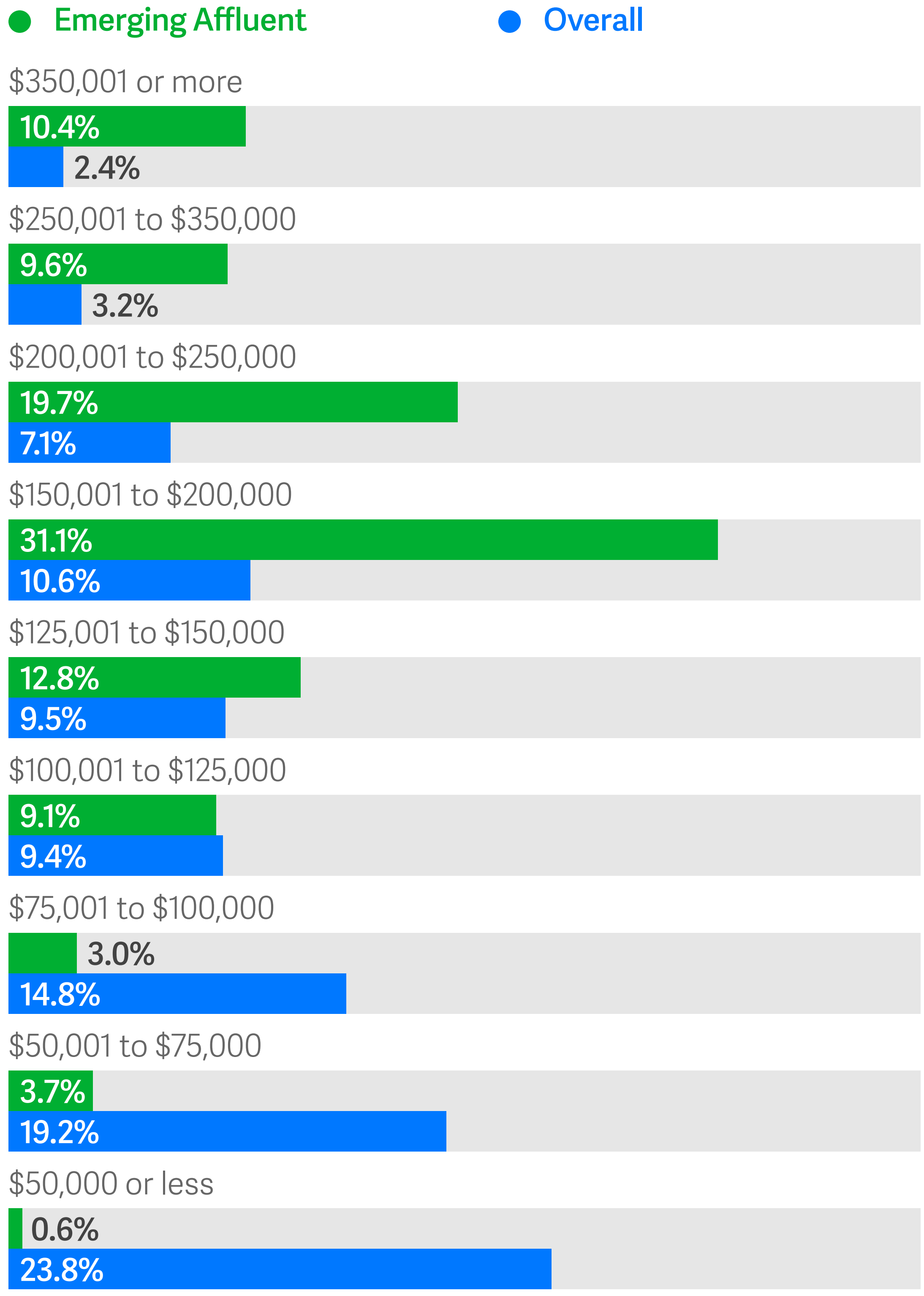
We see almost half (49.7%) of the Emerging Affluent have household incomes of $200,000 and higher, with over one in ten (10.4%) having incomes of 350,000 and above.

They have higher levels of debt when we compare them with the overall Advisable Australian. Around half (50.8%) have a debt level of $250,000 or greater, whereas only 23.0% of the overall population have the same amount of debt.

In terms of their household wealth, over four in 10 (45.6%) have more than $1 million (compared to 32.8% of Advisable Australians overall).

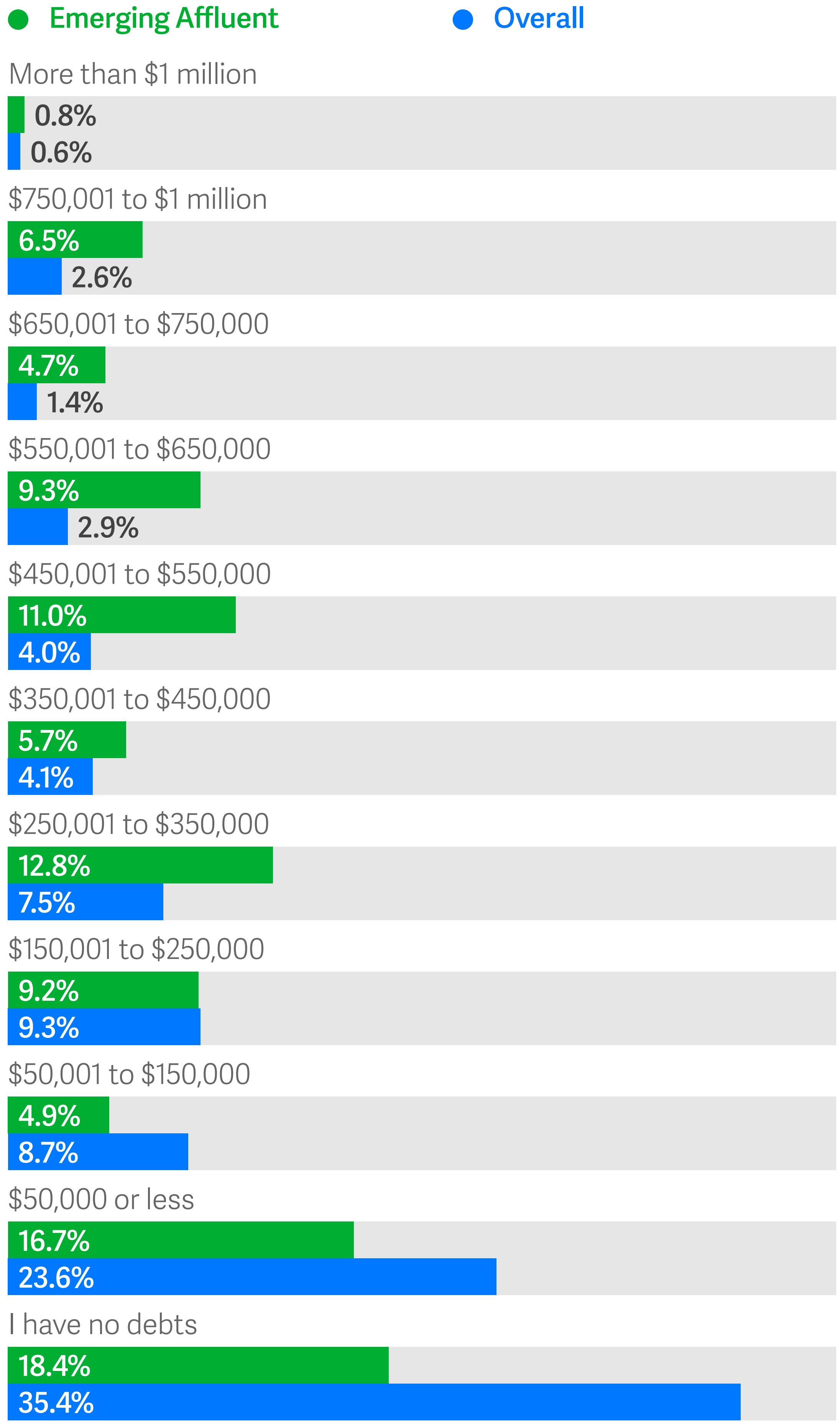
Almost half of Emerging Affluents have household income of over $200,000, with 10 per cent having over $350,000

Household's annual income, including all wages, salaries, pensions and other income, before tax.



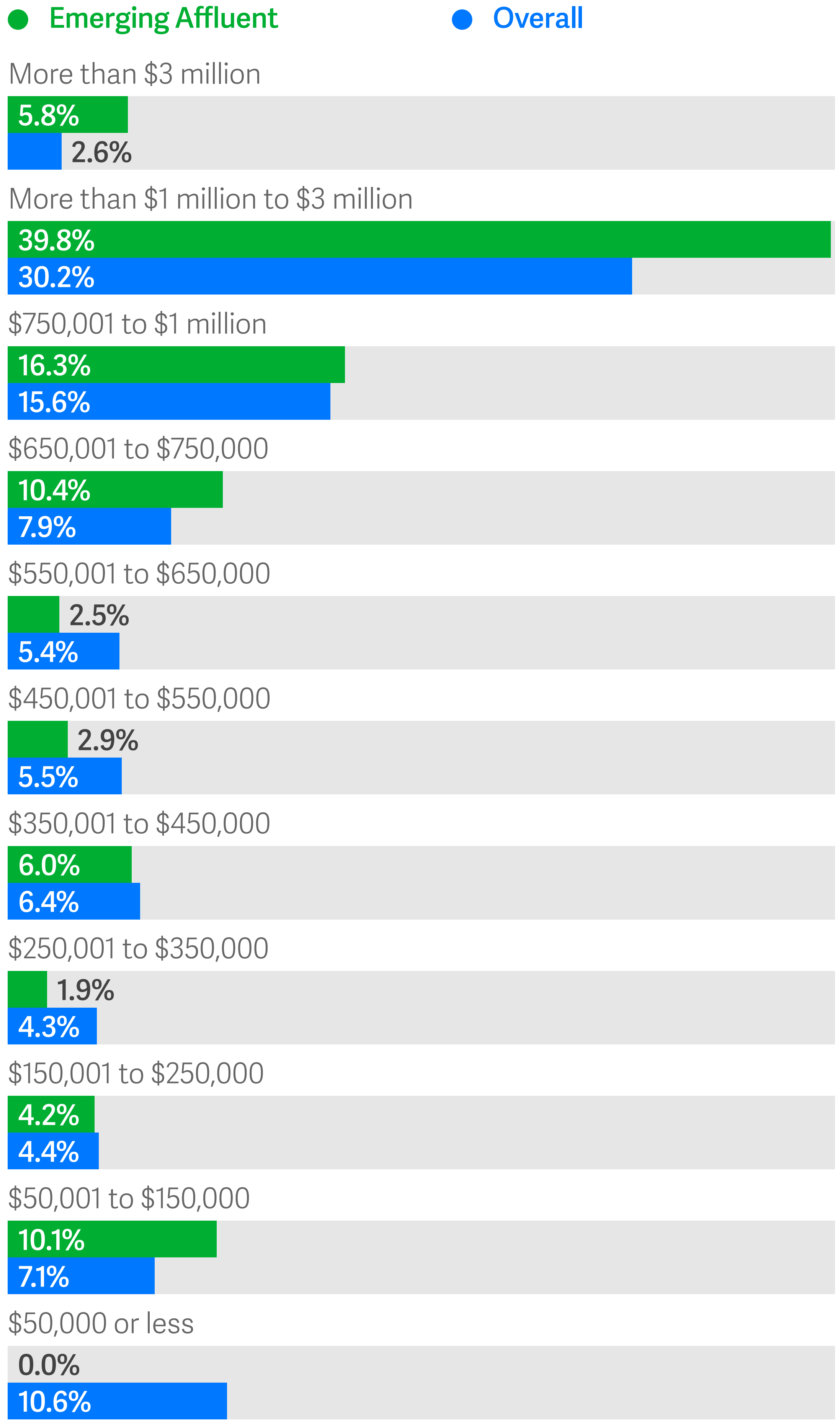
Emerging Affluents have higher levels of debt compared to Advisable Australians overall, with half having debt over $250,000

Household's total debt, including mortgages, personal loans, credit cards and other debts.



One in four Emerging Affluents have household wealth of $1 million or greater, with over 5% having over $3 million

Household's total wealth, including home, household investable assets and household super.



The Emerging Affluent are more likely than individuals in the other groups to be in higher management roles.

More than half (52.9%) of The Emerging Affluent are in senior or executive job roles, whether that be management or non-management positions. Members of the other groups are less likely to be in senior or executive positions, for one reason or another.

The Established Affluent are older, and while this group does have the same proportion in senior roles, it is still less likely to include those in senior management roles. The mass market groups are typically in lower seniority jobs, as indicated by their lower incomes.

Higher education is often an important underlying factor for greater wealth and more senior job roles.

As expected, those Emerging Affluents are the best educated. Two out of three (67.2%) have either a degree or post-graduate qualification. Fewer than half (45.6%), on average, of individuals in the other groups hold similar qualifications.

Emerging Affluents are just as likely to be female as male

The Affluent segments are skewed towards males. However for The Emerging Affluent, this skew is not as strong, with 48.8% being female and 51.2% being male. When we reach the Established Affluent stage, there is a stronger trend and only 35.4% of this group are female.

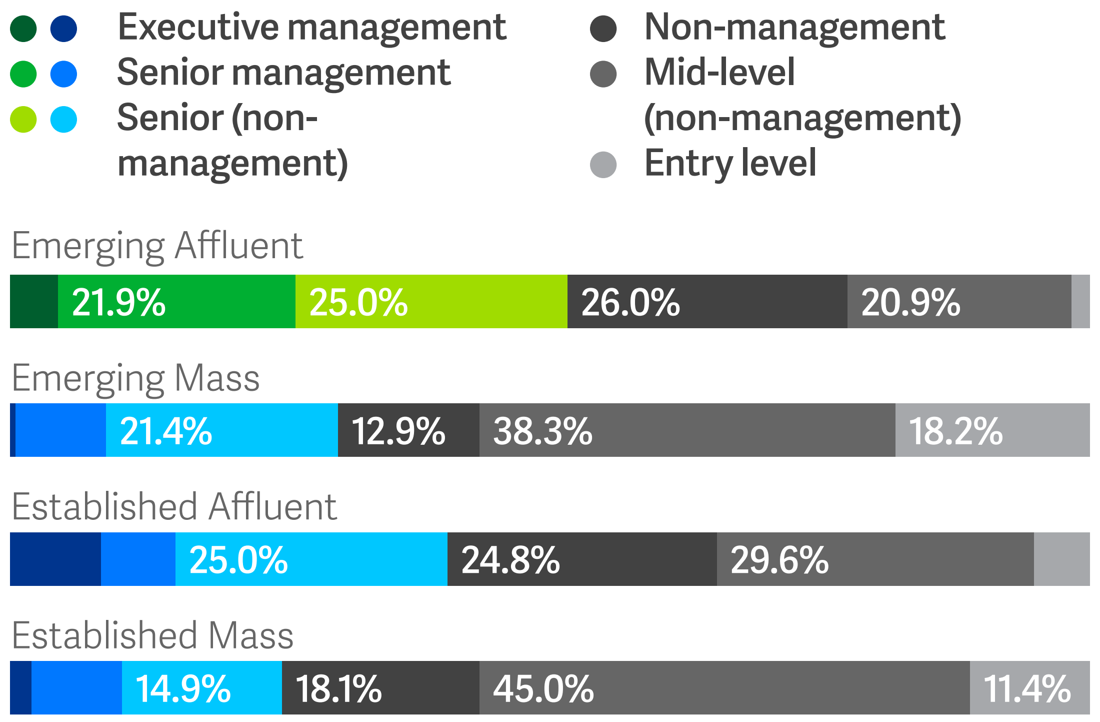
The affluent groups are more likely to be metropolitan based individuals

We see that the affluent groups are most likely to be found in metro locations, with more than eight in 10 (82.4%) of The Emerging Affluent being from a metropolitan area.

The Established Mass are the most skewed towards non-metro locations. This could be due to a number of reasons, one being that incomes are generally lower outside the metro areas, and another being that many of those who retire seek to live outside the big cities.

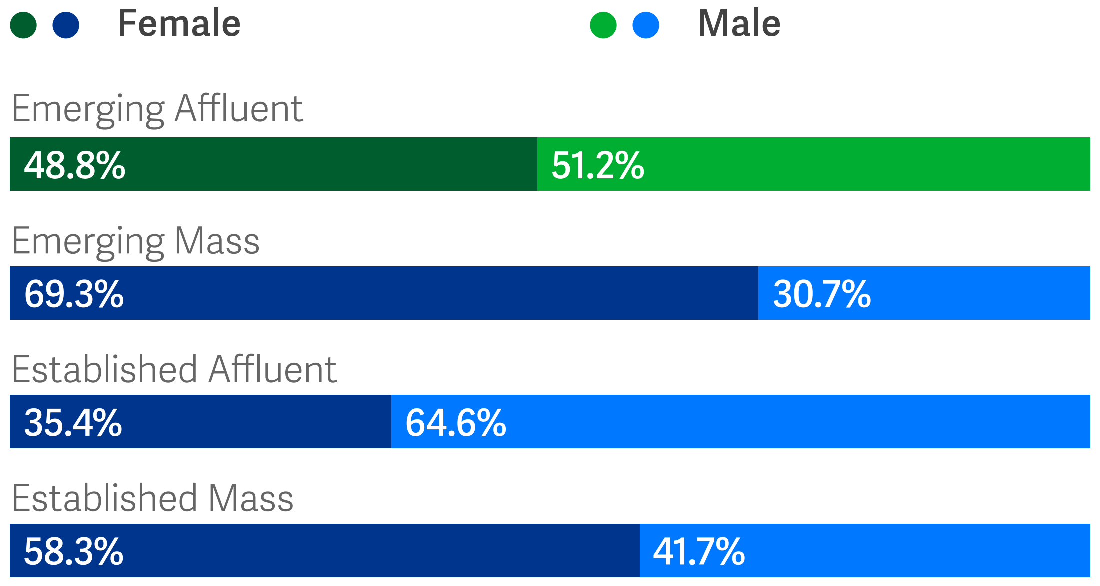
Emerging Affluents are more likely to be in executive or senior management

Which of the following best describes the seniority of the role you mostly work in?



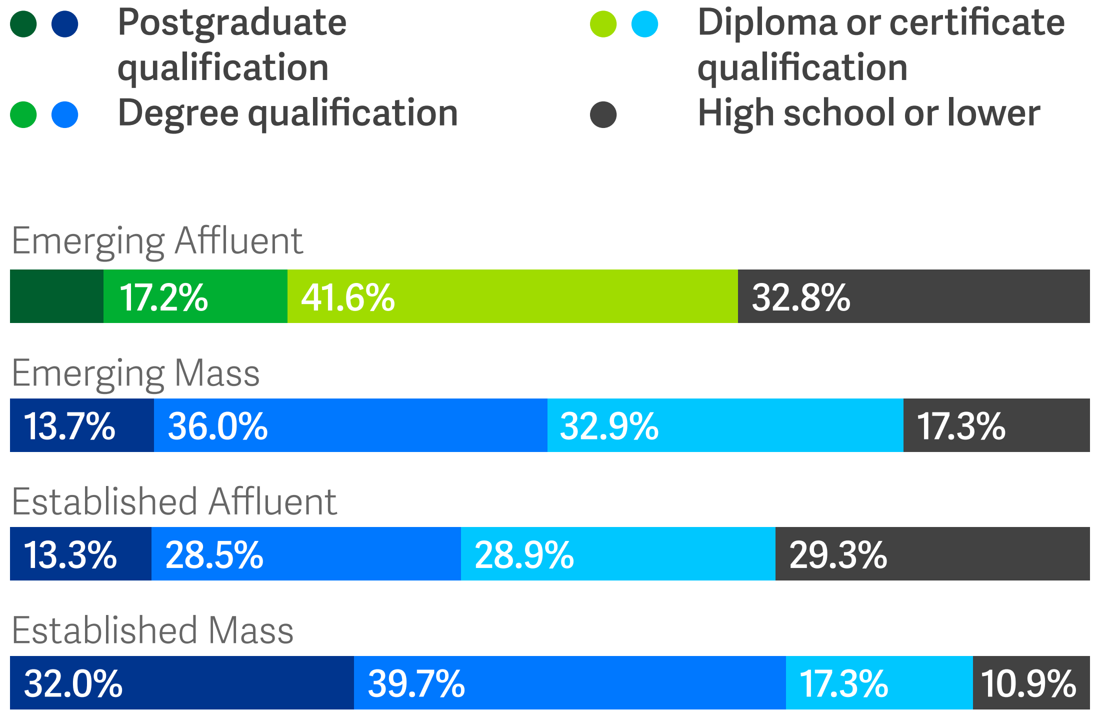
Emerging Affluents are just as likely to be female as male

What gender do you associate yourself with?



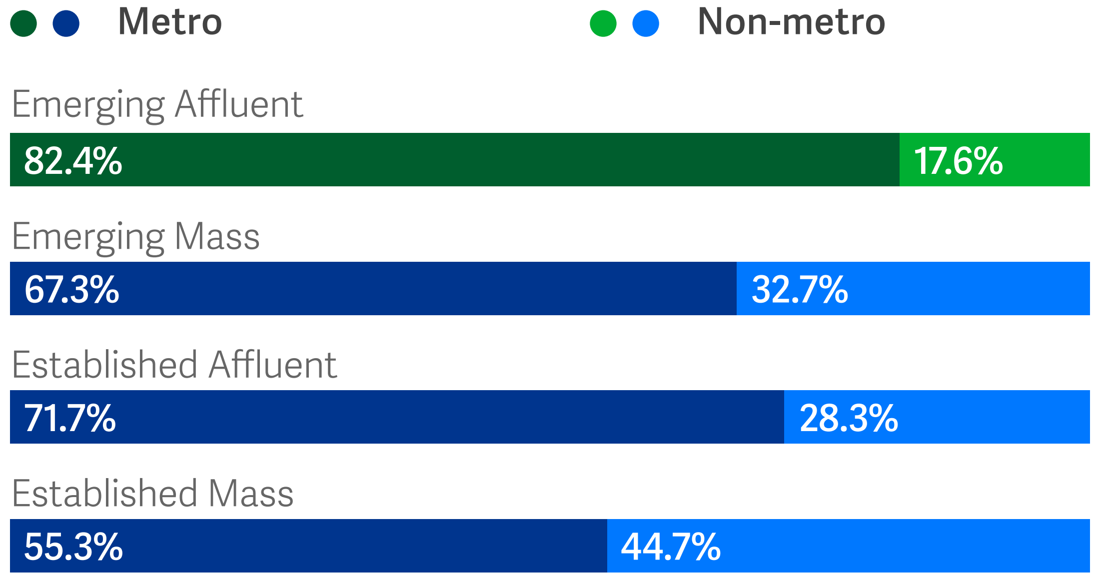
Emerging Affluents typically are better educated with degree qualifications

What is the highest level of education you have obtained?



The Emerging Affluents are most likely to live in metropolitan areas

What location do you live in?



1 Profiling the Emerging Affluent

Profiling the Emerging Affluent

In The Advisable Australian Volume 1: A new way to think about Australian investors report we introduced several key dimensions as a way of understanding The Advisable Australians.

Looking at The Emerging Affluent in terms of these key dimensions paints a picture of who these people 'really' are. They provide a more sophisticated understanding than the traditional life-stage, household wealth or age profiling techniques.

These dimensions considered a variety of factors and characteristics including but not limited to technology usage, financial advice attitudes, investing attitudes, saving habits, brand perceptions and financial preparedness.

1. **Financial Capability:** Financial awareness, knowledge, confidence, ability to take control and access financial-related services.
2. **Financial Resilience:** Financial preparedness and ability to navigate and withstand threats to financial security.
3. **Financial Wellbeing:** The impact on physical, mental and social health in relation to wealth and finance.
4. **Advice Propensity:** Openness, amenability and the lack of perceived barriers to using financial advice services.
5. **Technology Adoption:** Technology savviness, confidence and the value found in digital services.
6. **Brand Affinity:** Perceptions, attitudes and loyalty towards brands.

A companion report, The Advisable Australian Volume 1: A new way to think about Australian investors provides foundational insights into of six key dimensions of an individual's make up. We recommend that those seeking a deeper understanding of each dimension refer to this report for more detail.

In Sections 2 and 3 of this report, we examine how an understanding of these dimensions by financial advice firms can influence their marketing strategies, advice value proposition and service models.

A summary of the key dimensions of the Emerging Affluent

Financial Capability	The Emerging Affluent are in the high to very high Financial Capability groups, which means they are financially literate, are engaged in their finances and like to take control over their investments.
Advice Propensity	They are the most likely segment to seek financial advice, seen through the Advice Propensity dimension. They have a good understanding of the value of financial advice, only a small minority (9.7%) unlikely to seek financial advice.
Financial Resilience	They are polarised in that there are some that are very Financially Resilient and some that are not at all. Meaning there are those who are future focused and like to plan and are well-placed to deal with unexpected financial shocks versus those who focus on the now and don't really think about the future.
Financial Wellbeing	They have higher levels of Financial Wellbeing so they are less likely to have health and wellbeing distress as a result of their finances, yet can still do with some improving with guidance.
Technology Adoption	Very tech savvy and confident in using all kinds of technology with the highest levels of Technology Adoption.
Brand Affinity	They fit in either the Purposeful or Premium Brand Affinity groups. They are either looking for a business that offers a premium and complex feature-set, or want a business to have a demonstrable social, community or environmental position.

1. Advice Propensity

The Advice Propensity dimension is a measure of Emerging Affluents likelihood to seek or use financial advice services.

Almost four in 10 (39.9%) Emergent Affluents use financial advice today, whilst almost a quarter (23.0%) are likely to seek advice, with a further three in 10 (28.5%) saying they will possibly seek advice. However, less than one in 10 (8.6%) say they are unlikely to seek financial advice (compared to 22.8% of Advisable Australians overall).

Almost seven in 10 (67.2%) of the Emerging Affluent (who don't receive advice today), are "realistically" going to start to receive advice within the next five 5 years, with 16.2% looking for advice in the next 12 months.

The key drivers of this high Advice Propensity is that the Emerging Affluent:

1. Are more likely to have a greater number of significant life goals or events that have already taken place or are about to happen
2. Are confident and knowledgeable with regards to investments and finances, but recognise that a professional can service their needs better than they can serve themselves
3. Understand the role of financial advisers and the services they offer
4. Have trust in the person and organisation they hope to receive advice from
5. Feel positively towards the value and thus affordability of advice.

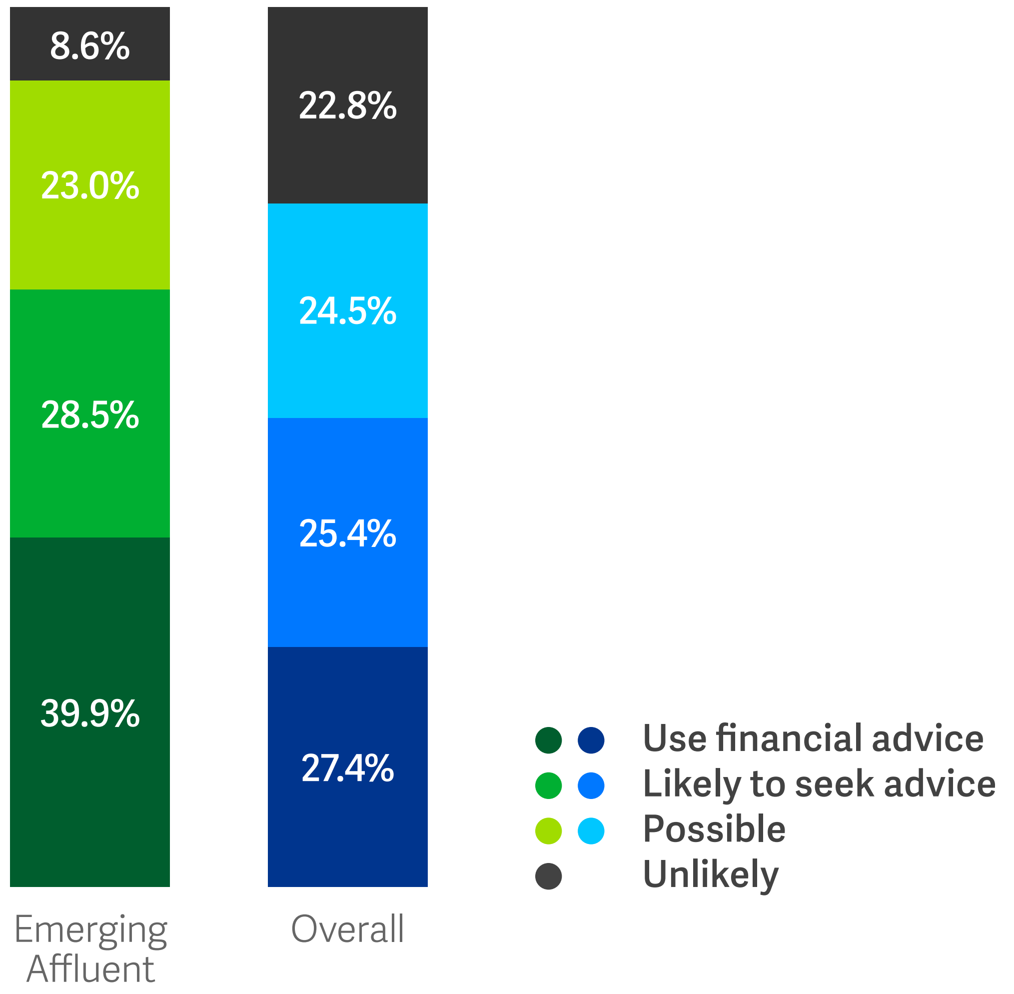
To this end, Advice Propensity is not just about the wealth of The Emerging Affluent or whether they can afford advice, although that does play a role. It is also about the individual's perceptions and attitudes towards financial advice.

It encompasses an individual's openness to using advice, taking into consideration their understanding of what financial advice is and their perceptions, sentiment, and barriers (or lack thereof) to seeking financial advice. It also considers their latent need for advice driven by the individual's life circumstances.

Those who more likely to seek advice typically have wealth needs, an appreciation of what advice can offer them, a belief that advisers can do it better than they can, trust in a person or organisation and comfort that they can afford it.

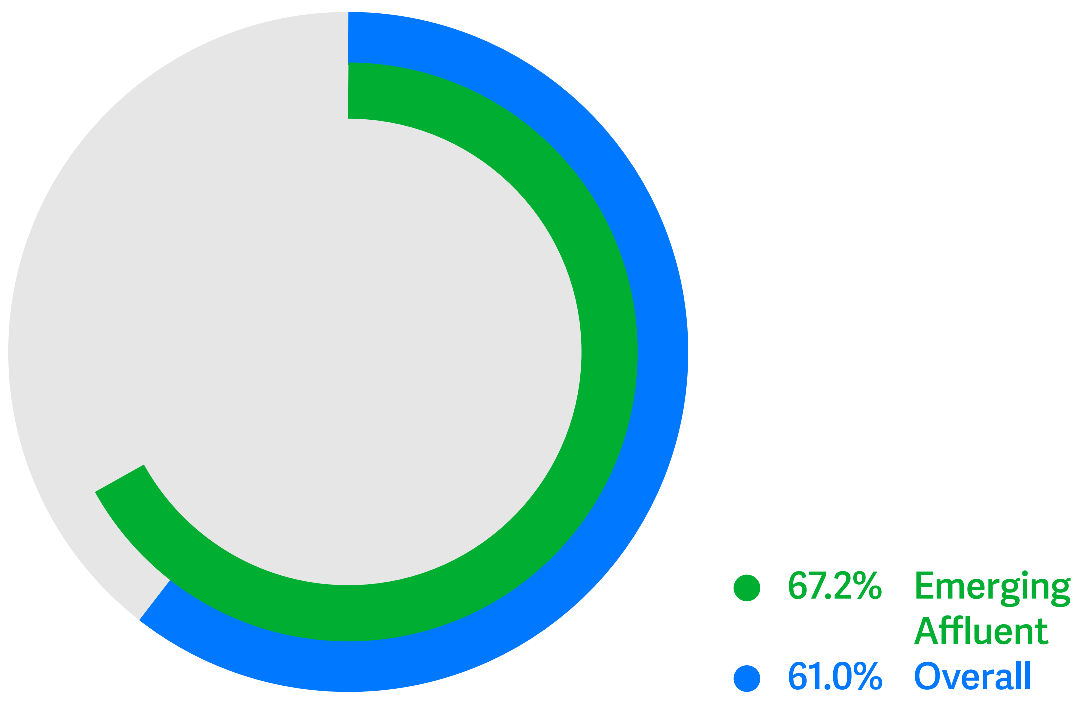
Less than one in 10 of the Emerging Affluent are unlikely to seek advice, whilst the rest use advice today or thinking about it

Advice Propensity by segment



Of those not using advice today, almost seven in 10 Emerging Affluent will realistically start receiving advice in the next five years

In what timeframe do you think you will realistically start/restart receiving financial advice from a financial planner (of those not using advice)?



The Emerging Affluent have more wealth needs due to recent changes in their life or because of specific financial goals in the near future.

Specific events or needs in a person's life are usually the starting point and a strong motivator in what drives someone to seek financial advice.

We see that The Emerging Affluent are generally more likely to have clear financial goals in mind, and to be working towards achieving them. More specifically their wealth goals include:

Personal and family life

- Getting married (16.4% of them)
- Start/grow a family (23.6%)
- Go on holiday (78.1%)

Property and investing

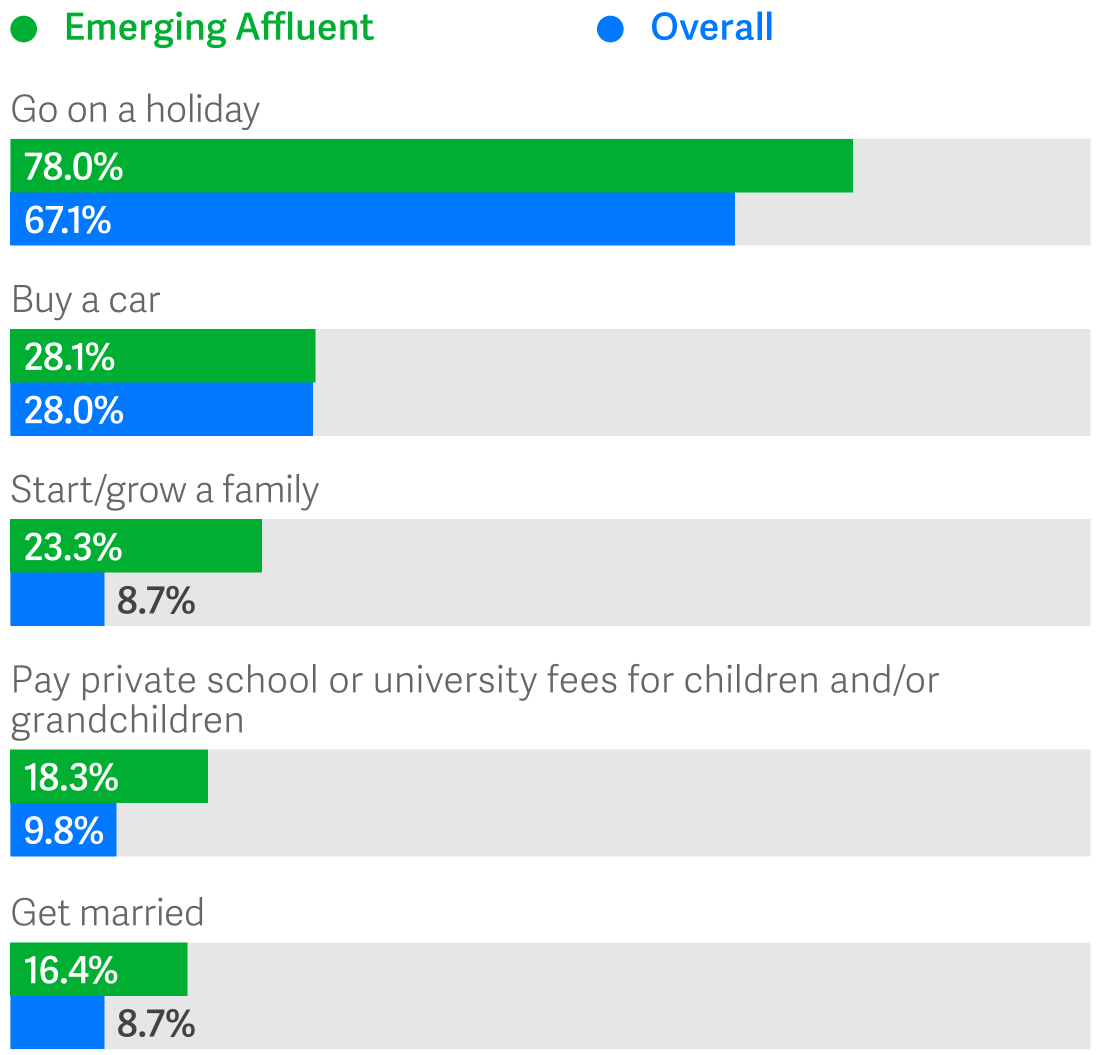
- Building and diversifying an investment portfolio (43.2%)
- Investing in a property (30.1%)
- Buying a property to live in (22.7%)
- Renovating an existing property (23.3%)

Professional life

- Career advancement (37.5%)
- Career changes (23.9%)
- Job loss/redundancy (9.9%)
- Expand a business (19.7%)

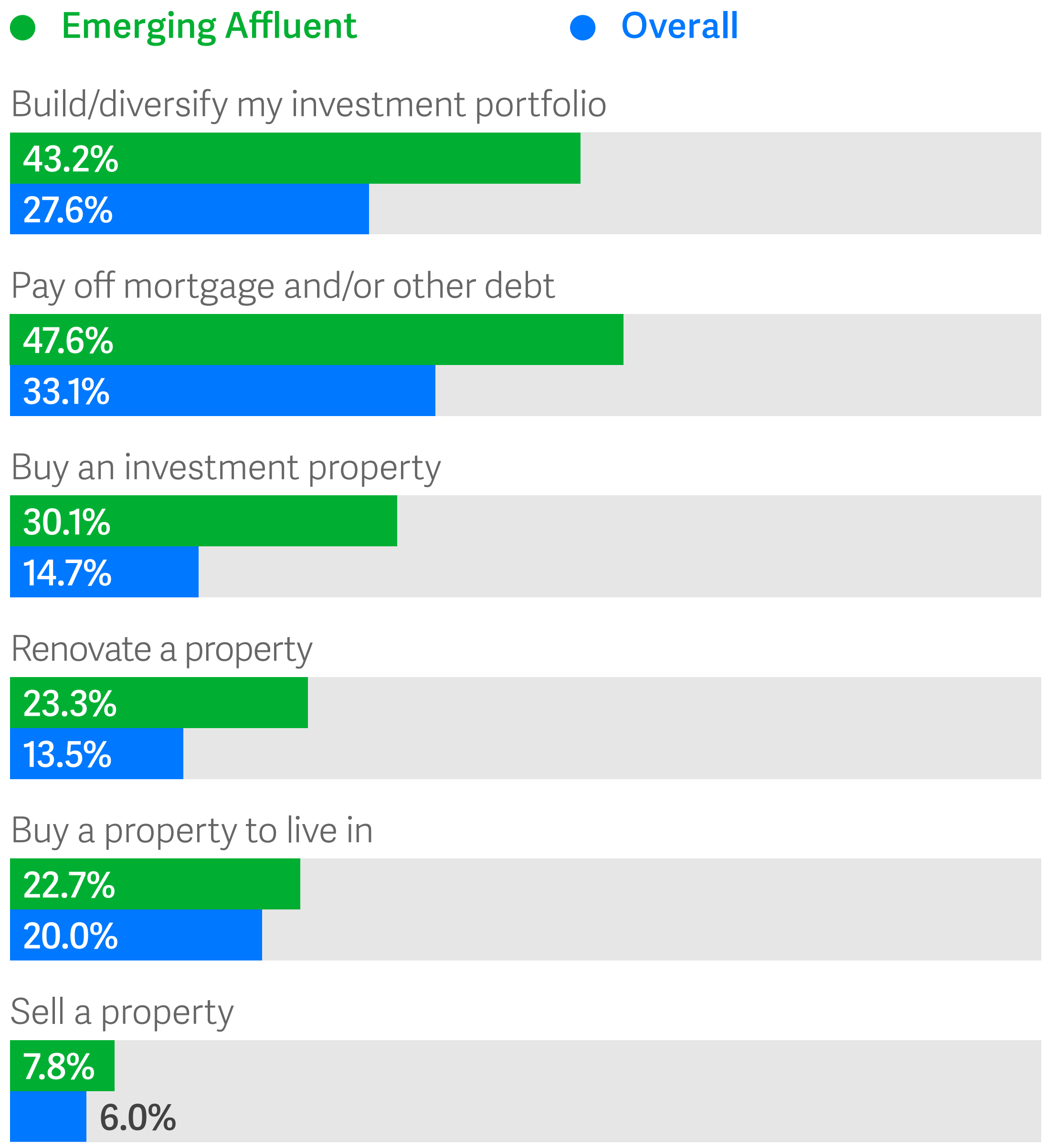
Emerging Affluents are younger and are more likely to be looking to take advantage of their wealth and grow their families

Which of the following financial goals are you actively working towards in the next three years?



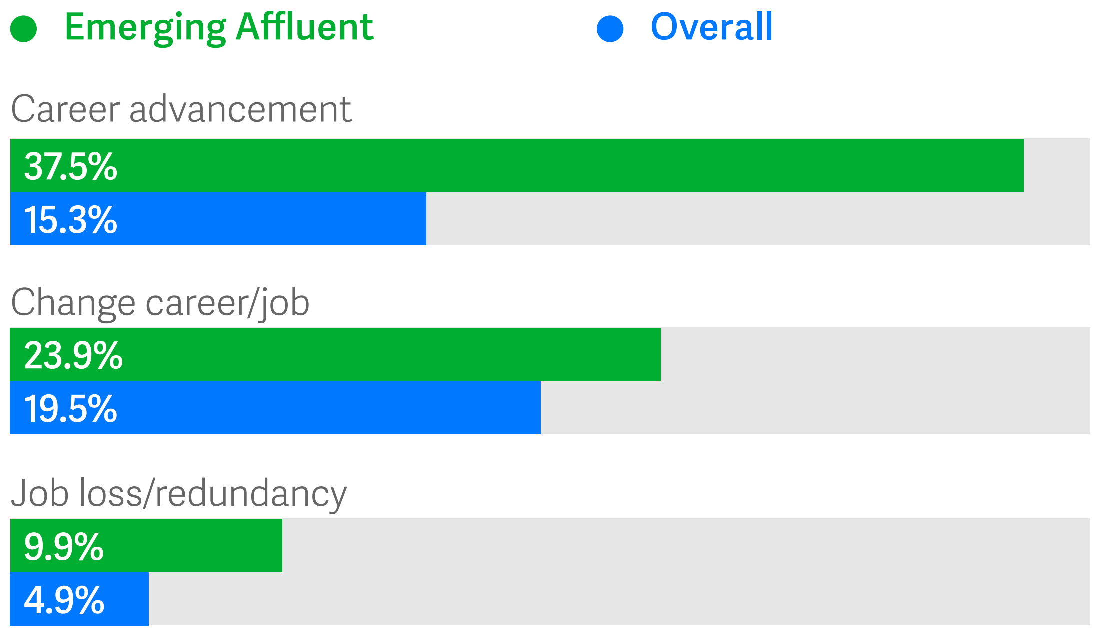
Emerging Affluents are focused on improving their wealth position through investing and reducing their debt

Which of the following financial goals are you actively working towards in the next three years?



Many Emergent Affluents have recently gone through, or expect to go through, career advancement or career changes

Which of the following life events are you expecting/preparing for in the next three years?



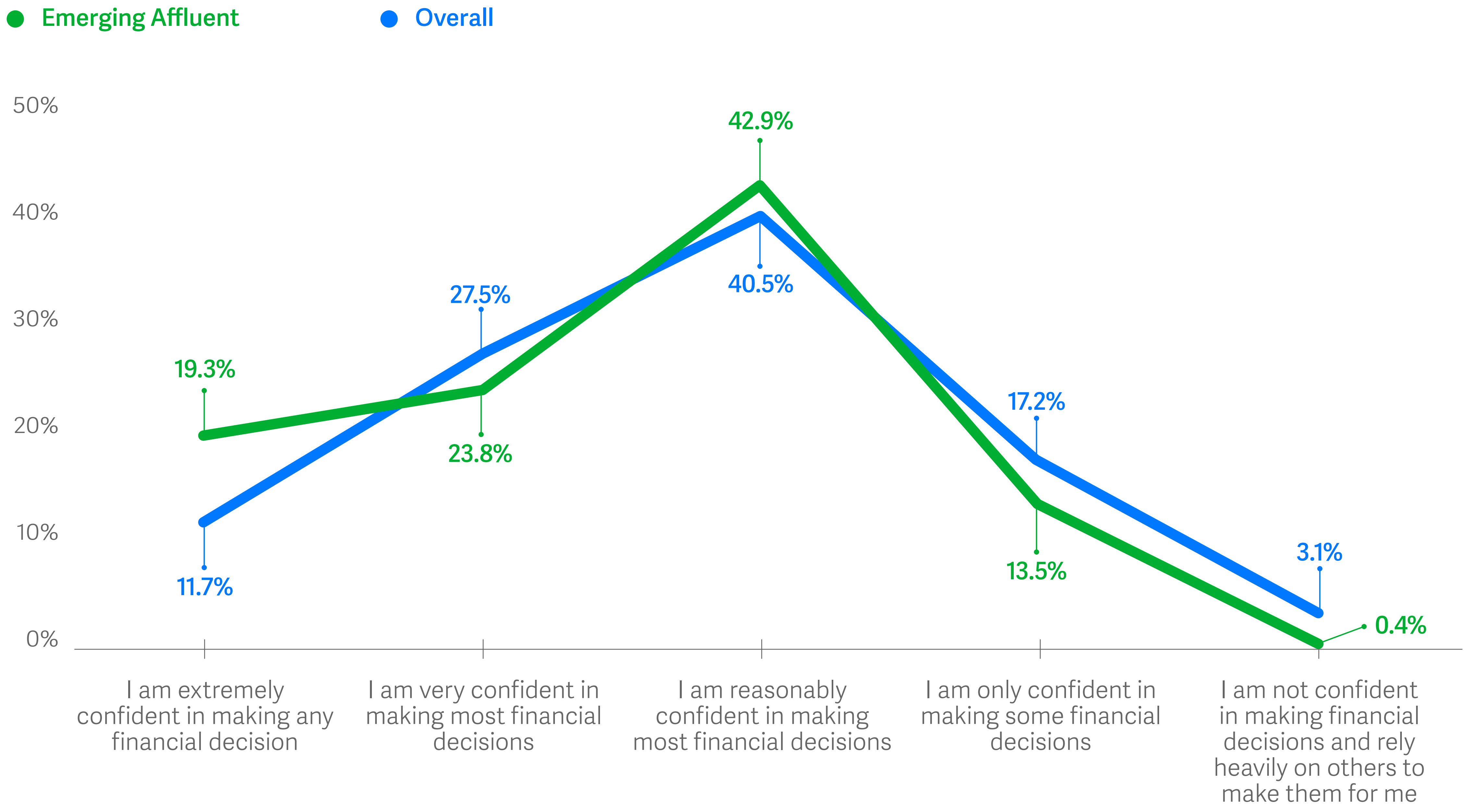
The Emerging Affluent are confident in making wealth and financial decisions yet recognise the role that financial advice can play in achieving their goals.

They have some basic understanding of financial concepts and the basic principles of investing, such as the relationship between risk and return, and the importance of diversification.

However, they are less confident in making financial and investment-related decisions overall (42.9% are reasonably confident) and as result are less open to doing do it themselves (only 12.1% of them compared to 21.0% of Advisable Australians overall), meaning they are more likely to seek advice and are better prospects for financial advice firms.

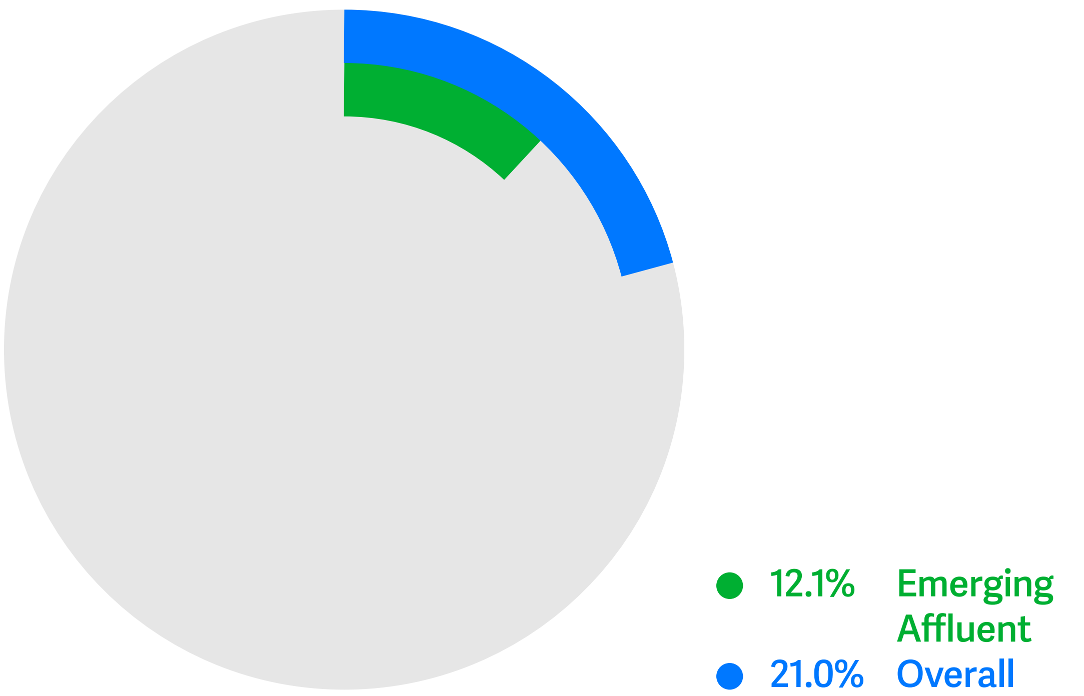
The majority of Emerging Affluents are reasonably confident or less in making financial and investment decisions themselves

Which of the following best describes your confidence in making financial and investment-related decisions?



Only one in 10 would prefer to manage their financial affairs themselves

Agree - The reason I don't currently use or seek financial advice from a financial planner is that I would rather just do it myself



The Emerging Affluent understand many areas a financial planner can help them with, yet many services an adviser offers – such as superannuation advice, managing debt, planning for major life events and contingencies and risk planning – are not well appreciated.

Most Emerging Affluents (66.4%) believe an adviser can help ensure their portfolio is diversified and their wealth is invested/managed wisely. They majority (54.3%) also believe advisers can assist them to manage money during retirement.

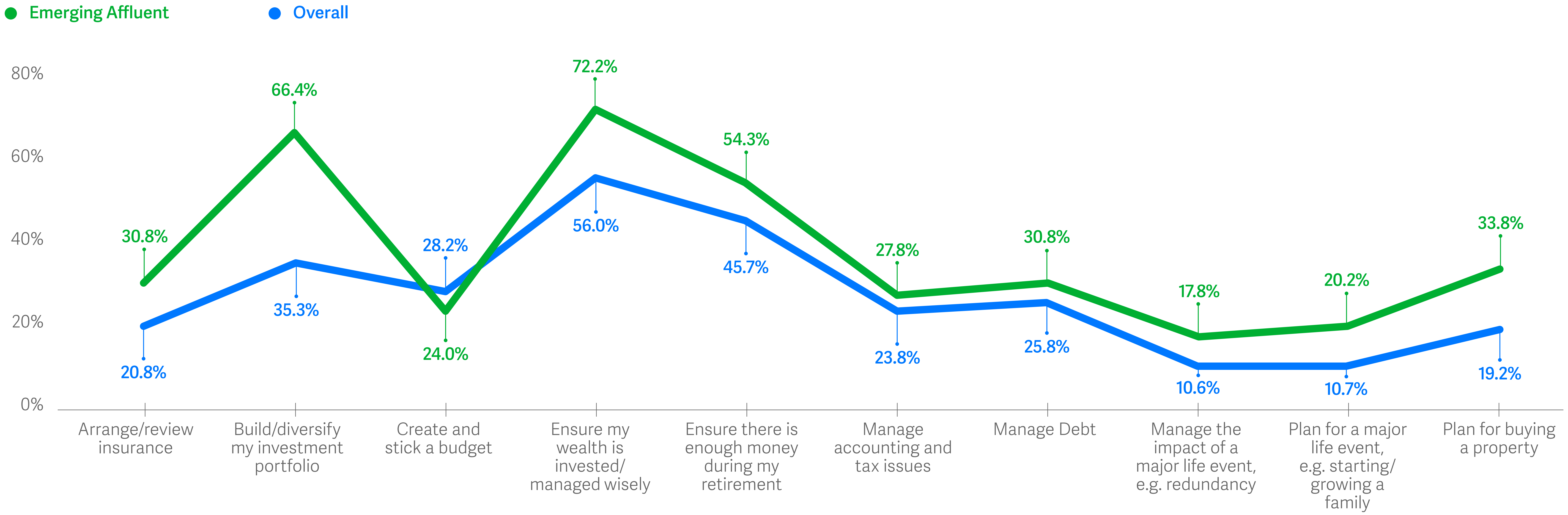
Yet for some traditional advice services there seems to be an under-appreciation of what advice can offer. For instance, less than a third (30.8%) of them think that a planner can help with arranging an insurance review while only one in five (20.2%) believe that they can help plan for a major life event like starting a family.

The same can be said for managing debt, with only 30.3% believing a financial planner can help.

These are areas in which the potential role of an adviser is not understood, or is misunderstood.

Like the Advisable Australian overall, The Emerging Affluent under-appreciates the many areas financial advice can help them with, including managing debt, arranging insurance and helping them plan for major life events

Which of the following areas do you think a financial planner can potentially help you with (selected responses)?



2. Financial Capability

The Financial Capability dimension is a measure of Emerging Affluents financial knowledge and ability to take control of a financial situation.

The higher an individual's Financial Capability, the more likely they are to act, to be confident and to be engaged in managing finances.

Seven in 10 (70.4%) of The Emerging Affluent have high or very high Financial Capability indicators.

Their Financial Capability is a mixture of their education, experience, understanding, self-belief in making wealth choices and their access to third-party support networks, including accountants and financial advisers.

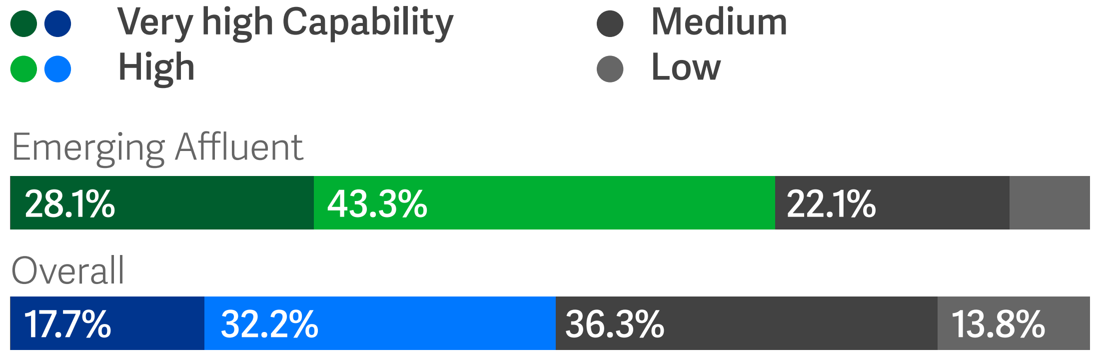
They have higher Financial Capability because they are:

1. More likely to have greater financial literacy and knowledge.
2. More future focused and take well-informed risks in terms of their investments.
3. More engaged with their finances and seek more help from a range of financial professionals.

As a result, The Emerging Affluent are more likely to be confident in managing their day-to-day finances (91.9% agree or strongly agree), confident in achieving their financial goals (90.0% agree or strongly agree) and to insert statement about wellbeing.

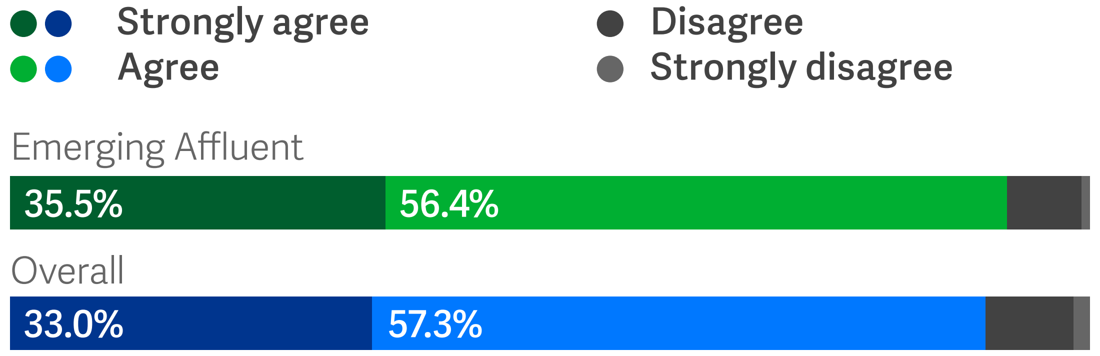
Emerging Affluents have high Financial Capability compared to average Advisable Australians

Financial Capability by segment



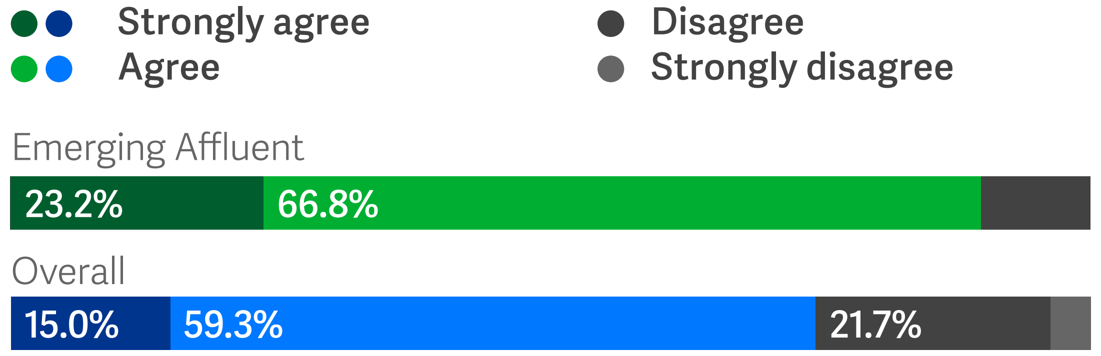
Higher Financial Capability leads to more confidence in managing their day-to-day finances

I feel confident that I can manage my own day-to-day finances



Higher Financial Capability means Emerging Affluents are more confident in achieving financial goals

I feel confident that I can achieve my financial goals



1 Profiling the Emerging Affluent

The Emerging Affluent have higher Financial Capability largely driven by their higher levels of financial literacy.

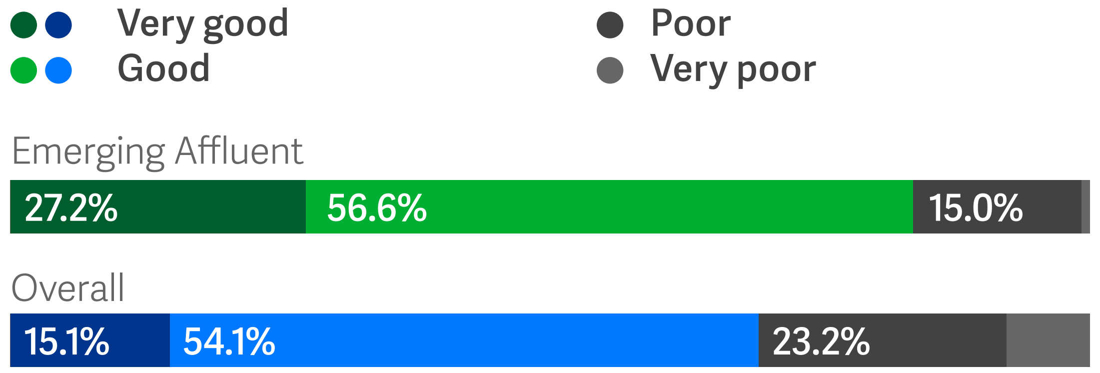
Financial literacy is an important component in Financial Capability. In general, higher financial literacy drives higher Financial Capability.

We see that more than four in five (83.8%) of The Emerging Affluent have a good or very good understanding of the relationship between risk and return, compared to 69.2% of Advisable Australians overall.

The same can be said for understanding the importance of asset allocation (64.1% good or very good versus 44.6% of Advisable Australians overall), understanding the fees involved in investing (58.8% versus 42.3%) and having clarity on current market trends (51.2% versus 38.1%).

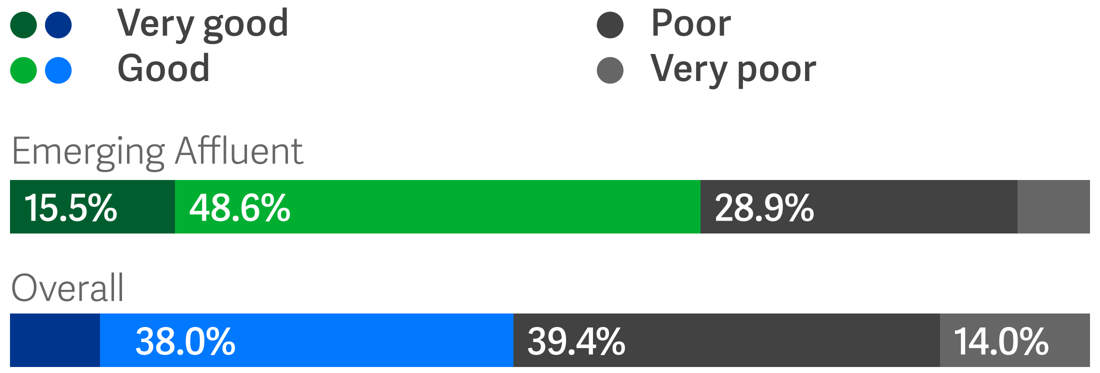
The Emerging Affluent have a better understanding of the relationship between risk and return and that leads to higher Financial Capability...

My understanding of the relationship between risk and return is....



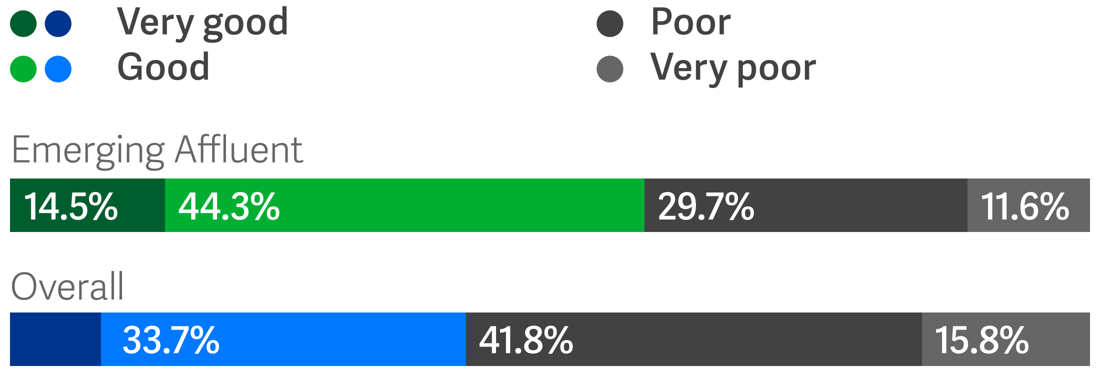
...and a better understand of the different approaches to investing, including the concept of asset allocation

My understanding of the different approaches and strategies to investing money is....



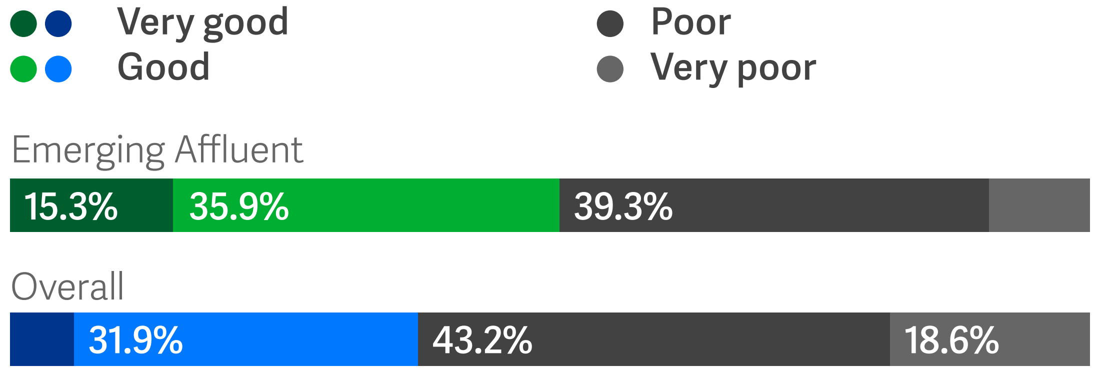
... and a better understanding of the fees involved in investing

My understanding of the fees involved in investing (e.g. administration, trading, advice) is....



...and far more clarity on current investment market themes and trends

My understanding of current investment market themes/ trends is....



The Emerging Affluent are more focused on the future, plan more and make decisions with outcomes in mind.

A person's focus on the future includes their willingness to be optimistic about the future, their openness to risk and how driven they are by specific goals. The Emerging Affluent rate highly on all of these aspects, which are important components of Financial Capability.

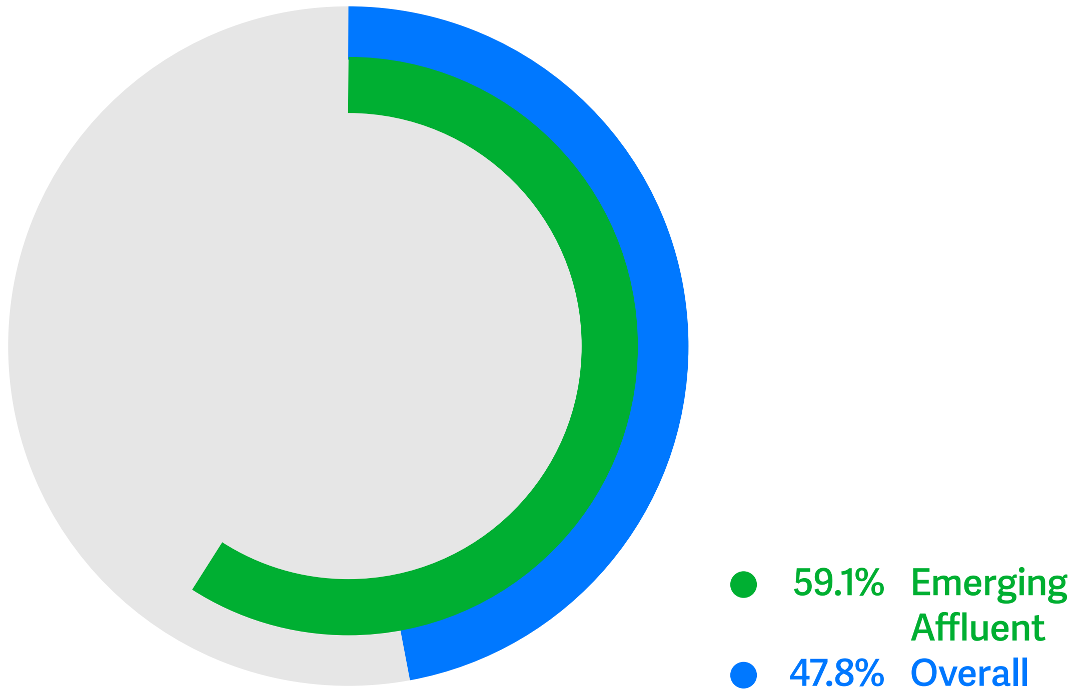
They are more likely to be focused on the future (59.1% versus 47.8% of Advisable Australians overall), be optimistic about the future (59.2% versus 55.4%) and driven by clear specific goals (60.5% versus 47.4%).

While they may take more risks (45.8% versus 33.8%) and are more comfortable with uncertainty (56.9% versus 42.4%), they are better educated so are more likely to take informed risks when it comes to their wealth choices and decisions.

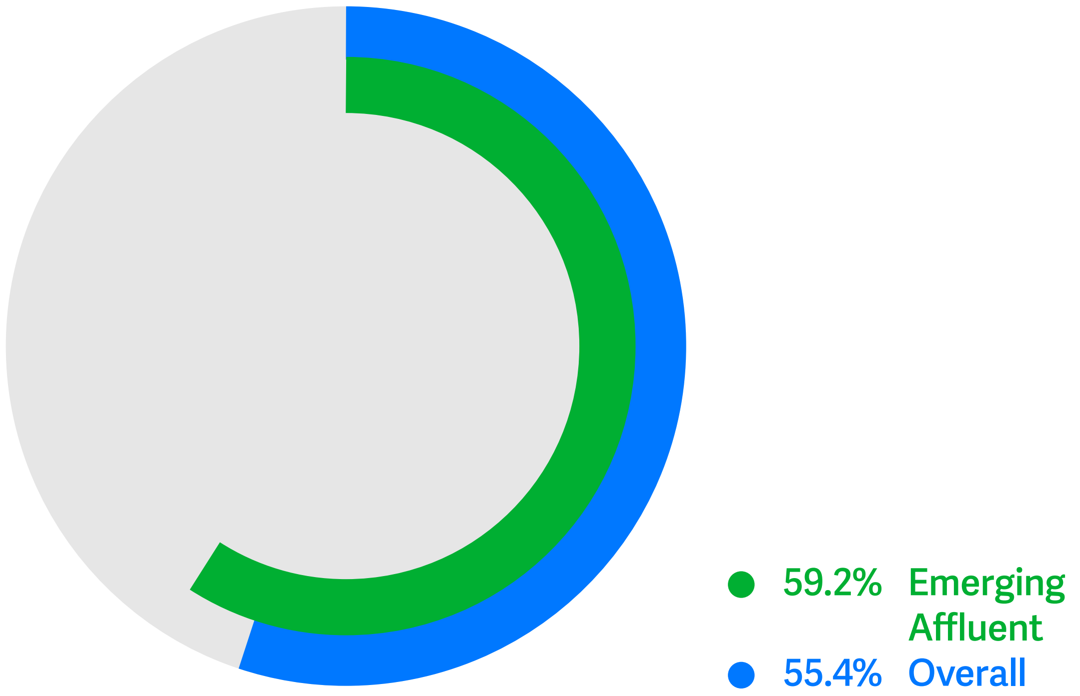
These are all attributes that drive forward thinking and planning, a significant contributor to higher Financial Capability.

The Emerging Affluent are more optimistic about the future, open to risk and uncertainty and more driven by specific goals

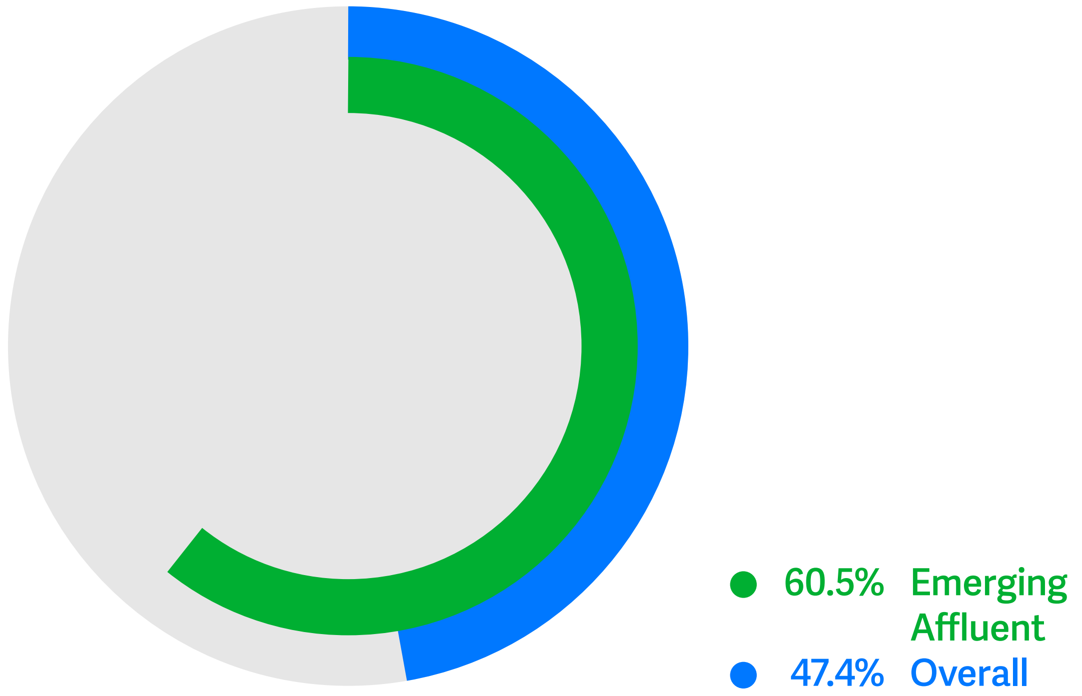
I'm focused on the future



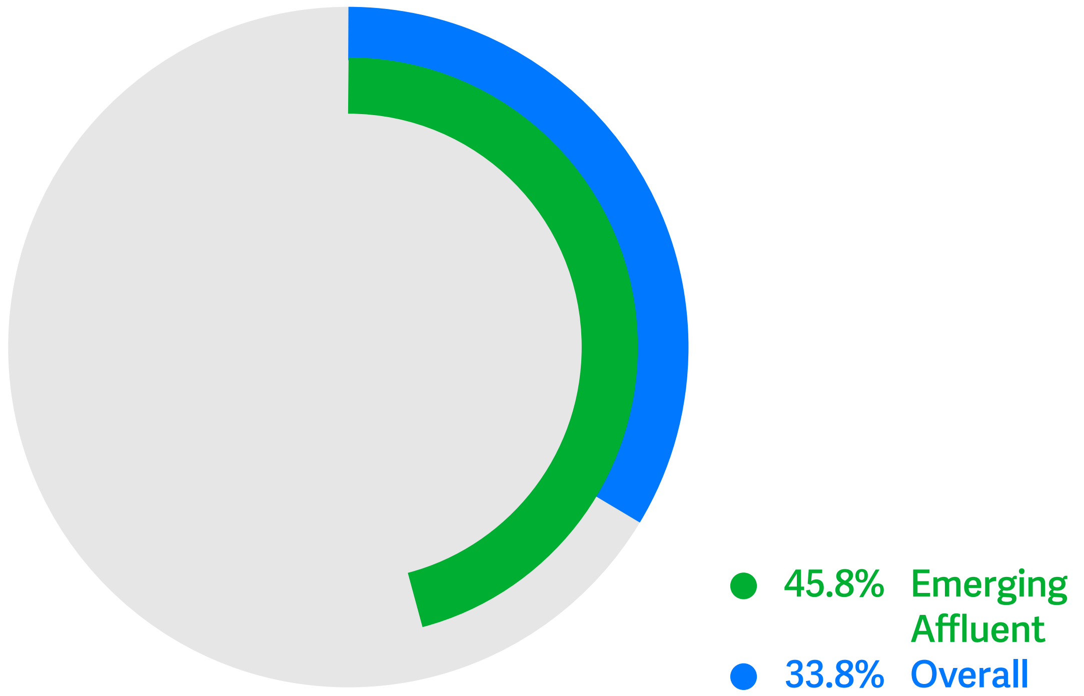
I'm optimistic about the future



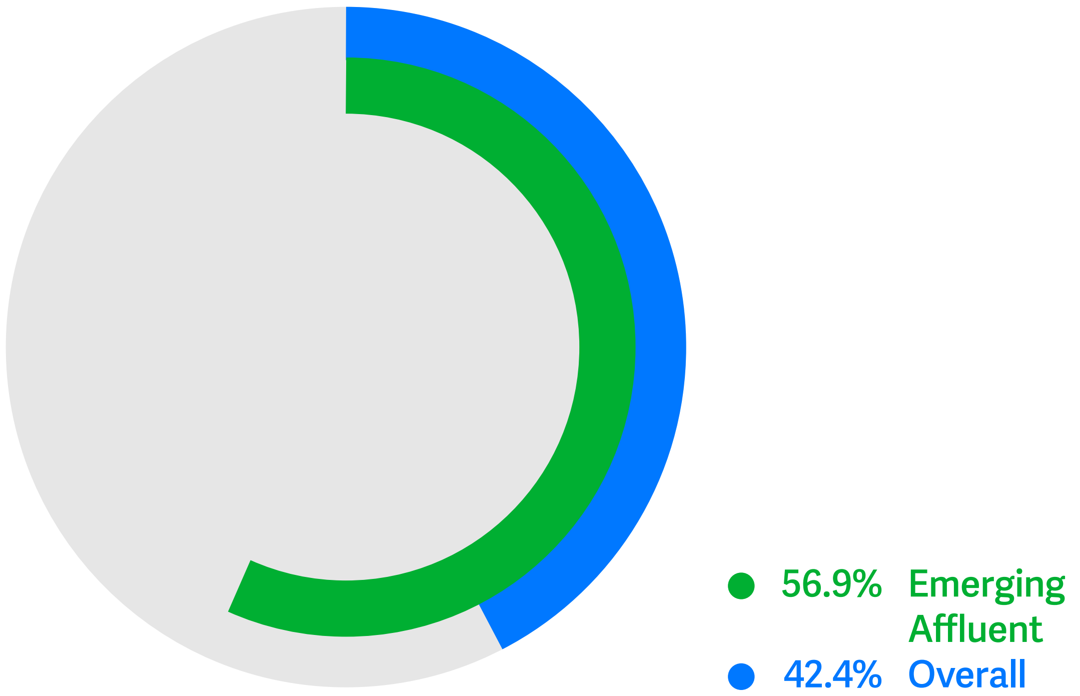
I'm driven by clear specific goals



I see myself as a bit of a risk-taker



I prefer to go for the best possible outcome even if it's uncertain



The Emerging Affluent are more engaged in their investing and not afraid to seek the support of advisers of various kinds when it comes to their financial decisions.

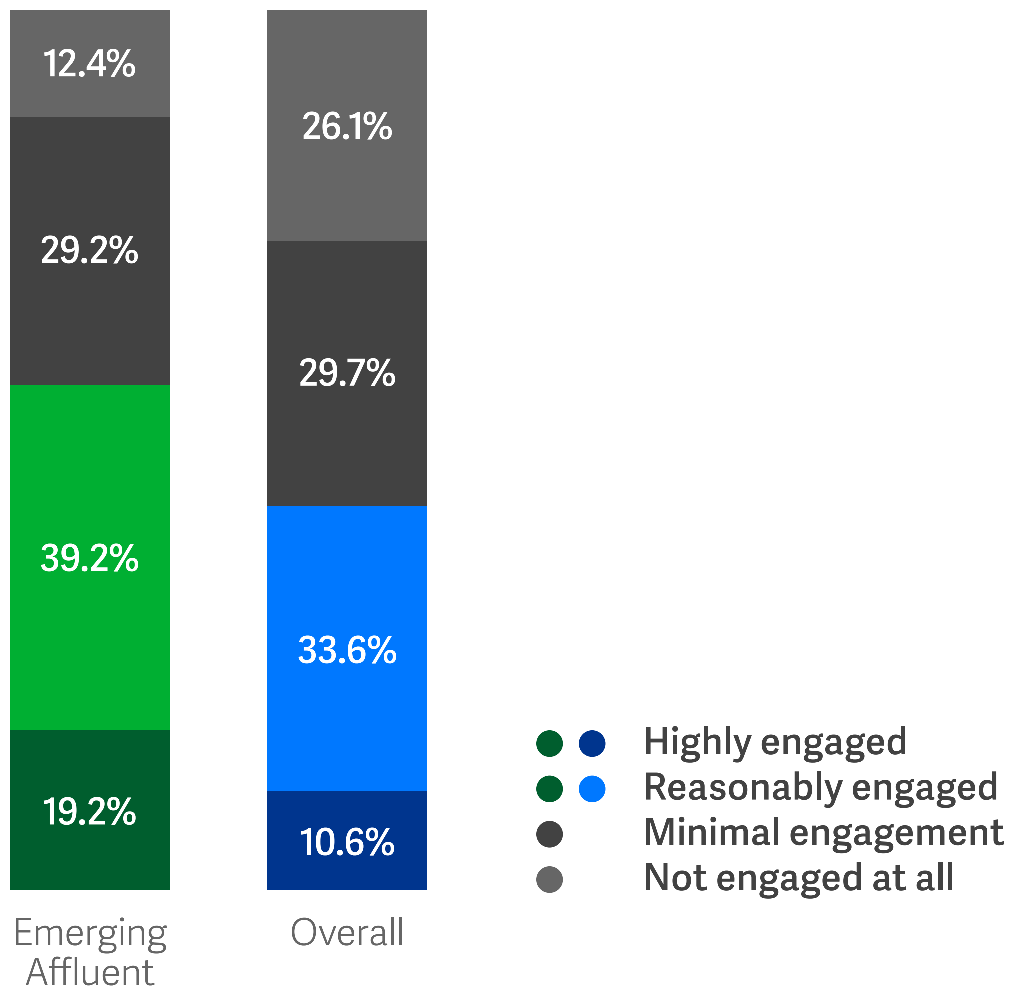
Being financially capable doesn't necessarily mean an individual has to know and do everything themselves. Rather, it reflects the mindset and ability to grasp the need to receive help from others when and if it's required.

We see The Emerging Affluent are more likely to receive support in regard to their finances, and not just from financial advisers. About half (50.8%) of them have an accountant (compared to 31.2% of Advisable Australians overall), two in five (39.9%) have a financial adviser (compared to 27.4% overall) and one quarter (26.2%) have a mortgage broker (compared to 10.4% overall).

This increased use of external experts stems from a generally higher level of engagement with their finances. We see that more than half (58.4%) of the Emerging Affluent are reasonably or highly engaged in their investments or investing activities (compared to 44.2% overall).

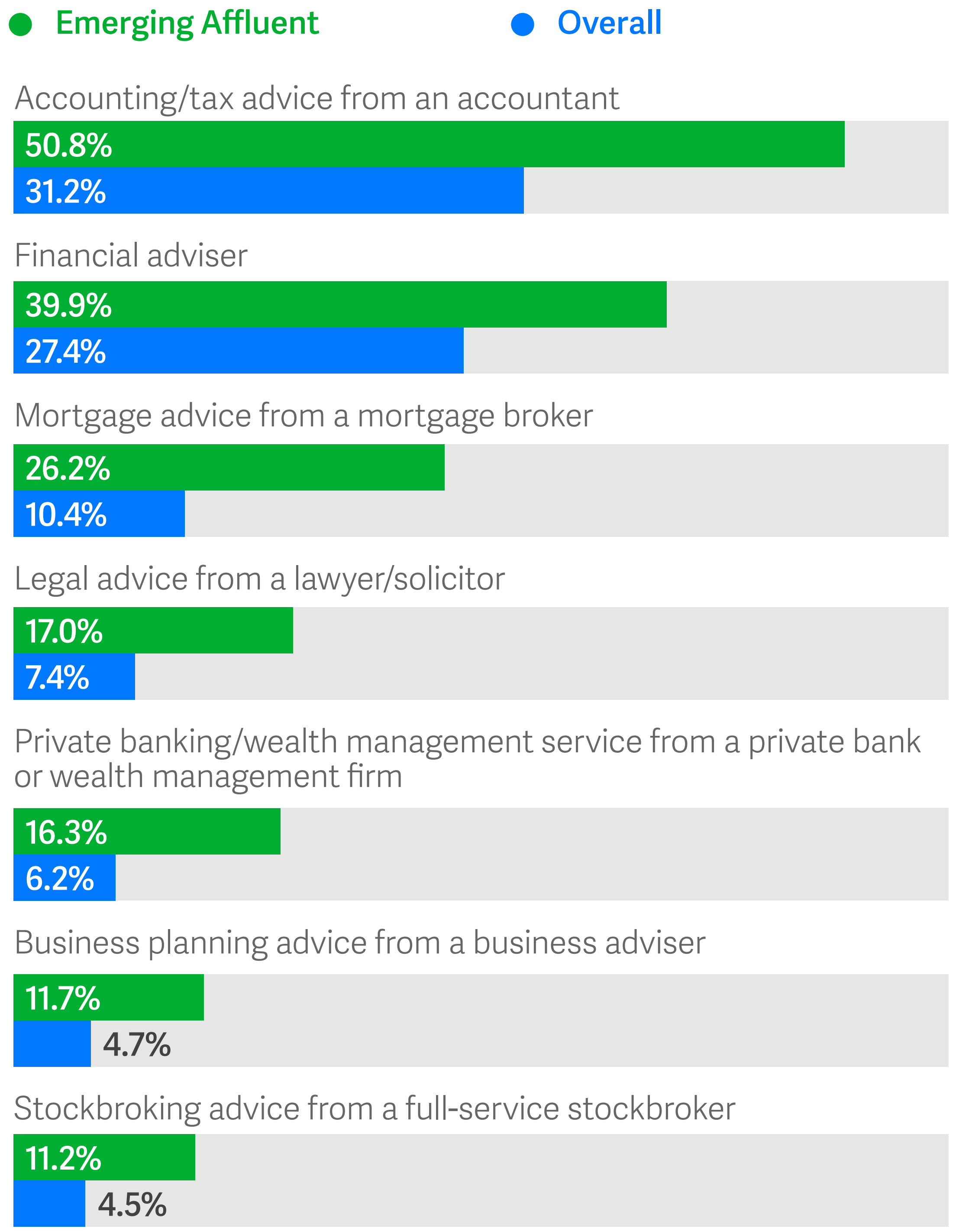
Higher financial engagement in The Emerging Affluent leads to higher Financial Capability

How engaged do you feel with your investments and investing activities?



Increased use of advisers can also increase Financial Capability, as we see in the Emerging Affluent

Are you currently receiving/using the following in managing your personal and/or business financial situation?



3. Financial Resilience

The Financial Resilience dimension is a measure of how prepared and the ability of Emerging Affluents to navigate threats to financial security and unexpected events.

The Emerging Affluent are split into two camps in terms of Financial Resilience.

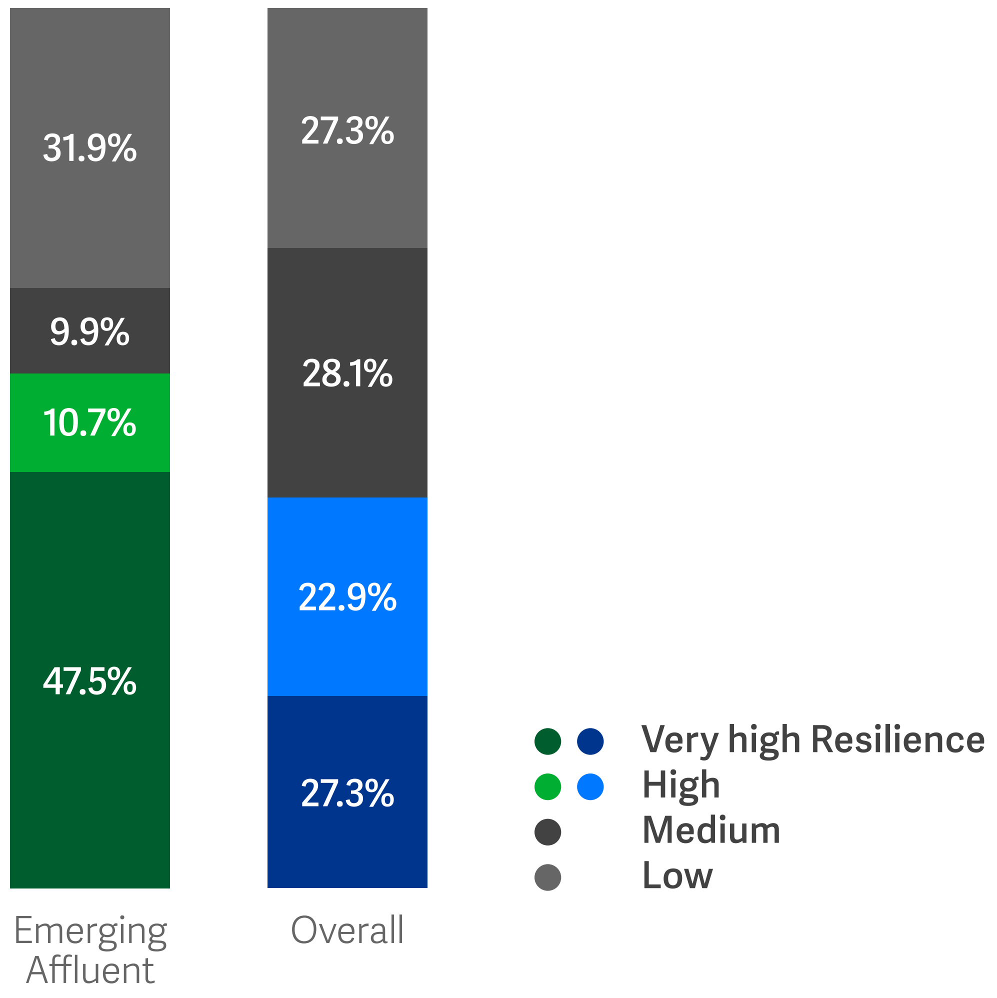
They either have very high Financial Resilience (47.5% of them) and are more prepared for the future (for example, they opt for more comprehensive insurance cover, have greater incomes and good saving behaviours); or they have low Financial Resilience (31.9%) and not so focused on the future, which is likely to be the case for those with lower incomes but high levels of investable assets.

These Emerging Affluent with low Financial Resilience may be more at risk from unexpected financial events. For example, almost three in 10 (29.5%) Emerging Affluents with low Financial Resilience are not confident or are only minimally confident in their insurance, compared to only 6.0% of those in the very high Financial Resilience group. The same is true for financial goals, with almost one in five (17.7%) of those in the low Financial Resilience group not confident in achieving their financial goals compared to only 2.0% of those in the very high Financial Resilience group.

Perhaps counter-intuitively, those with low Financial Resilience are actually less likely to worry about money on a daily or weekly basis (25.1%) compared to those in the very high Financial Resilience group (44.4%). This is most likely because capability and resilience are correlated.

Emerging Affluents are split, they have either very high Financial Resilience or it is low

Financial Resilience by segment



Those with higher Financial Resilience have higher Financial Capability and therefore recognise more financial issues either because they are more engaged in their finances or have higher financial literacy. Increased Financial Resilience is because an individual has:

1. More favourable wealth indicators, such as higher income
2. Greater uptake of insurance
3. A plan to invest for the long term.

Lower levels of Financial Literacy can lead to financial concerns and inadequacies with Emerging Affluents

Selected attitudes of The Emerging Affluent by level of Financial Resilience

	Very high Resilience	Low Resilience
I am not, or minimally confident, that I have sufficient and appropriate insurance cover for my needs	6.0%	29.5%
I disagree or strongly disagree that I feel confident that I can achieve my financial goals	2.0%	17.7%
I worry about money on a daily or weekly basis	44.4%	25.1%

Wealth is a strong indicator of Financial Resilience, especially income.

High incomes drive higher resilience in individuals. It means they are more likely to be able to handle unexpected costs or changes in the market, are more likely to be able to afford financial advice and the benefits that come from that and have higher cashflow so they are less likely to call on their investment portfolio to cushion financial shocks.

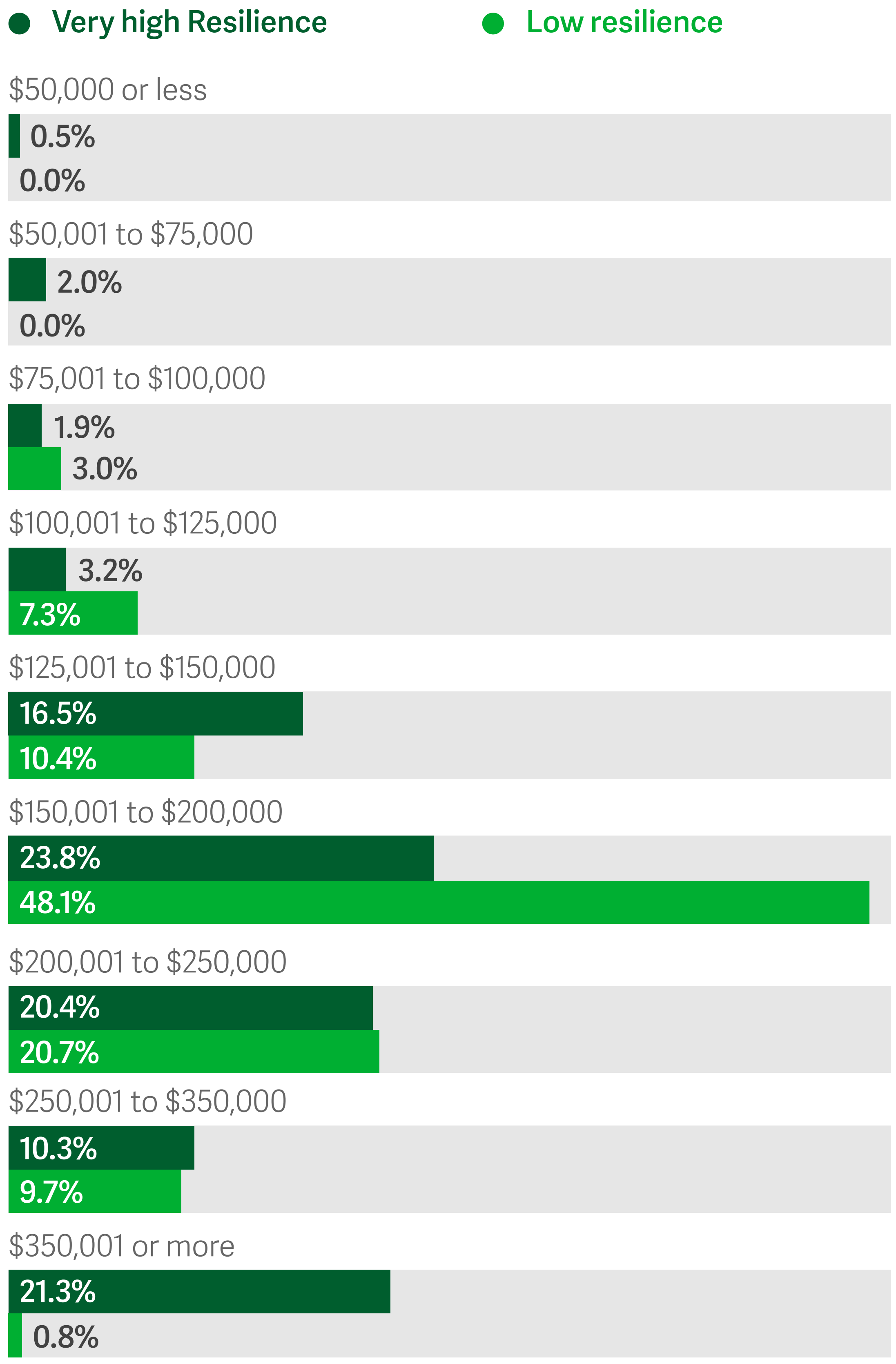
We see the majority (70.8%) of the Emerging Affluent have household incomes of $150,000 and higher, with over one in ten (10.4%) having incomes of 350,000 and above.

One in five (21.3%) Emerging Affluents in the very high Financial Resilience group have household income of $350,000 or more, compared to fewer than one in 100 (0.8%) of individuals in the low Financial Resilience group. Almost half (48.1%) of the low Financial Resilience group sit in the $150,000 to $200,000 income bracket.

More than three in five (61.1%) very high Financial Resilience Emerging Affluents have household wealth of more than $1 million compared to only 26.9% of those in the low Financial Resilience group.

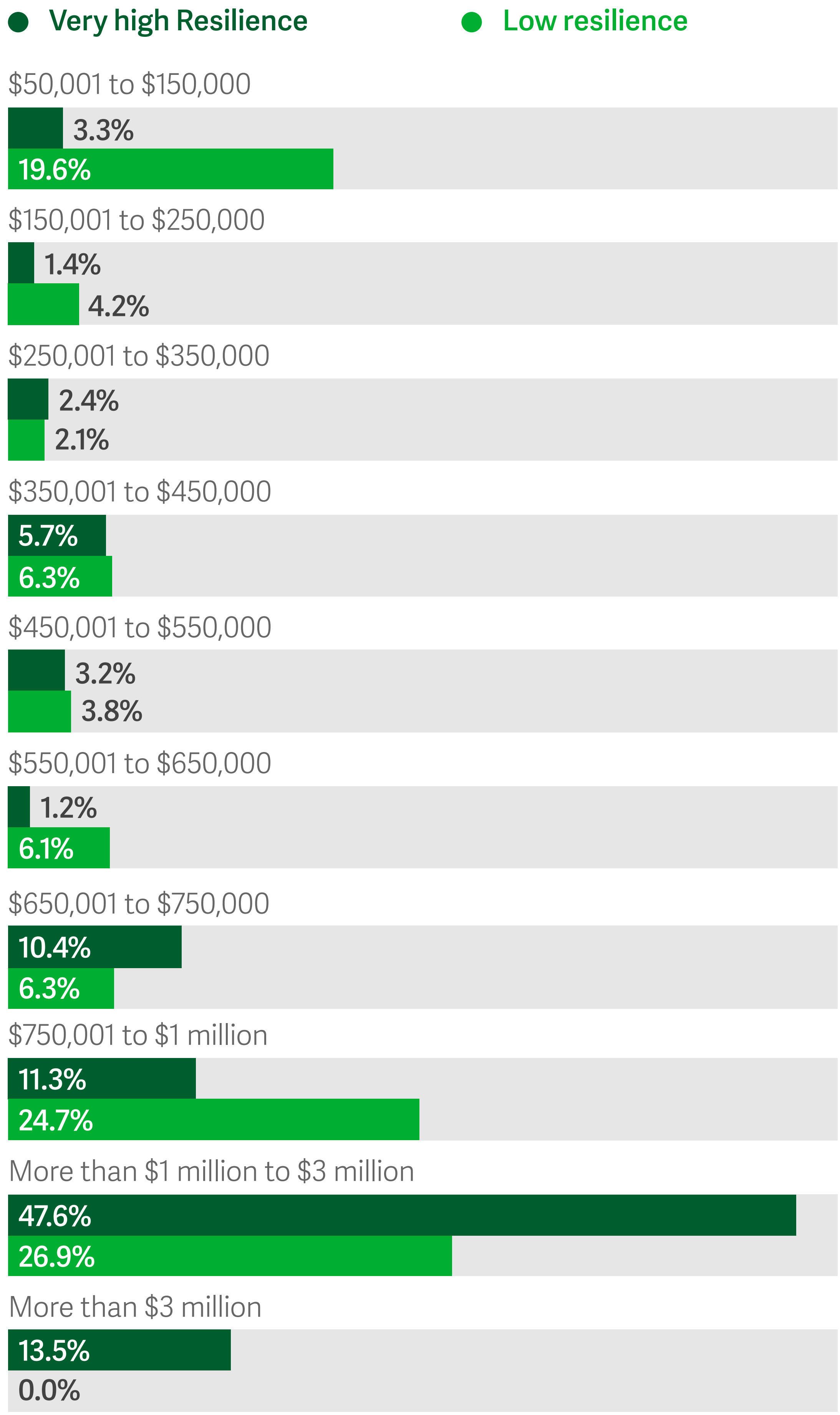
Financial Resilience increases as household income increases

Household's annual income, including all wages, salaries, pensions and other income, before tax (Emerging Affluents only)



Higher Financial Resilience is linked to higher household wealth, although income is a stronger driver of resilience

Household's total wealth, including home, household investable assets and household super (Emerging Affluents only)



Insurance uptake is not about who has the greatest amount of insurance cover but rather, their tendency to take insurance cover out and how confident they are their coverage is adequate. Generally, we see an individual's Financial Resilience decline as their confidence in their insurance cover declines.

The Emerging Affluent with high Financial Resilience have higher levels of insurance uptake and generally are more confident in their coverage.

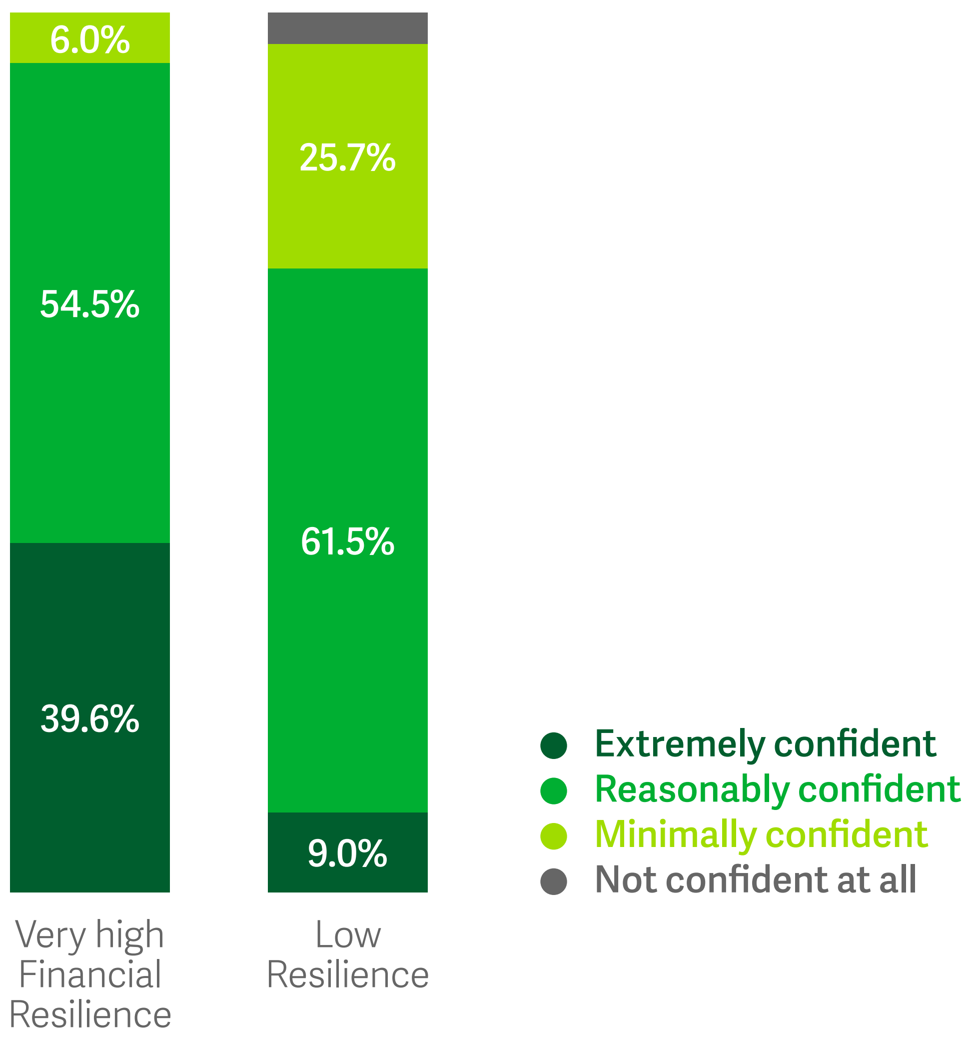
More than nine in 10 (94.1%) Emerging Affluent with high Resilience are reasonably or extremely confident in their insurance coverage.

This high resilience group are especially more likely than the low Resilience group and the Advisable Australian overall to buy life insurance. Almost nine in 10 (89.0%) of the Emerging Affluent with high Resilience have death cover as opposed to just over half (52.6%) of Advisable Australians overall; and similarly, almost nine in 10 (85.9%) have TPD cover (compared to only 41.8% overall). Also nine in 10 (86.7%) have income protection (compared to only 32.9% overall).

The Emerging Affluent with low Financial Resilience have lower levels of insurance although they generally still have broader coverage than the Advisable Australian overall. For example, almost eight in 10 (79.1%) have death cover, six in 10 (64.6%) have TPD cover and five in 10 (55.4%) have income protection.

Those with higher confidence in their insurance coverage have higher Financial Resilience

How confident are you that you have sufficient and appropriate insurance cover for your needs (Emerging Affluent only)?



Emerging Affluent insurance uptake is higher than the overall Advisable Australian

Do you currently have the following types of insurance?	Emerging Affluent (very high Financial Resilience)	Emerging Affluent (low Financial Resilience)	Overall
Death (life) cover	89.0%	79.1%	52.6%
TPD (total permanent disability) cover	85.9%	64.6%	41.8%
Income protection (salary continuance) cover	85.7%	55.4%	32.9%
Trauma (critical illness) cover	65.9%	19.8%	17.1%
Car insurance	96.9%	78.8%	86.6%
Home and/or content insurance	89.5%	76.6%	80.8%
Private Health insurance	90.2%	68.6%	64.6%

Financial Resilience typically increases as an individual is more engaged in their finances. Greater engagement leads to a greater understanding of investment concepts, such as risk and diversification.

As a result, we see that The Emerging Affluents with high Financial Resilience have the following investment preferences:

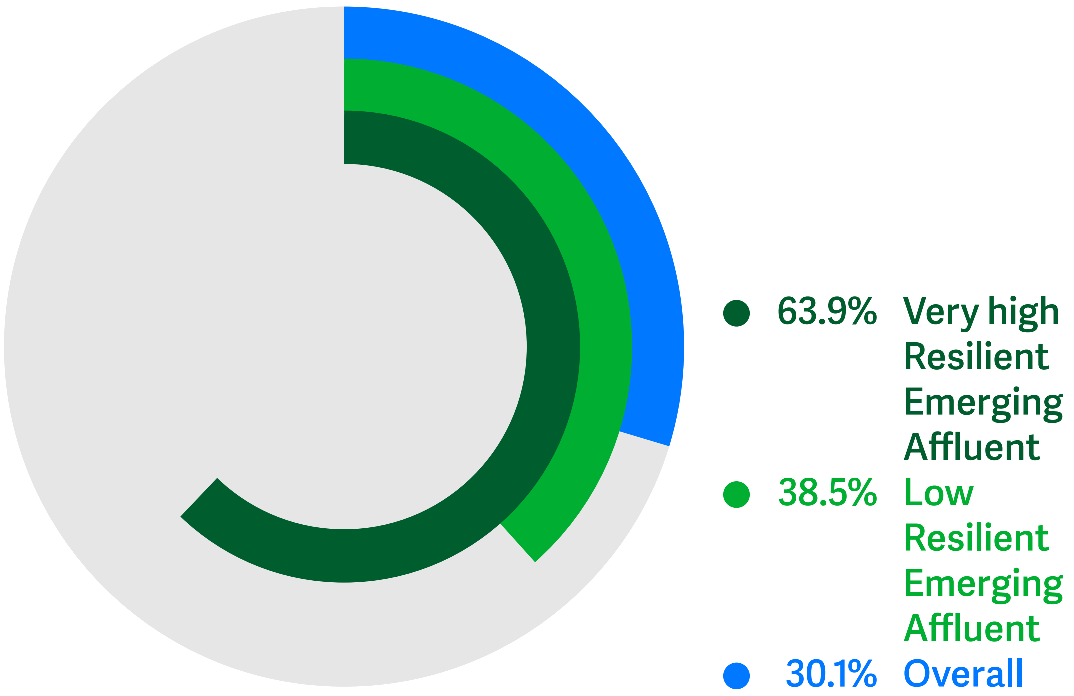
- **Shoot for higher returns:** They are much more likely (49.8%) than Advisable Australians overall (30.1%) to take on riskier investments, as long as the potential returns are there.
- **Be in it for the long haul:** They also understand that it's a long game and almost two-thirds (67.5%) are prepared to invest over the long term - at least 10 years.
- **Understand diversification:** Diversification is on their mind. Around half (50.6%) prefer to invest in many different investments or types of investments, compared to around four in 10 (41.7%) of Advisable Australians overall. In addition, only around a third (34.4%) of the Emerging Affluent would prefer to invest in only one or two types of investments, compared to almost four in 10 (39.9%) Advisable Australians overall.

On the other hand the Emerging Affluent with low Financial Resilience exhibit investment preferences different to those with very high financial resilience:

- They are less likely to shoot for higher returns: They are less likely to shoot for higher returns (38.5%) although still higher than the overall.
- They are in it for the long haul: They are similar to those with very high resilience and prefer to be in it for the long haul (64.4%).
- They are not focused on diversification: Only around two in five (41.0%) prefer to invest in many different investments or types of investments on par with Advisable Australians overall.
- They are generally not engaged in investing activities: Low resilience Emerging Affluents are generally unlikely to be engaged in their investing activities (30.1%), less than that of the overall.

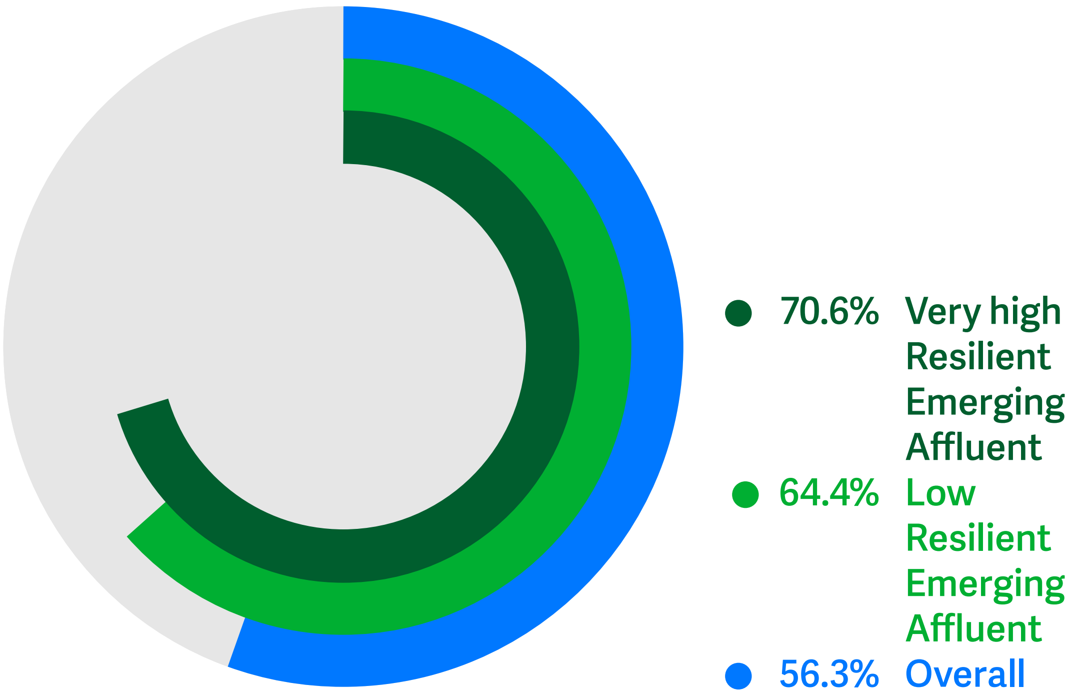
The higher resilient Emerging Affluents prefer higher risk investments

I prefer investments with higher potential returns even if the risk is higher



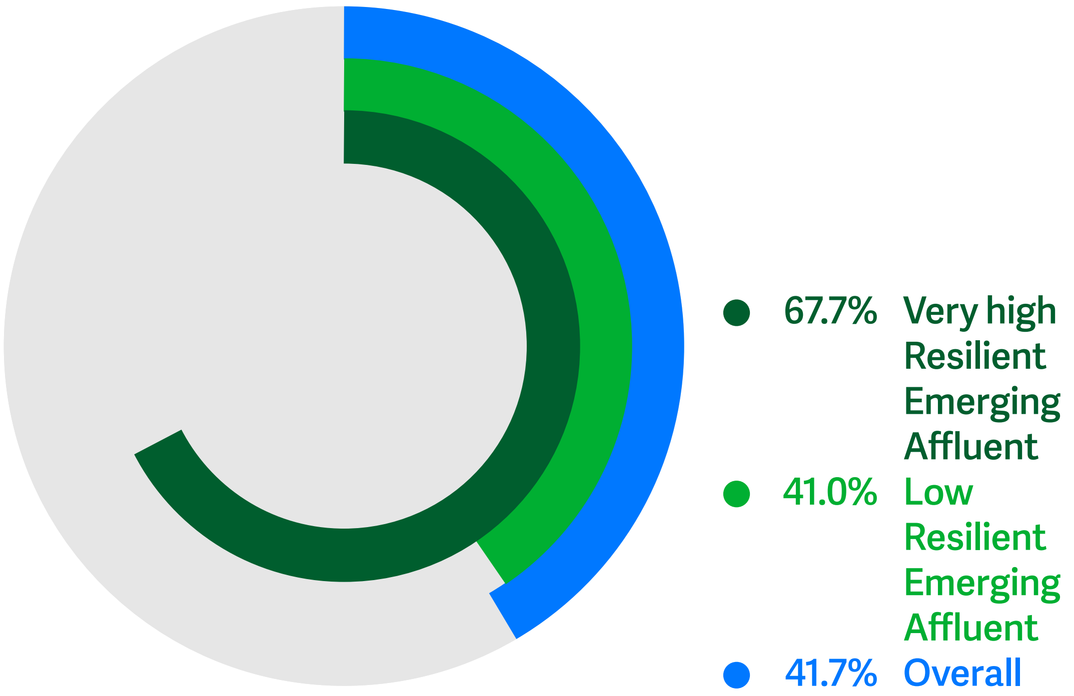
The Emerging Affluent tend to prefer longer term investments, and that's greater with very high Financial Resilience

I typically invest with a long timeframe (10 years or longer)



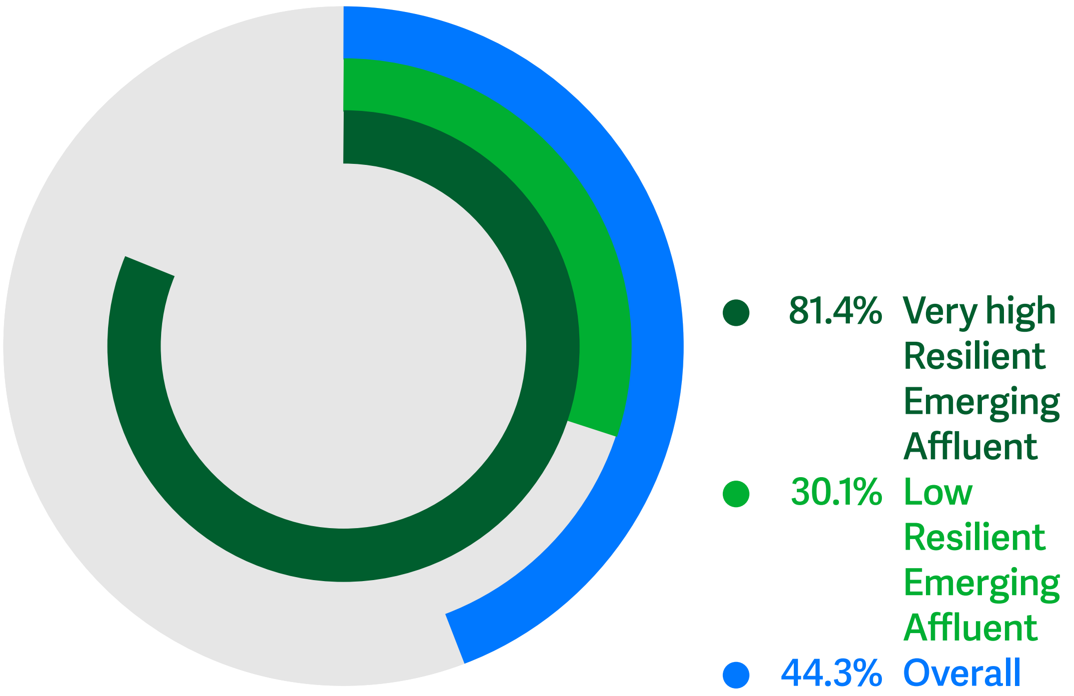
Diversification efforts are strong with very high Financial Resilience Emerging Affluents

I prefer to invest in many different investments or investment types



Low resilience Emerging Affluents are typically not engaged with investing

How engaged do you feel with your investments and investing activities?



4. Financial Wellbeing

The Financial Wellbeing dimension is a measure of the impact of financial issues on The Emerging Affluents physical, mental and social health.

Individuals with higher Financial Wellbeing typically do not feel that their finances impact their life – that is, their physical and mental health, their home life and their social and community interactions.

Around two-thirds (62.4%) of The Emerging Affluent sit in the high to very high Financial Wellbeing range, which is very similar to Advisable Australians overall. This means that finances are less likely to impact their health and wellbeing compared to those who have lower Wellbeing. With that said, over one-third (34.9%) of Emerging Affluents worry about money at least weekly, so there are some issues that need dealing with. And like the Advisable Australian in general, they are just as likely to have personal, health and social issues because of finances.

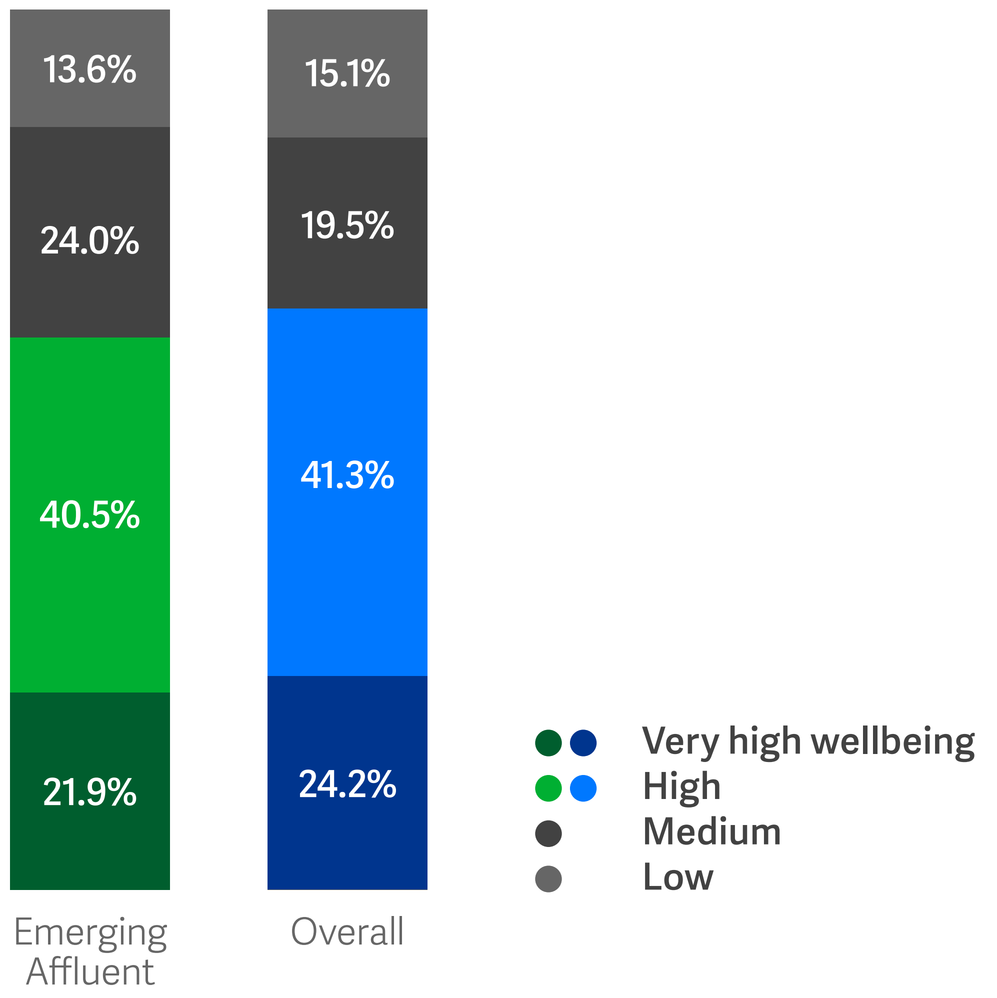
Almost one in two (47.8%) Emerging Affluent have experienced adverse mental health because of financial issues, and more than one in four (28.6%) have experienced adverse physical health issues. Over two in five have had their family or social life impacted, whilst over half (51.2%) have had their satisfaction at work adversely affected.

Holding back the Emerging Affluent from reaching the top very high band for Financial Wellbeing includes:

1. Being younger means more life events, such as changing jobs, that create disruption and uncertainty.
2. They are less likely to be debt-free, which brings further uncertainty.

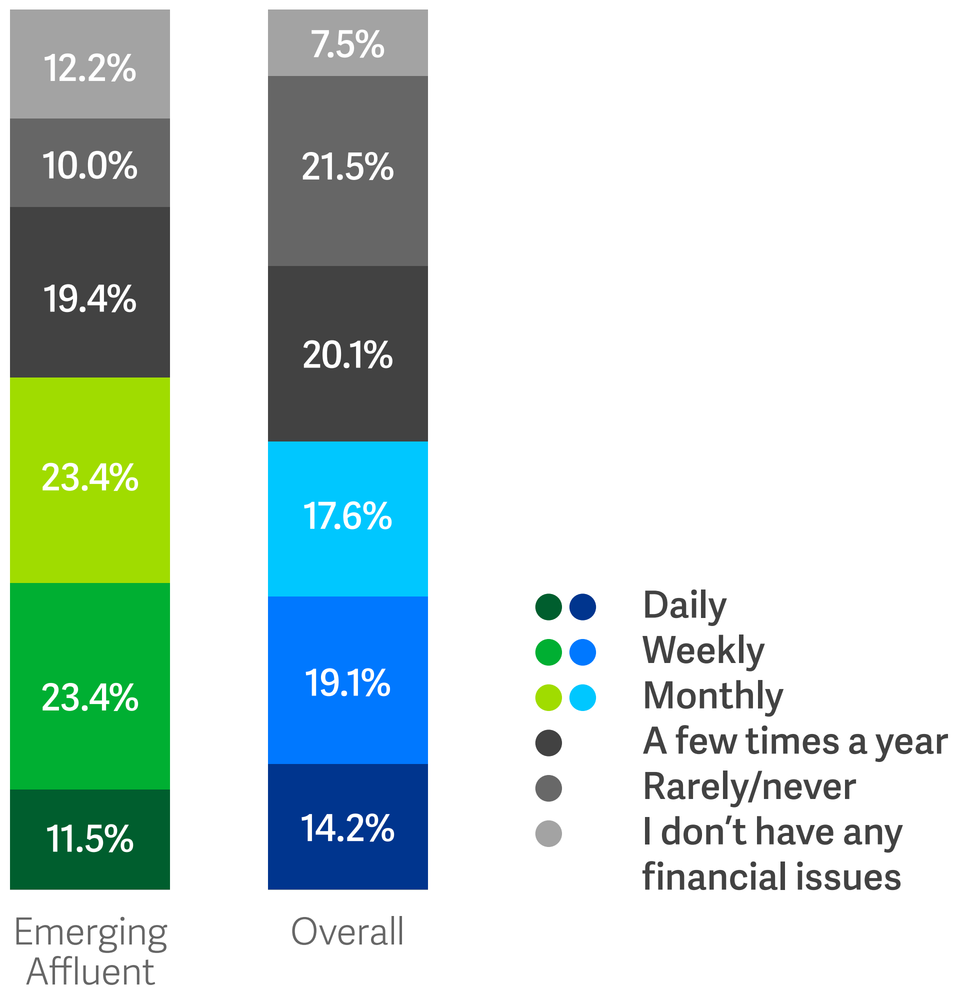
Over six in 10 Emerging Affluents have high or very high Financial Wellbeing

Financial Wellbeing by segment



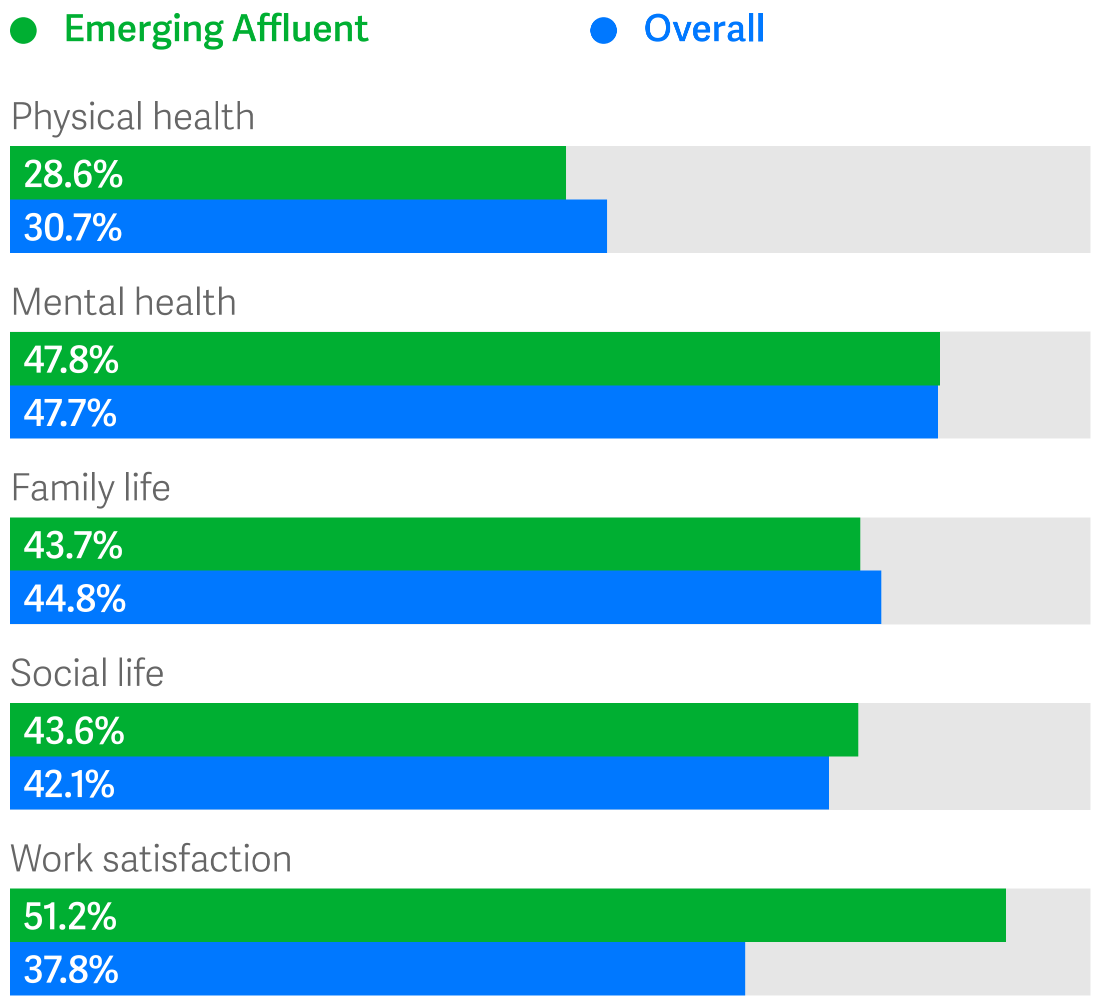
However, there is room for improvement as one-third worry about money at least weekly

How frequently do you worry about money?



The adverse impacts of financial issues affect the Emerging Affluent just as much, if not more than the average

Have financial issues ever adversely affected your ...?



The Emerging Affluents are younger and are thus more likely to have more significant life-events that drive uncertainty and impact their Financial Wellbeing.

Decreased Financial Wellbeing is highly linked to heightened uncertainty, and uncertainty is often linked to changes in an individual's life circumstances and their personal situation.

As they are younger, they are more likely to have uncertainty around their career and their income security, which is a hindrance to them achieving greater Financial Wellbeing.

More than one-third (37.8%) of them have changed career or job in the last three years with a further quarter (23.9%) expecting to change jobs in the next three years and a further one in ten (9.9%) expecting to lose their job.

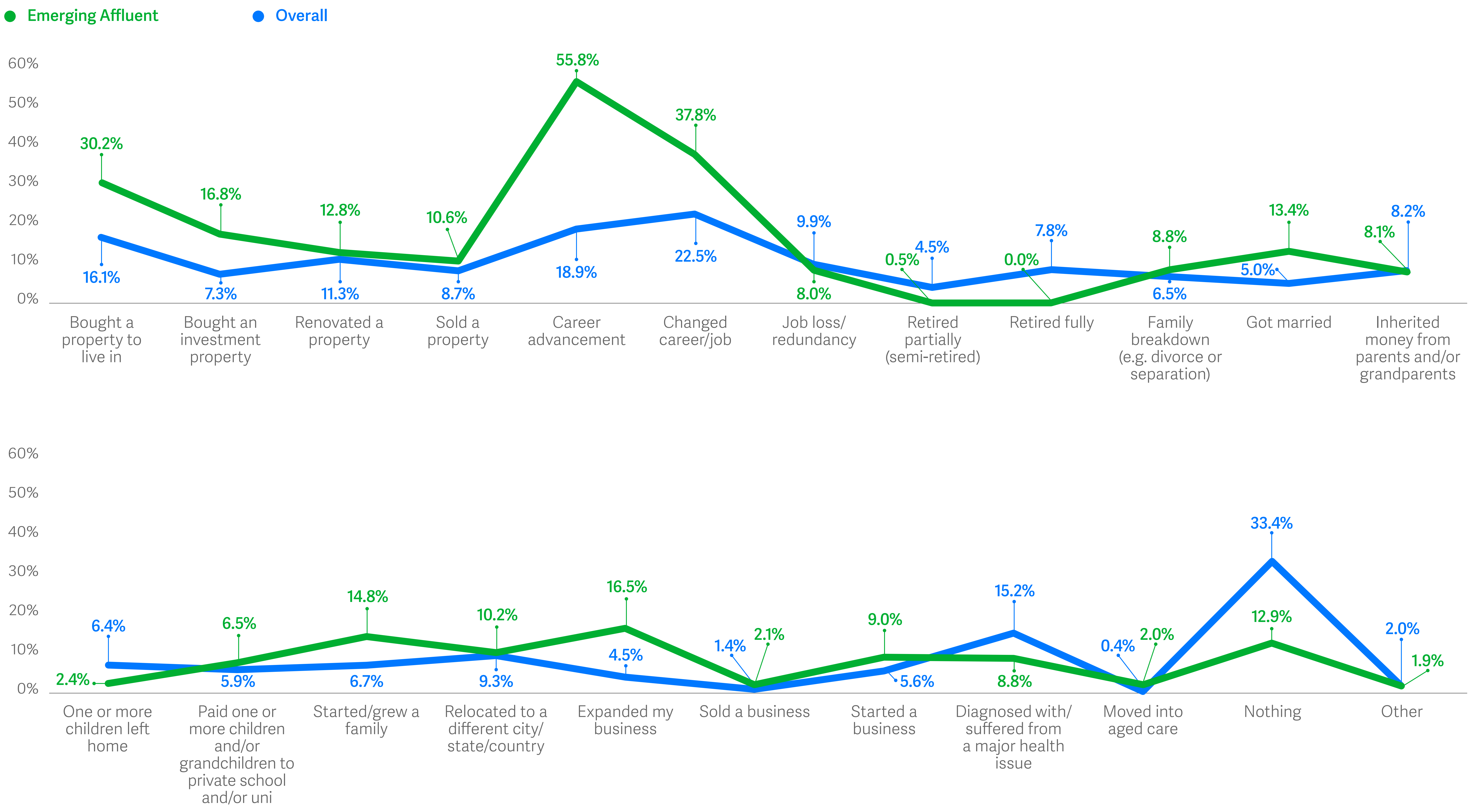
When compared to the Advisable Australian overall, they are much more likely to have job uncertainty. Yet it doesn't stop there.

They are more likely to have started or to be growing their family in the last three years (14.8% of them versus 6.7% overall) and expanded their business (16.5% versus 4.5%).

Not surprisingly health issues are less important to this group as are younger and typically healthier due to their age.

Career advancements, changing jobs or career and redundancy are the most pressing issues limiting the Emerging Affluents wellbeing

Which of the following life events have you experienced in the past three years?



Good saving habits and being debt free are key indicators of very high Financial Wellbeing.

The saving habits of the Advisable Australian and how likely they are to take on debt impact an individual's sense of Financial Wellbeing. For those with very high Financial Wellbeing, we generally see low debt and very good saving habits. These are both signs of security and stability.

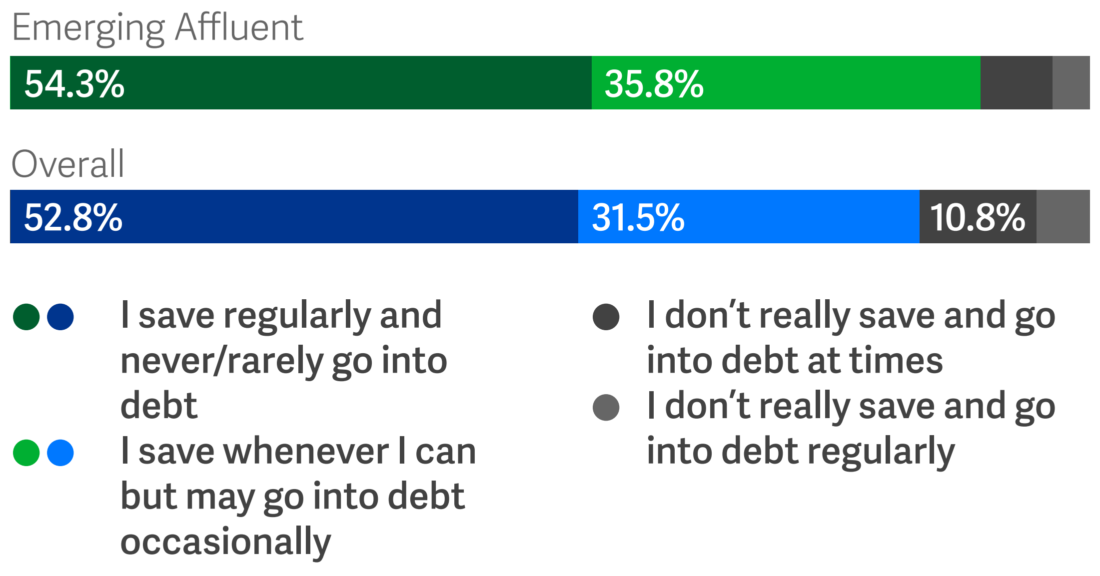
The Emerging Affluent have similar savings to the Advisable Australian overall. Around half of them (54.3%) have very good savings habits and never/ rarely go into debt, in-line with the Advisable Australian overall (52.8%).

But typically, The Emerging Affluent have more debt. This isn't necessarily a negative – debt can be used constructively, for wealth creation, yet it can bring with it a greater sense of uncertainty.

Overall, around a third (35.4%) of Advisable Australians have no debt, whereas fewer than one in five (18.4%) of The Emerging Affluent have no debt. On the other hand, over two in five (21.3%) have more than $550,000 in debt.

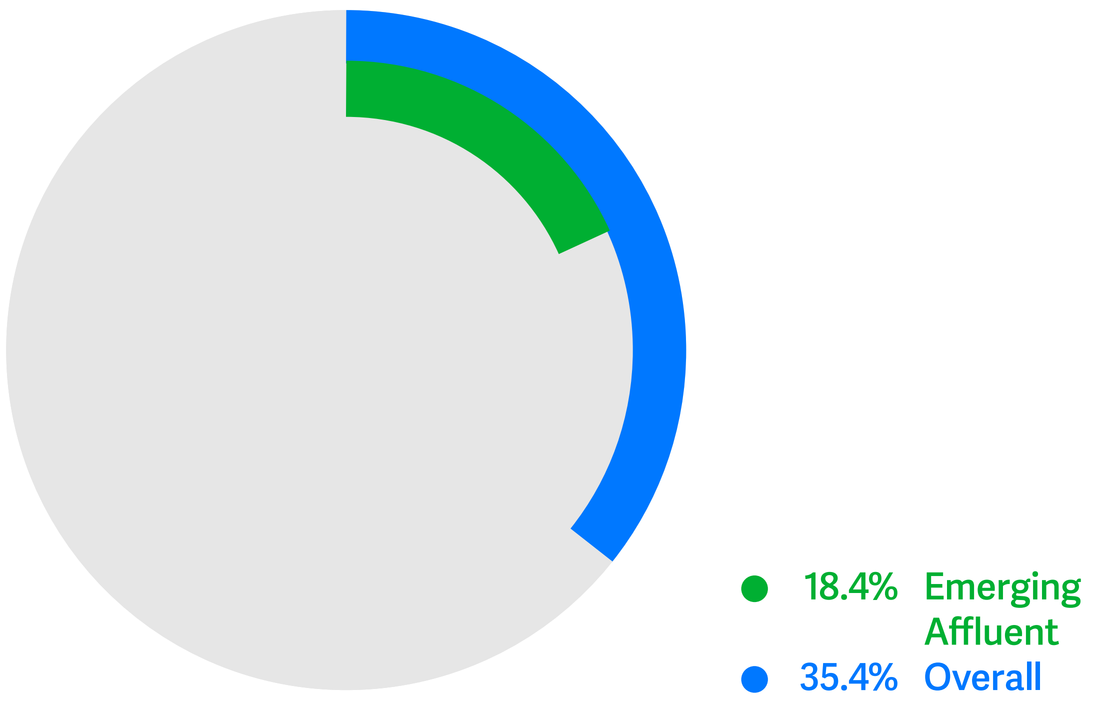
Better saving habits equates to greater Financial Wellbeing for all Advisable Australians including The Emerging Affluent

Which of the following best describes your personal financial situation?



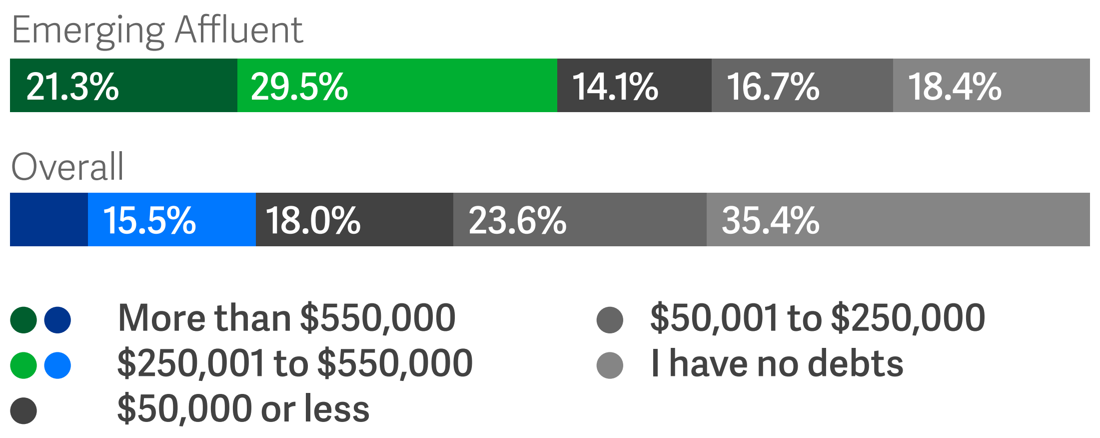
Emerging Affluent less likely to reach very high wellbeing due to a lower likelihood of being debt free

I have no debts



In fact, they are more likely to have higher levels of debt, which brings down Financial Wellbeing but can be important for other aspects of wealth creation

Household debt



5. Technology Adoption

The Technology Adoption dimension is a measure of how The Emerging Affluent use and the value they place in technology and digital services.

It's not surprising that Technology Adoption is high in The Emerging Affluent group, given they are younger and have largely grown up with digital services.

The Emerging Affluent are the strongest tech users, with one in five (21.7%) having a very high Technology Adoption profile (compared to 9.1% overall) and a further six in 10 (61.1%) having a high Adoption profile.

These are individuals who have grown up using technology and are very comfortable using it. More than two in five (40.5%) say they are extremely confident in using technology compared to 22.3% overall, and a quarter (26.6%) are very tech savvy and like to try out new technologies (compared to 14.9% overall).

The Emerging Affluent are also more likely to access the internet on mobile devices for non-work activities. What separates individuals in the top Technology Adoption band is the fact they are comfortable on whatever device they are using.

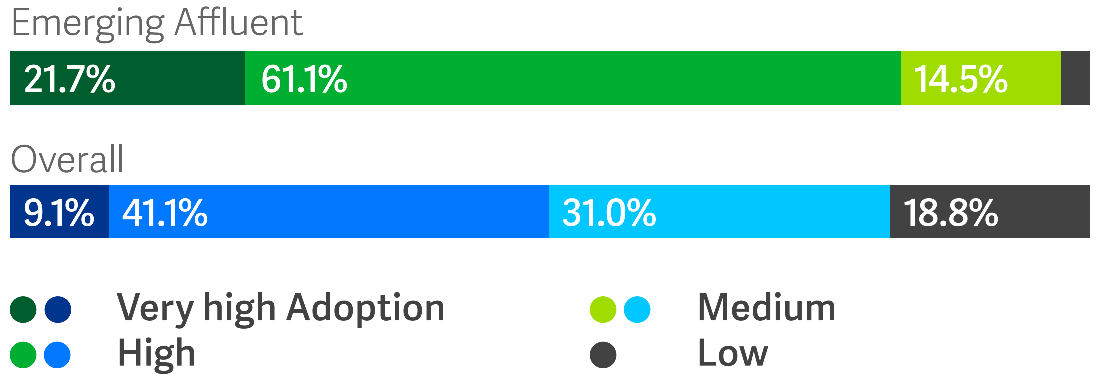
The Emerging Affluent have equally large groups who prefer mobile (45.8% vs 30.0% overall) and those who are equally comfortable on mobile and desktop (43.8% vs 34.7% overall).

The key drivers of their higher-than-average Technology Adoption is because the Emerging Affluent:

1. Are digital natives and have grown up using technology throughout their lives leading to increased confidence and savviness in using technology.
2. Frequently use technology and digital services in their everyday life.

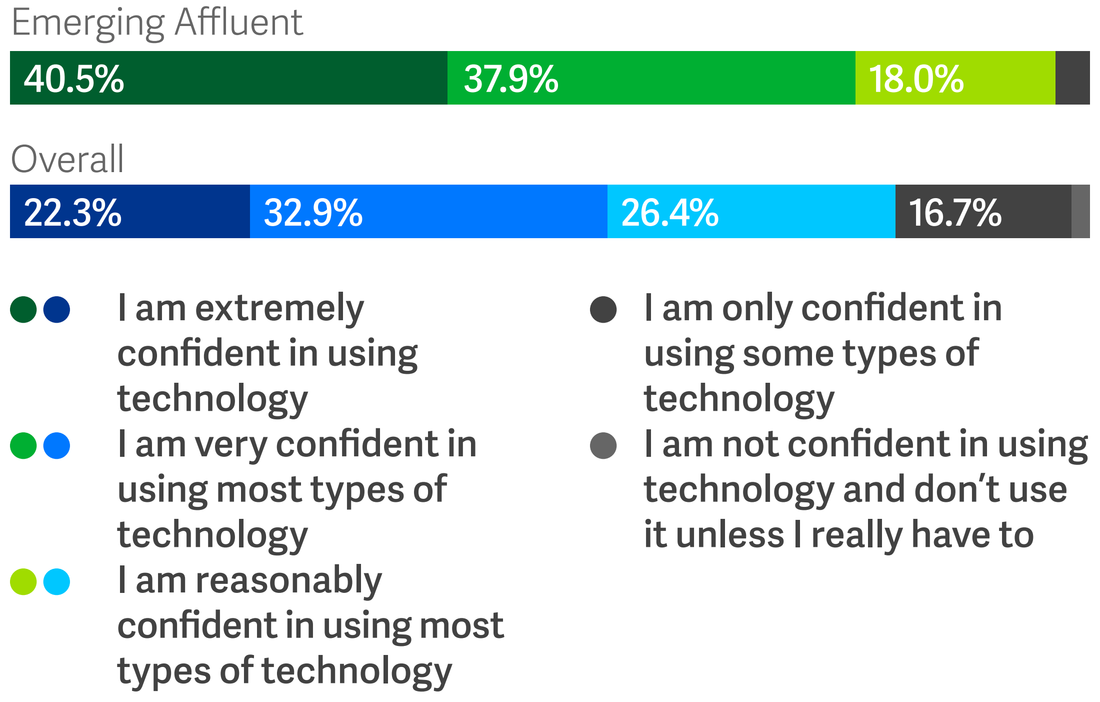
Being younger, Emerging Affluents are high and very high adopters of technology and digital services

Technology Adoption by segment



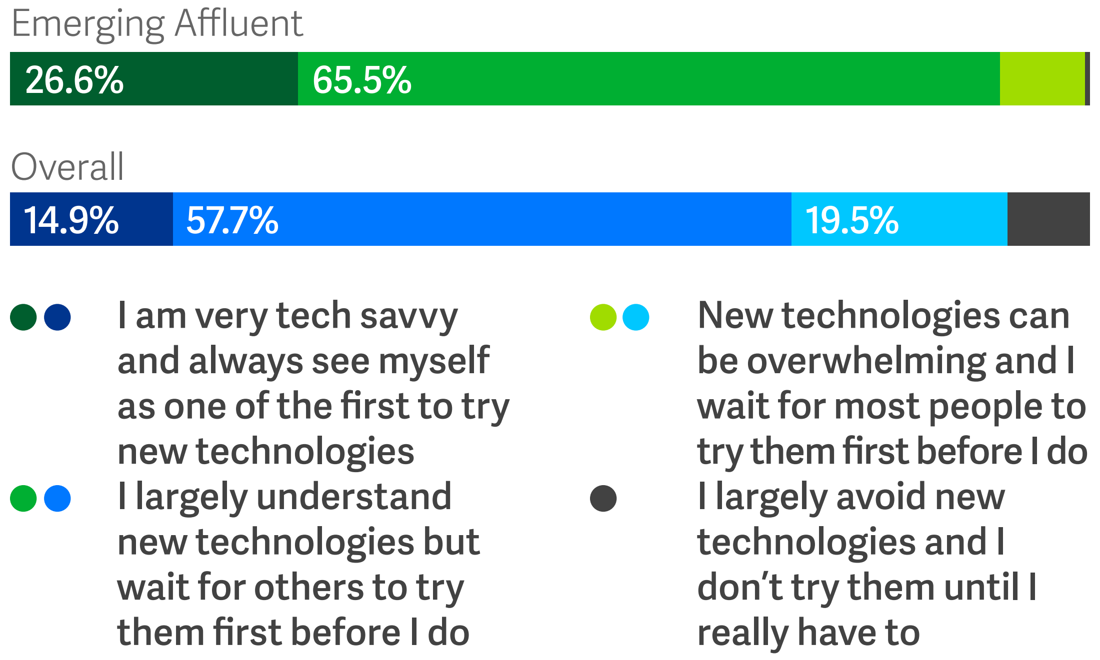
Emerging Affluents are overwhelmingly very or extremely confident in technology

Which of the following best describes your confidence in using technology?



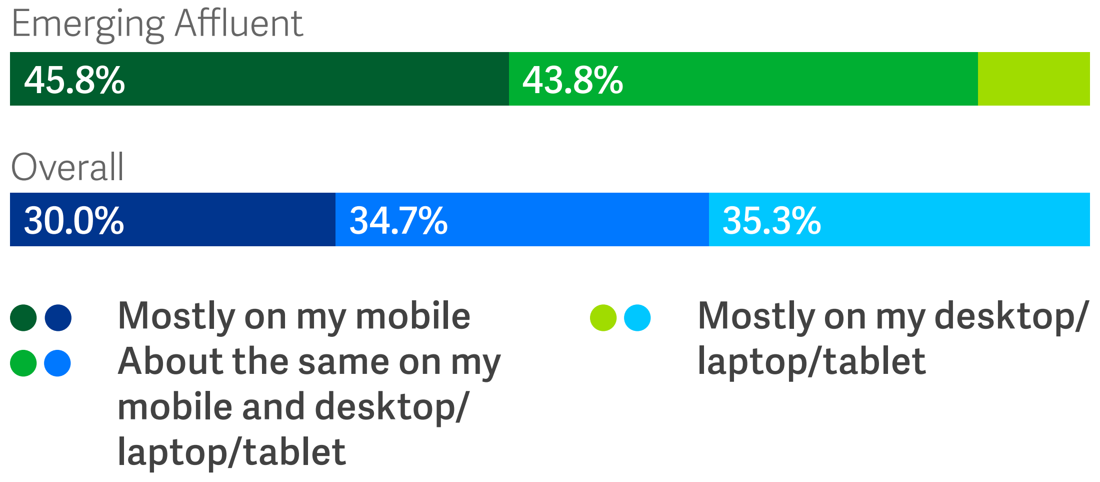
Over one quarter of Emerging Affluents claim to be very tech savvy, always trying the latest tech

Which of the following best describes your attitude towards adopting new technologies?



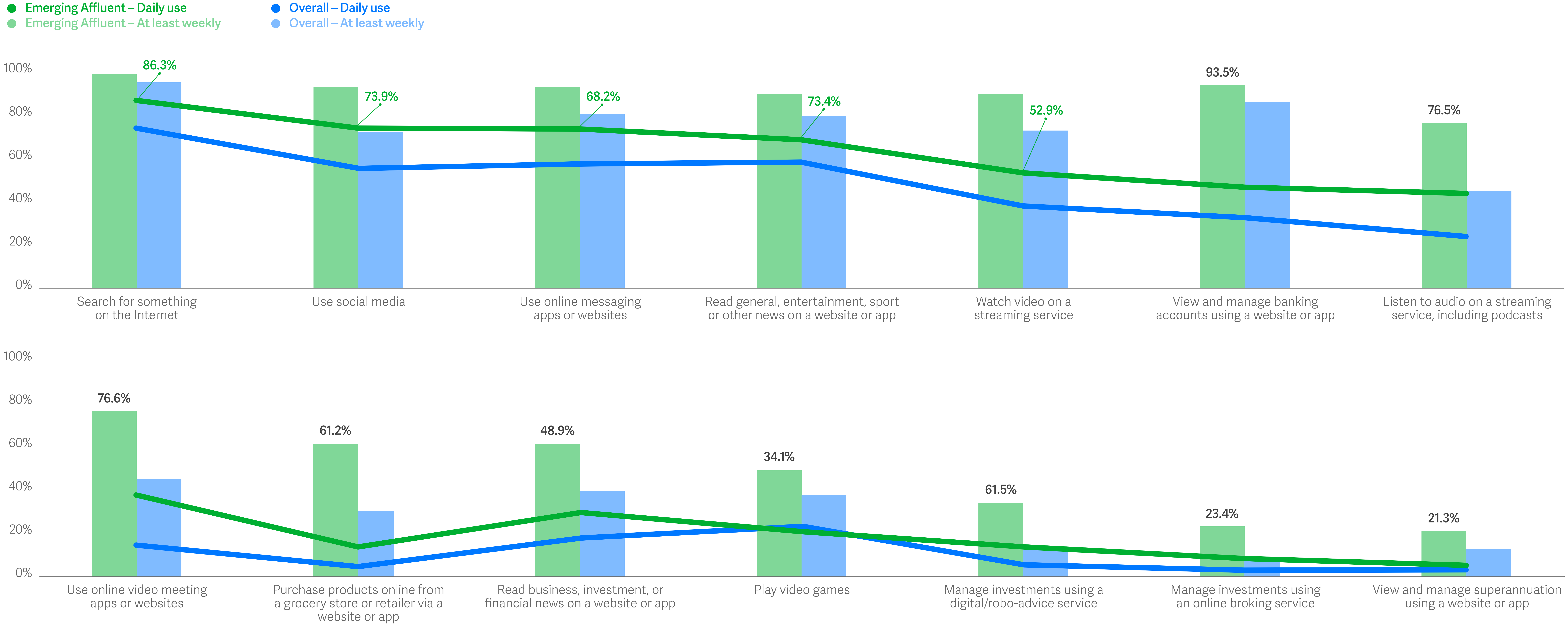
Accessing the internet on the mobile for non-work activities is the norm for Emerging Affluents

How do you typically access the Internet for personal non-work activities?



Online and digital service usage of the Emerging Affluent is greater in every category compared to the Advisable Australian

How frequently do you typically do/use the following digital services?



Online and digital service usage of Emerging Affluents is greater in every category compared to the Advisable Australian.

It stands to reason that individuals in the higher Technology Adoption groups use more online digital services and use them more frequently. This is clearly evident among The Emerging Affluent.

Daily, at least half of the Emerging Affluents use the following digital services:

- Search for something on the internet (86.3% do it daily)
- Use social media, e.g. Facebook, Instagram and Linkedin (73.9%)
- Use online messaging apps or websites, e.g. Facebook Messenger and WhatsApp (73.4%)
- Read general news or entertainment online (68.2% whilst 89.5% do it at least weekly)
- Watch video on a streaming service, e.g. Netflix and YouTube (52.9%, whilst 89.6% do it at least weekly)
- Emerging online activities, such as listening to audio streaming services (like Spotify) and podcasts, and online shopping, are still much more often used by the Emerging Affluent than by Advisable Australians overall.

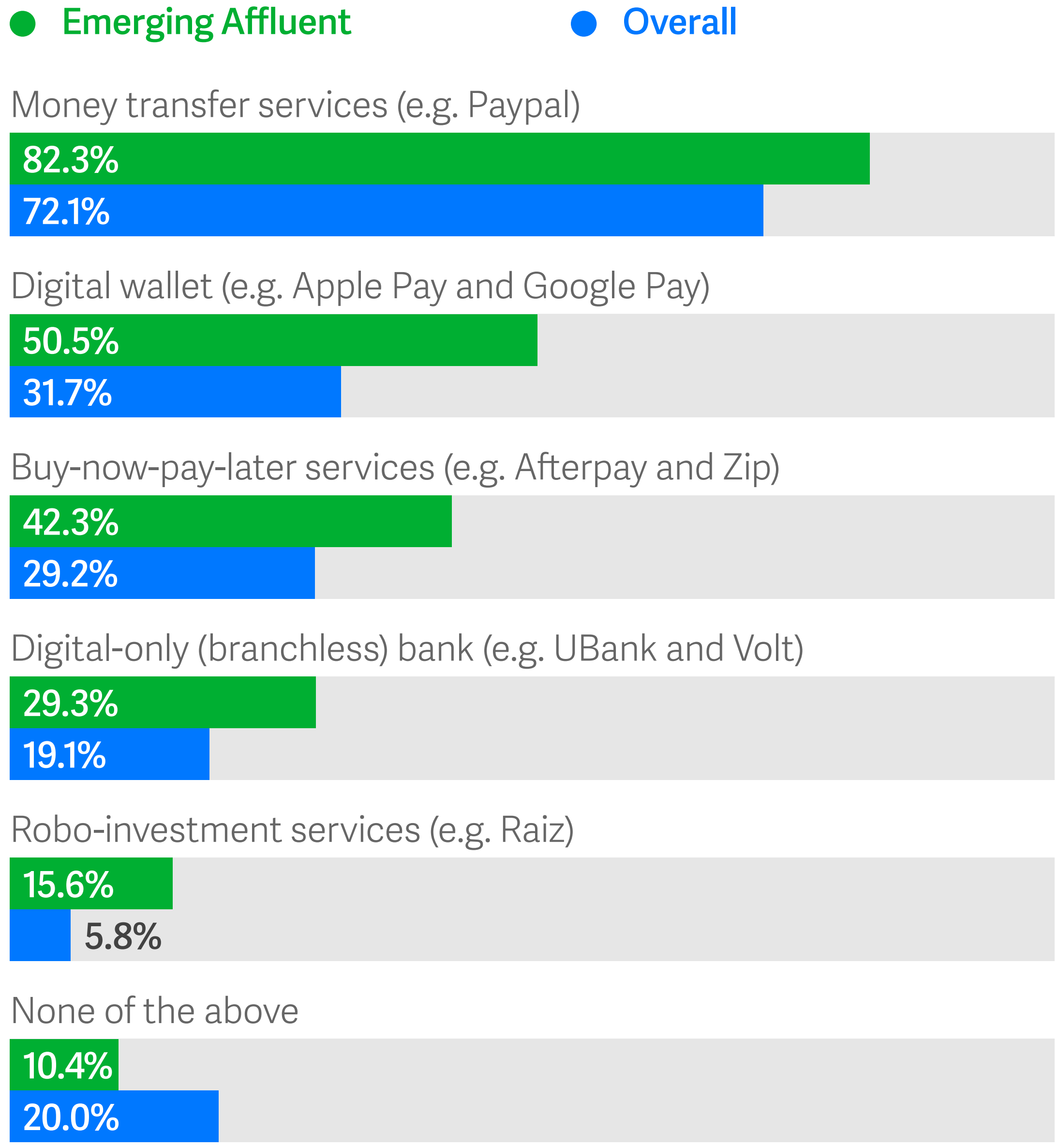
We see the greatest difference between the Emerging Affluent and the overall Advisable Australian in:

- Listening to audio on a streaming service, such as Spotify or podcasts (76.5% do it weekly, versus 44.7% overall)
- Using online video meeting apps or websites (76.6% use it weekly versus 45.2%)
- Purchase products online from a grocery store or retailer via a website or app (61.5% buy weekly versus 30.5%)
- Reading business, investment or financial news online or on an app (61.2% read weekly versus 39.6%).
- Managing investments using an online broking service (24.1% weekly versus 13.0%)
- Managing superannuation using a website or app (21.3% weekly versus 12.8%)

Emerging Affluents are also the group most likely to be using digital financial services, such as money transfer services like Paypal (82.3% compared to 72.1% overall), buy-now-pay-later services like Afterpay (42.3% compared to 29.2%), digital wallets like Apple Pay (50.5% compared to 31.7%) and Robo investing services like Raiz (15.6% compared to 5.8%).

Emerging Affluent most likely to have used digital financial services

Which of the following digital financial services do you use or have you used?



6. Brand Affinity

The Brand Affinity dimension is a measure of the brand attitudes, loyalty and the factors most important to The Emerging Affluent when evaluating a brand.

Brand Affinity is all about an individual's preference and is split into four groups:

- **Premium:** Those who look for and admire well-known premium brands that are feature-rich and with top digital capabilities.
- **Purposeful:** Those looking for a business that has a social or environmental purpose and takes a stand.
- **Proven:** Those looking for well-known brands with a history or heritage, and one that can educate and collaborate. Digital is not a focus usually.
- **Plain:** Those looking for a no-frills brand with low complex service plus limited digital offering.

The Emerging Affluent are overrepresented in our plain and premium Brand Affinity groups compared to Advisable Australians overall.

One in three (33.4%) of The Emerging Affluent identify with the premium Brand Affinity group, while a further one in three (36.2%) identify with the purposeful group. Those in the premium group prefer premium brands with full-service digital features. Those with affinity to purposeful brands don't rely on brand name alone but are more inclined to be attracted to what the businesses stands for.

The key drivers of both these groups of Emerging Affluents in terms of their Brand Affinity are:

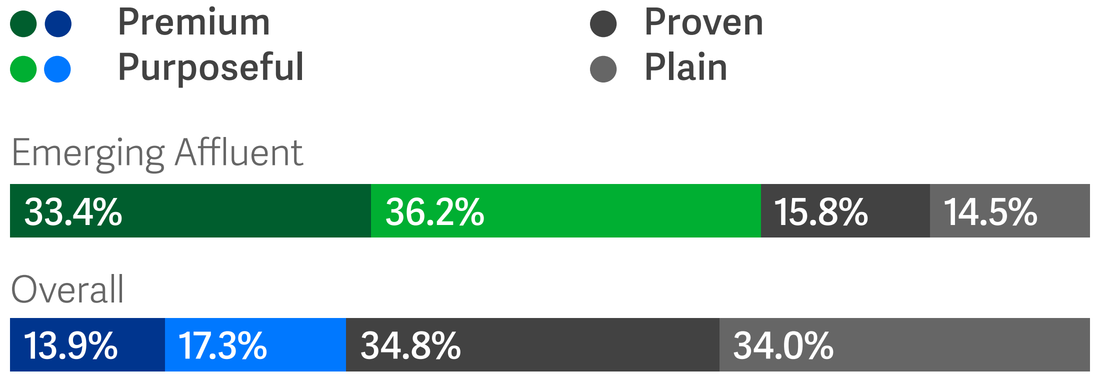
1. Whether they care about brand name, whether they would be open to multiple brands and the complexity of the service they are looking for
2. Their perceived attributes of the business or brand.

The Emerging Affluent in the premium Brand Affinity group are less inclined to use lesser-known brands (34.4%) when compared with Advisable Australians overall (47.7%), while those in the purposeful Brand Affinity group are more inclined to use lesser brands (59.3%).

The purposeful Brand Affinity group tend to be more open in using different brands (72.5% versus 60.2% overall) and as the name suggests, the premium Brand Affinity group is much likelier to want a range of luxury or complex features (55.6% versus 30.1% overall).

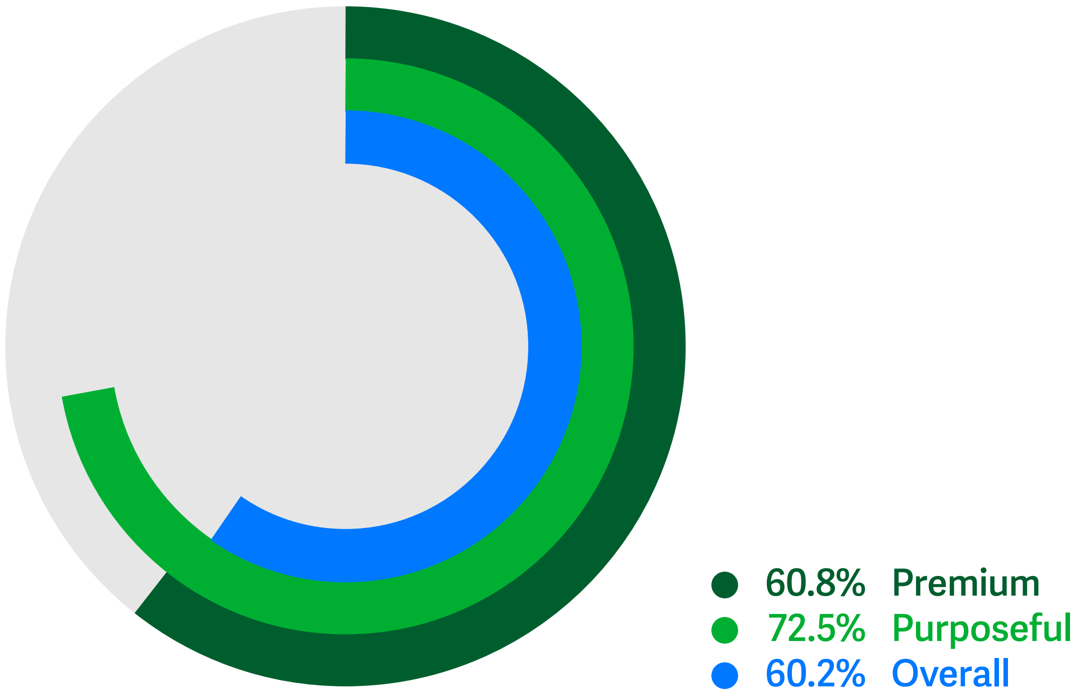
The Emerging Affluent are in either the Premium or Purposeful group

Brand affinity by segments



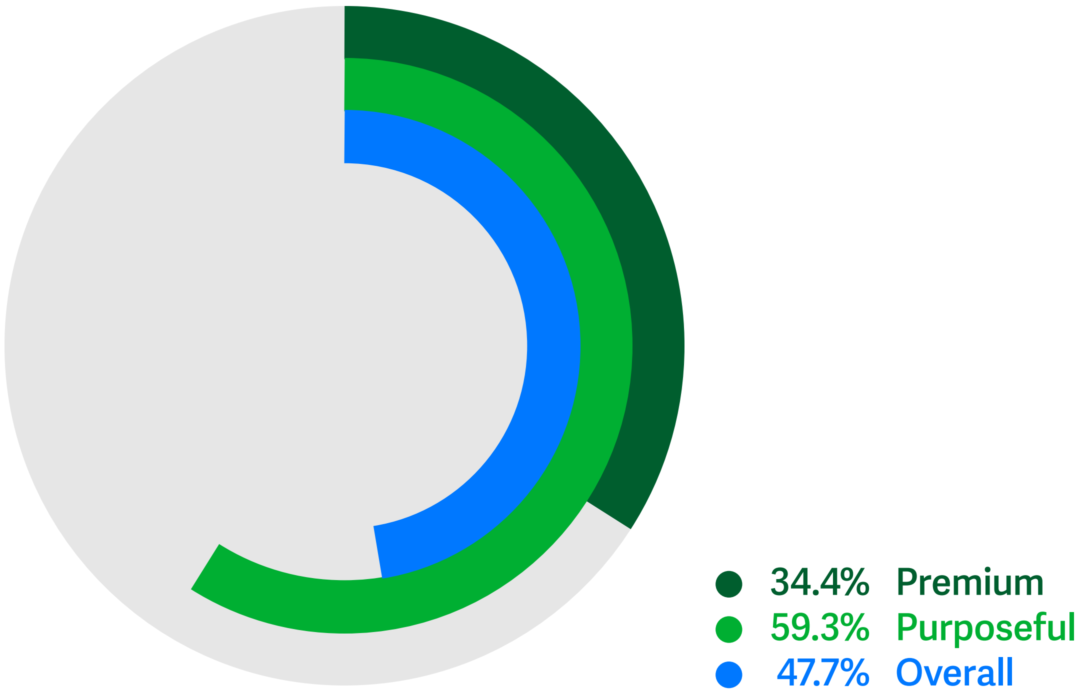
Emerging Affluent slightly more open to using different brands

I'm open to using different brands



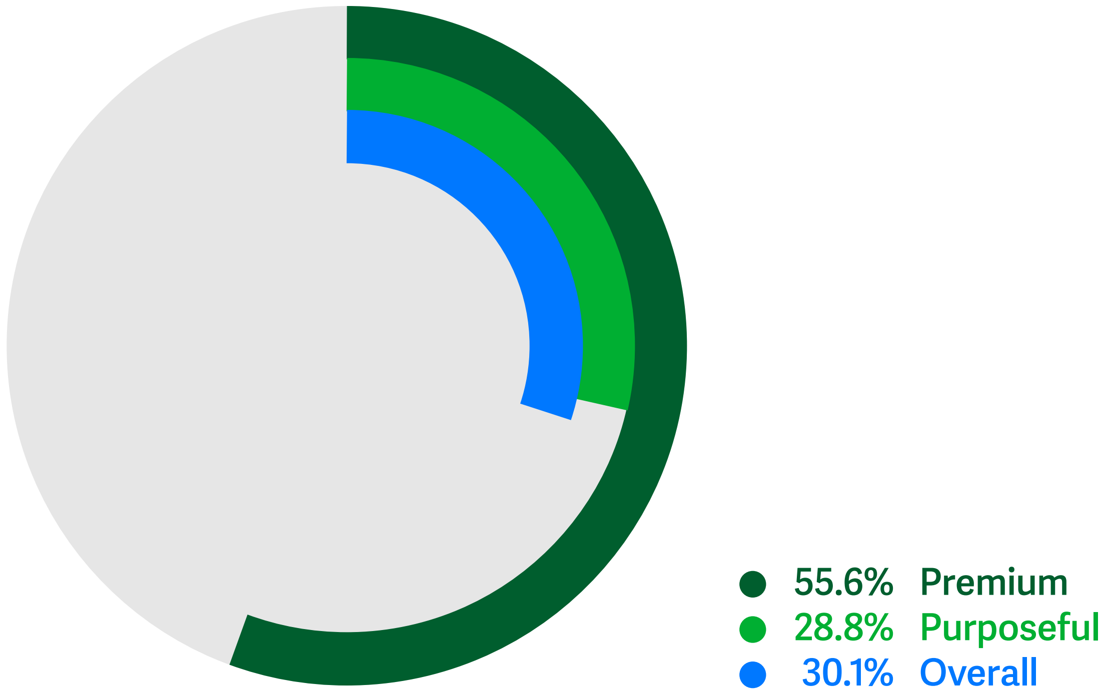
Emerging Affluent slightly more inclined to use lesser brands

I don't mind using lesser known brands



Emerging Affluent more inclined to want a range of complex services

I prefer a product/service with a range of complex/luxury features (the 'bells and whistles')



The top-ranking brand attributes that all Emerging Affluents admire are "experienced", "authenticity", "hardworking" and "intelligent". These attributes are almost a ticket to play for financial advice firms to exhibit.

The Emerging Affluent who seek advice want to know that their adviser is competent and that the adviser has dealt with other people in a similar position before.

Yet when examining the two Brand Affinity groups separately, we see other brand attributes becoming more important to the Emerging Affluent depending on the group.

The premium group differs from the other groups by expressing affinity for a distinct set of brand attributes:

- Creative
- Digital leader
- Visionary
- Exclusive
- Dynamic
- Playful

Not surprisingly, more than eight in 10 (82.6%) Emerging Affluents in this group believe that a firm's digital or online capabilities make up a critical or major role in delivering a positive customer experience.

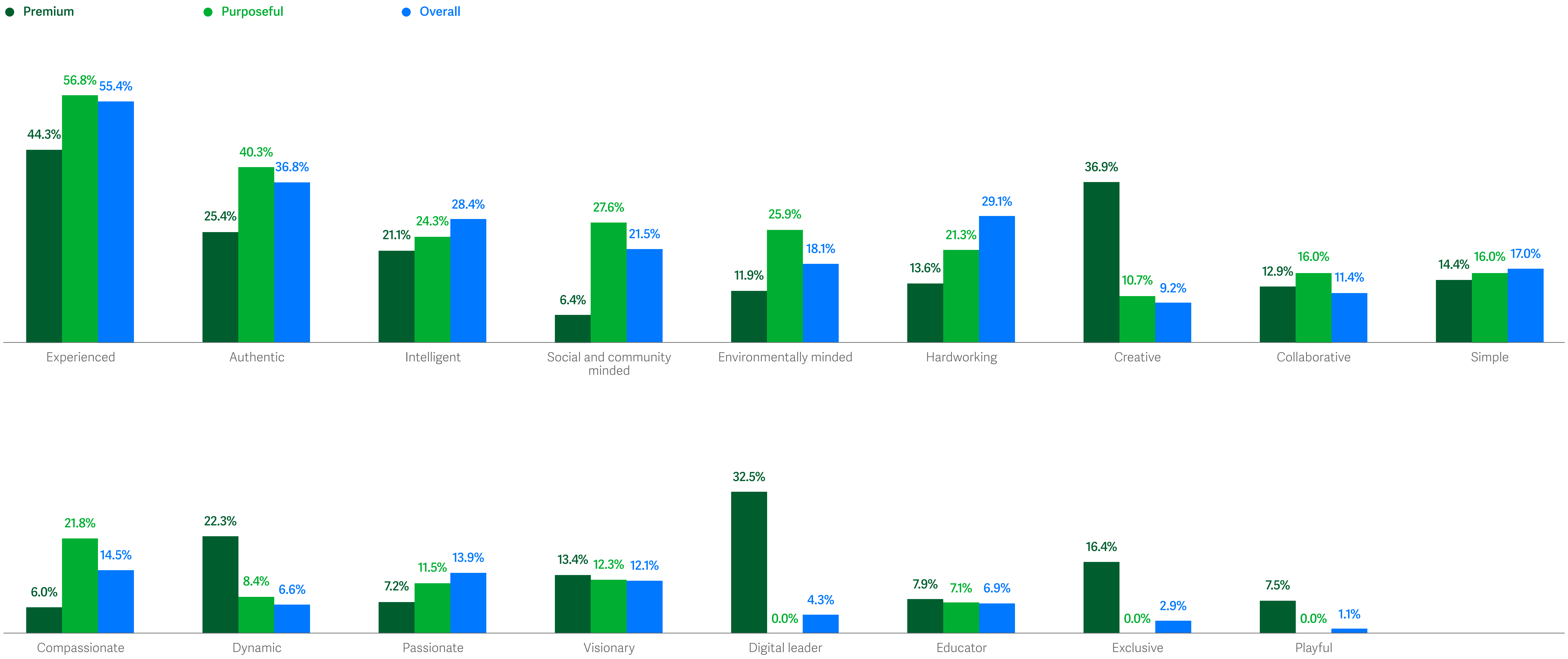
The Emerging Affluents that favour a purposeful business prefer yet another set of brand attributes, namely:

- Authentic
- Social and community minded
- Environmentally minded
- Compassionate

Not surprisingly, this group is more likely to consider environmental, social and governance (ESG) factors in their investment decisions, with 42.0 per cent of them actively seeking it, (compared to only 18.4% of the premium affinity group, 30.8% of the proven group and 28.7% of the plain group).

The Emerging Affluent fall into two distinct Brand Affinity groups one with a focus on premium features, the other with a focus on a company's purpose

Generally speaking, which of the following factors would be most important to you when choosing a brand or firm to use for professional advice or services (e.g. financial planning, accounting or legal services)? (Top 3 ranked)



2

Marketing to the Emerging Affluent

Marketing to the Emerging Affluent

Emerging Affluent individuals who have come around to the idea of financial advice often do not have a financial adviser simply because they don't know where to start.

The potential Emerging Affluent client has high Advice Propensity, which means they are likely to seek advice or will probably seek advice, but there is something still holding them back.

Almost one in four (39.5%) plan to realistically start receiving advice in the next 3 years, with a further 27.8% in the next 5 years. Interestingly, there is only a handful (5.3%) who are looking for advice greater than 10 years out (compared to 19.9% overall).

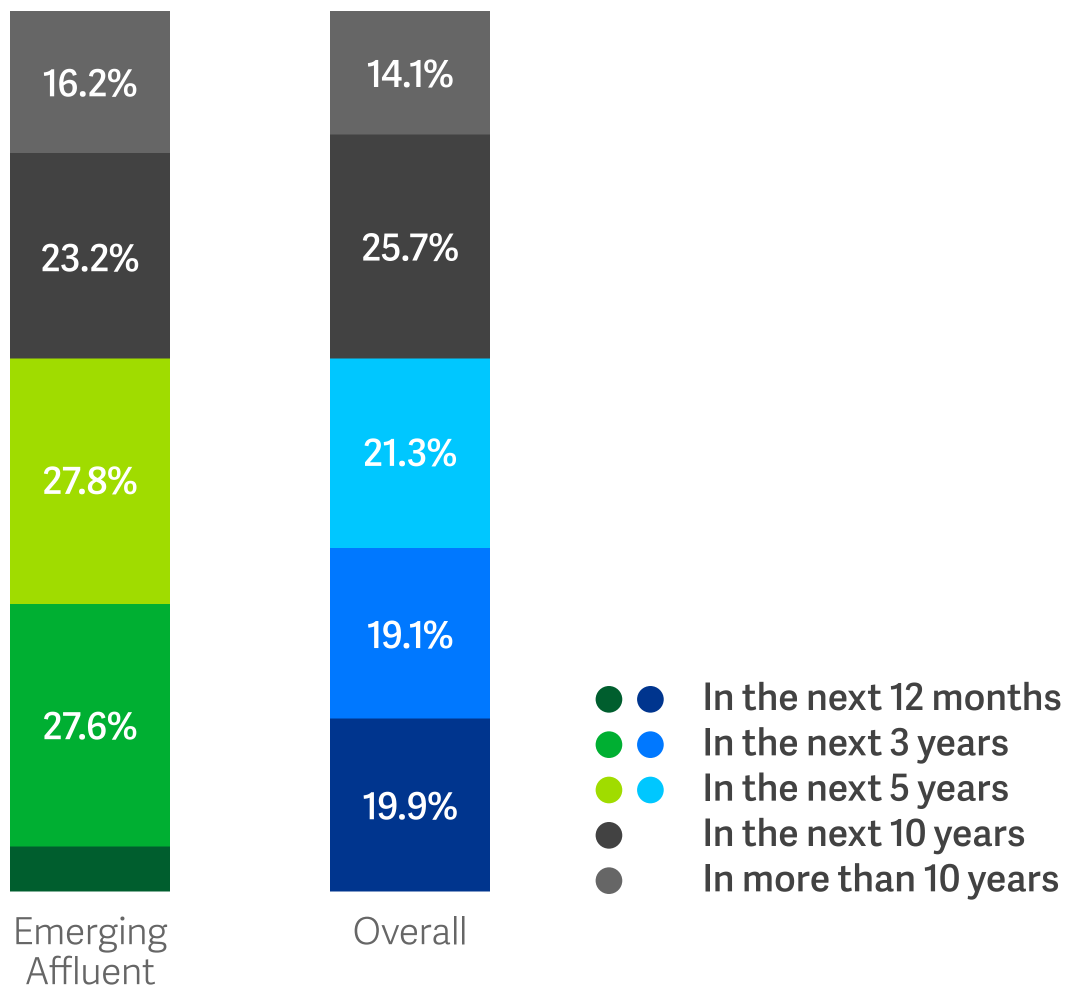
The barriers holding them back from receiving advice often relate to their perceptions of advice, and sometimes they relate to their specific circumstances. Whatever they may be, advice firms need to recognise what they are and position themselves to help Emerging Affluent prospects overcome these barriers.

- Almost eight in 10 (79.4%) potential Emerging Affluent clients say would be likely to seek advice if they could see more clearly the benefits of that advice.
- More than seven in 10 (71.5%) say they would seek advice if it were more affordable.
- More than seven in 10 (74.3%) say they'd be likely to seek advice if they could find an adviser they could trust
- More than six in 10 (60.7%) would seek advice if only they knew where to start looking for an adviser.

In this section of the report, we provide a marketing playbook for advice firms to use to attract and convert Emerging Affluents into clients.

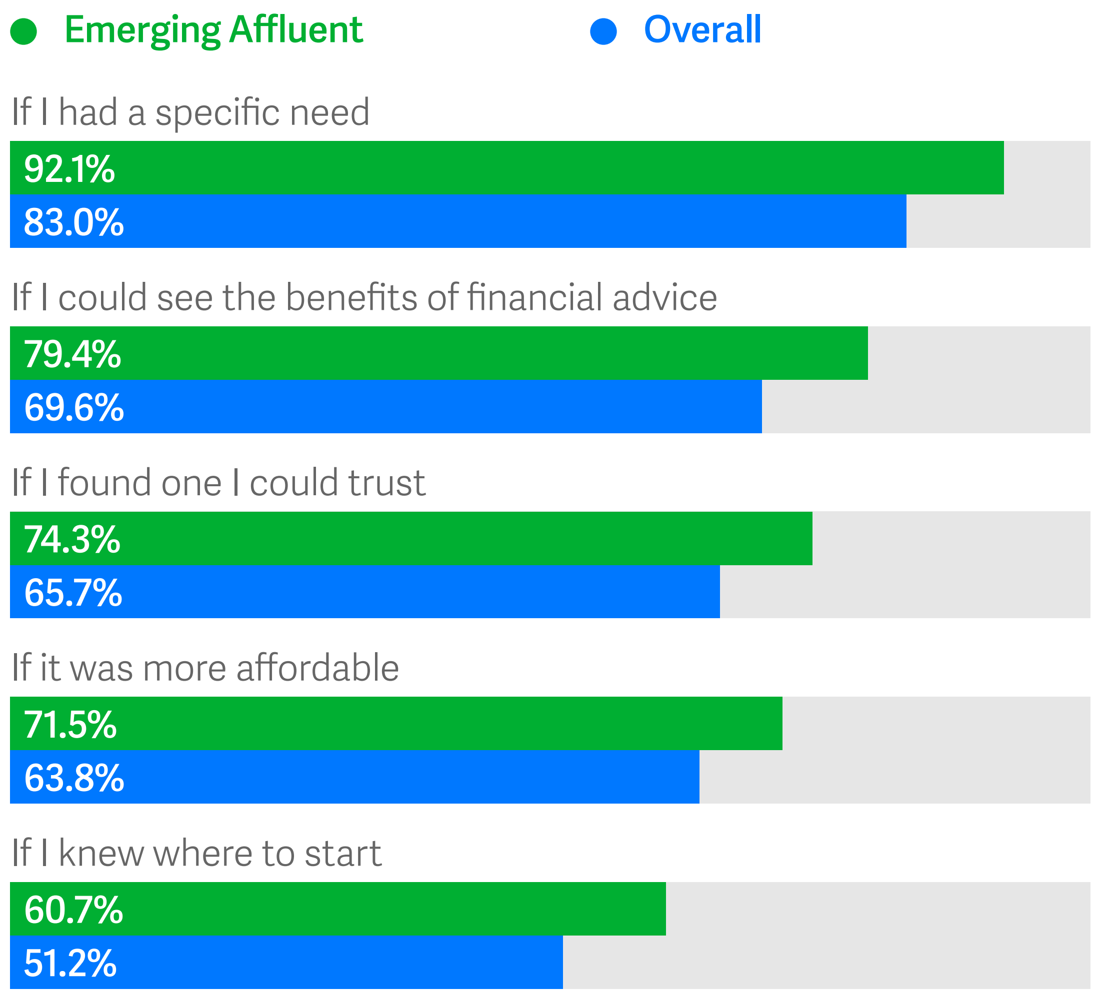
Almost one in three Emerging Affluents are realistically looking for financial advice in the next 3 years

In what timeframe do you think you will realistically start/restart receiving financial advice from a financial planner?



There are clear barriers The Emerging Affluent have to seeking advice that can be addressed by an advice firm

Would the following drive you to start/restart receiving financial advice from a financial planner sooner?



Marketing to the Emerging Affluent

A traditional marketing framework simplifies the customer journey and breaks into three steps: Awareness, Activation and Advocacy. We have identified some tactics that financial advice firms could use to overcome the barriers of Emerging Affluents.

In the Awareness stage of the customer journey, the aim should be to educate Emerging Affluents about the benefits of advice and the role of financial advisers.

Useful marketing tactics include:

1. Developing unique content (whether that be an article, video or podcast) on topics that are useful in helping the Emerging Affluent decide whether to use a financial adviser or not. This has the added benefit of positioning the author and organisation as a thought leader.
2. Using digital tactics including your website and social media such as Facebook or LinkedIn (both paid and organic listings) to distribute this content.

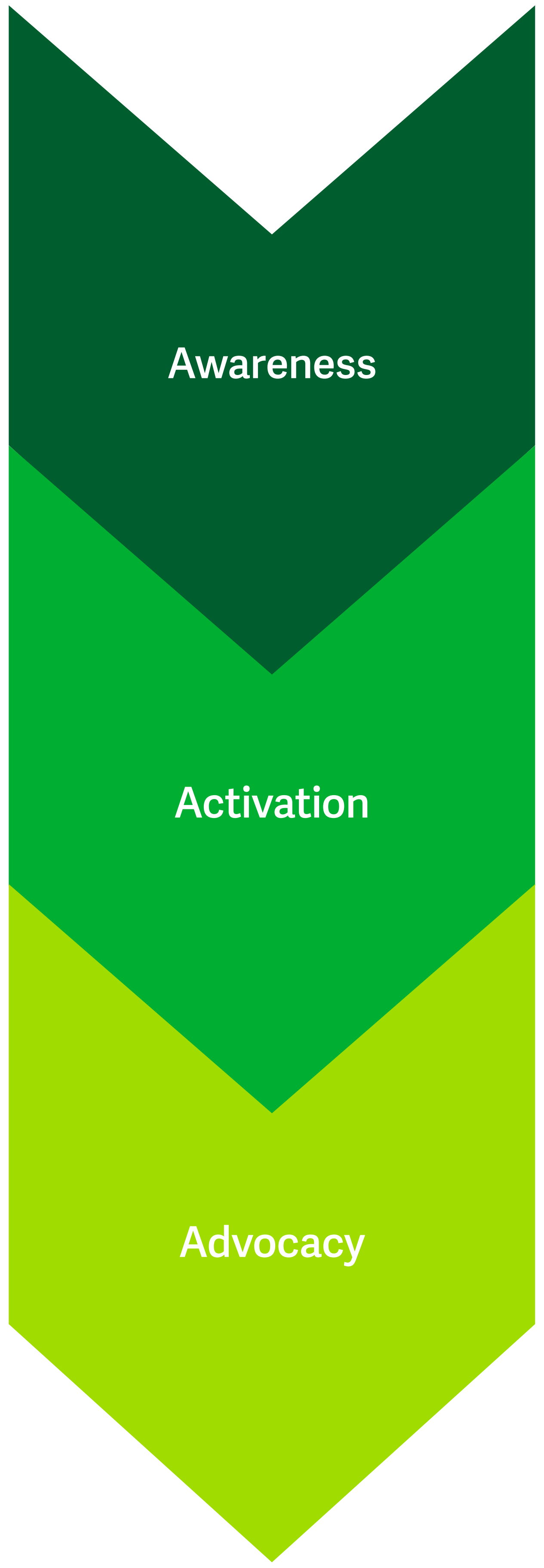
In the Activation stage of the customer journey, the aim is to build trust in the service offering and business itself so to convince Emerging Affluents that the business can meet their needs and will provide them with value.

Useful marketing tactics for the Activation stage will include:

1. Demonstrating advice is affordable – which is really about demonstrating the value that will be provided to them.
2. Demonstrating the business can be trusted. Trust is a strong motivator for the Emerging Affluent to use or not use an adviser.
3. Appealing to the brand characteristics Emerging Affluents most admire, which may include their affinity with social, environment and community causes.

The Advocacy stage is addressed in Section 4: Tailoring your value proposition for Emerging Affluents, which examines how advice firms can create a service offer that meets the specific and unique needs of this target market.

A simplified customer journey for marketing



- Your potential client has a latent need or an actual want for financial advice
- Marketing aims to educate the potential client on the role advice plays in their life and how it can be beneficial

- Your potential client is considering the options they have to satisfy their need/want.
- Marketing aims to provide specific details of the service offering (such as pricing), differentiate the offer and build trust

- Your potential client is now a client and is using your service.
- The whole business (not just marketing) should aim to make the initial experience great, remove any ongoing friction in the service offering and continually exceed the client's expectations

1. Using content marketing and digital marketing tactics to educate your audience

Almost eight in 10 (78.8%) Emerging Affluents would be likely to use a financial adviser if they could see more clearly the benefits of financial advice.

Financial advice businesses (and arguably the industry as a whole), has an opportunity to take on the role of educators for this market.

The Emerging Affluent have high to very high Technology Adoption characteristics, so it makes sense that education should be via digital means and channels.

Creating interesting articles or blogs, commissioning research, producing podcasts or recording video interviews is likely to pique the interest of Emerging Affluents. Given their relatively high Financial Capability, content topics should be more advanced appealing to their greater financial knowledge and awareness.

It would be wise to provide them information that is not easily available in the general media, expose them to new and interesting financial concepts and opportunities plus share with them ideas to help them better prepare for their future.

It's worth noting that podcasts are a medium enjoyed by the Emerging Affluent: more than four in 10 (43.7%) of them listen to a podcast daily and a more than three in 10 (32.8%) listen to one each week – which means a staggering three-quarters (76.5%) listen to a podcast at least once a week.

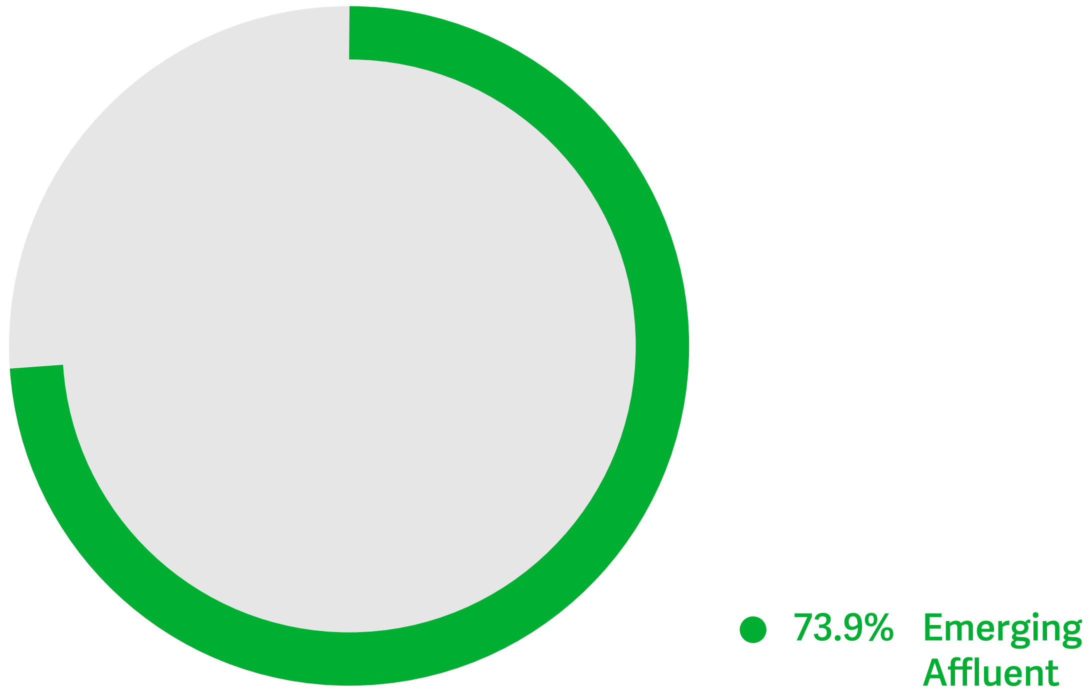
Reaching The Emerging Affluent via social media may be an effective way to publish this content, with almost three quarters (73.9%) of them using social media daily, whether it be Instagram, Facebook, LinkedIn or another platform.

This content should also appear on your website and optimised for search engines, as the majority (86.3%) of Emerging Affluents use internet search engines every day.

In addition to this content educating potential clients on a range of economic, financial and advice-related issues, it has the immeasurable additional benefit of positioning the creator of the content – whether it's an individual adviser or an advice firm – as a trustworthy and reputable source of information and expertise.

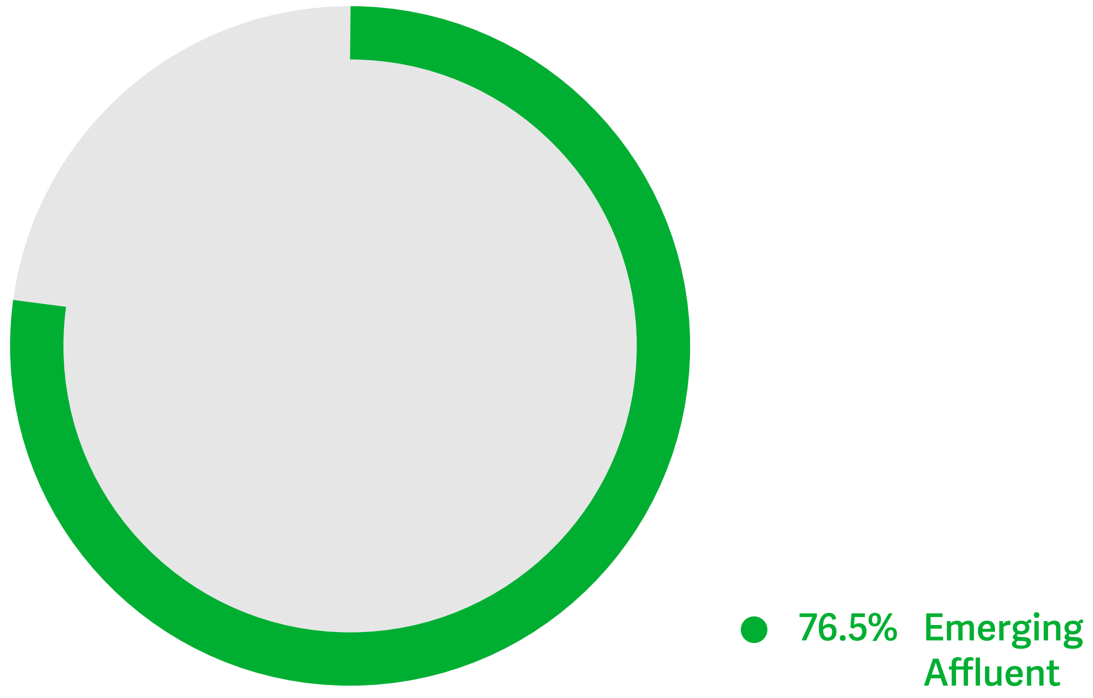
Three quarters of Emerging Affluents use social media daily

Use social media (e.g. Instagram and Linkedin) daily



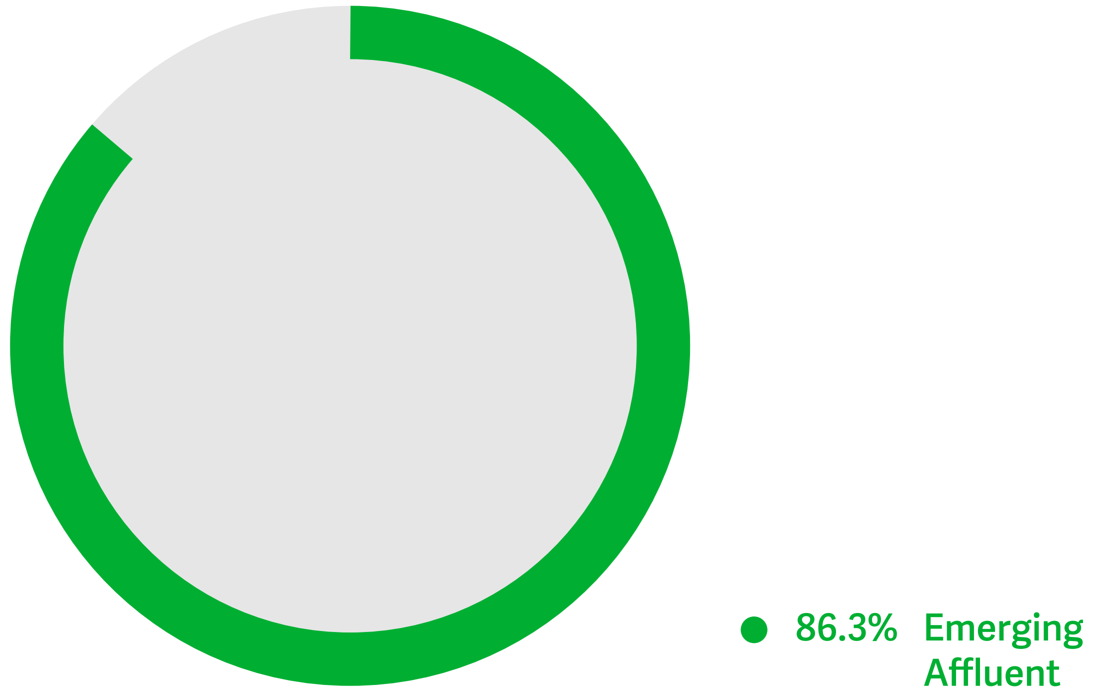
Three quarters of Emerging Affluents listed to a podcast at least weekly

Listen to audio on a streaming service, including podcasts (e.g. Spotify and Audible) daily or weekly



Almost nine in 10 Emerging Affluent use search engines on a daily basis

Search for something on the Internet (e.g. using Google) daily



2. Addressing the affordability gap

Even though The Emerging Affluent have substantial assets or income, or both, value is still relative. Their inability to see the value of advice is a tough barrier to get over.

Despite being classed as fairly wealthy individuals, almost half (44.5%) of them face the barrier that they don't believe they have the assets to justify the need for financial advice.

They also face the barrier that they can't justify the cost of advice for the value they think they will receive from it, and they also often have the sense that they can't afford financial advice. Close to three quarters (71.5%) say they would be more willing to seek advice if it were more affordable.

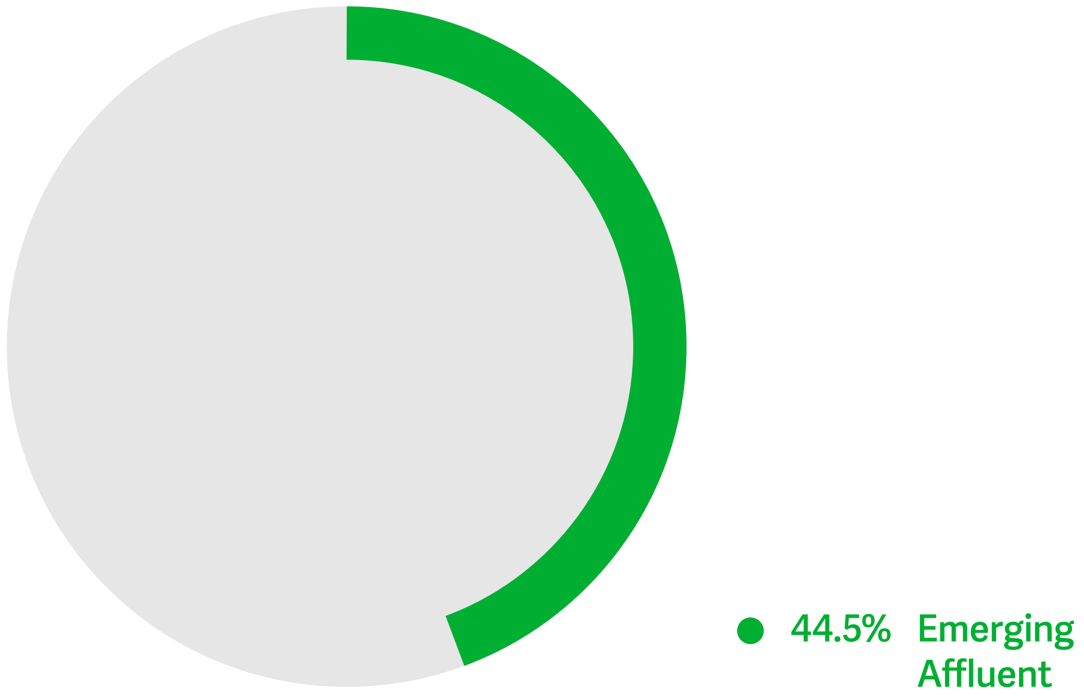
The challenge for advice firms is how to communicate or demonstrate value even before any advice has been provided. That is quite a task.

Advice firms should first seek to understand the needs and goals of the individual, and then match services to those goals, along with a clear and transparent articulation of the benefits and value of advice. However, a one-size-fits-all approach won't work when it comes to articulating value. What constitutes value is different for those just starting out than it is for those who have years of investing experience; and it's different for those who are extremely wealthy than it is for those who are less wealthy.

But explaining your value clearly and transparently, and in terms that are relevant, will go a long way to helping Emerging Affluents overcome their affordability barrier.

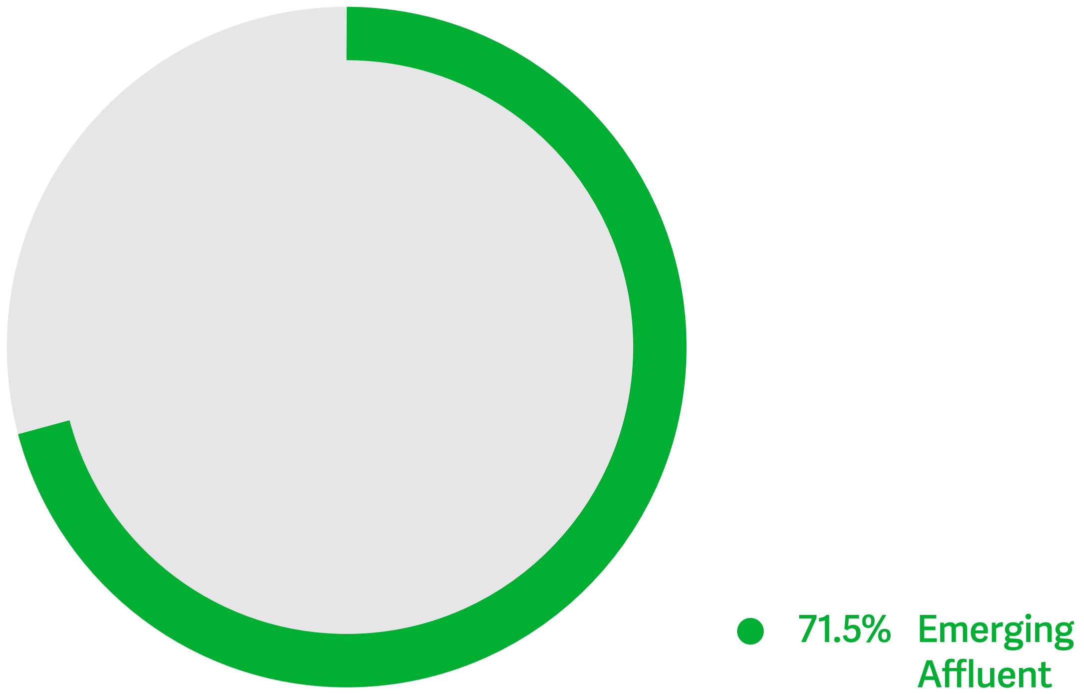
Close to half of Emerging Affluents believe they don't have enough wealth to justify the need for advice

I am not using or seeking financial advice from a financial planner because I don't have enough assets/wealth to justify the need



Close to three quarters of them cite affordability as a barrier to receiving financial advice

If advice was more affordable I would definitely or probably start/restart receiving financial advice from a financial planner sooner



Although The Emerging Affluent prefer to pay advice fees annually, they are far more likely to prefer a monthly subscription fee and slightly more likely to prefer a percentage based fee structure

Which of the following best describes how you would prefer to pay a financial adviser?

	Emerging Affluent	Established Affluent
An annual fee	34.7%	33.9%
A percentage of the funds under advice	18.6%	14.2%
Performance-based	18.0%	17.2%
A monthly subscription fee	11.6%	3.7%
A service fee each time I receive a specific piece of advice	11.5%	18.5%
Per hour based on an hourly rate	5.7%	4.9%

The Emerging Affluent broadly follow the overall market in terms of how they prefer to pay for advice.

However, there are some slight differences between them and the corresponding older group, the Established Affluent (who are most likely to use an adviser today).

More than one in three (34.7%) Emerging Affluents prefer to pay an annual fee for advice, broadly the same as the Established Affluent, but they are more likely than their older counterparts to prefer a monthly subscription (11.6% compared to 3.7% of the Established Affluent).

This preference may be influenced by their existing familiarity with subscription-based digital services, such as Netflix (one in nine Emerging Affluents use it at least weekly) or Spotify (almost one in eight use it weekly).

Emerging Affluents are somewhat more interested in paying a fee based on a percentage of funds under advice (18.6% compared to 14.2% of the Established Affluent).

One of the biggest barriers Emerging Affluents face to engaging an adviser is finding an adviser they can trust.

Three quarters (74.3%) of them would be more willing to receive financial advice if they could find an adviser that they could trust.

A mixture of digital and in-person approaches are important for establishing trust with this group. They are likely to research thoroughly before engaging with a financial advice firm.

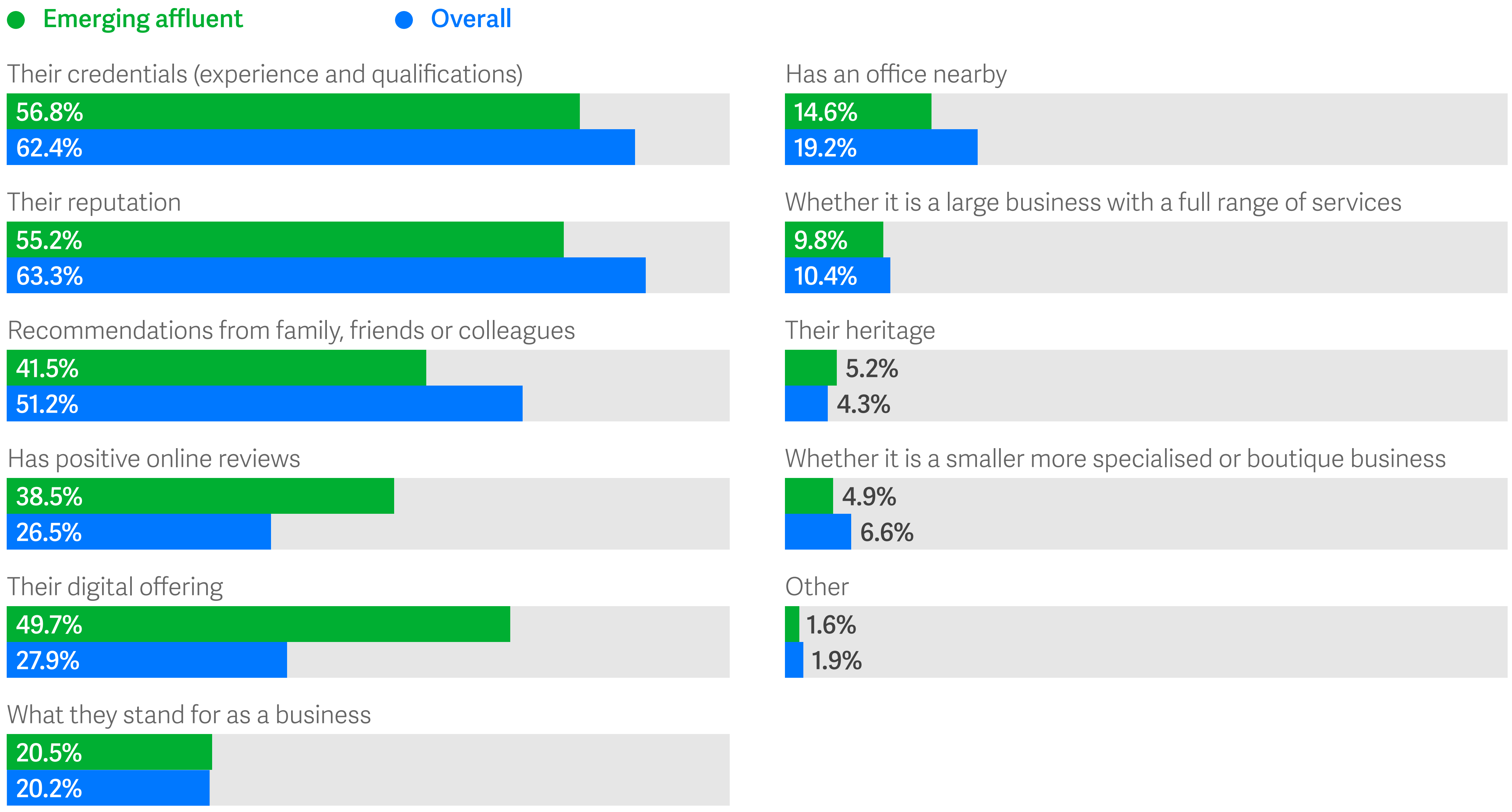
Like the overall Advisable Australian, Emerging Affluents are most influenced by a firm's or an adviser's credentials (that is, experience and qualifications) and their reputation.

Where the Emerging Affluent diverge from the rest, however, is the importance they place on the breadth of a firm's digital offering, which includes an app, client portal, website, social media presence and online content (articles, podcasts, videos). Around half (49.7%) rank a firm's digital offering in the top three most important things to them when selecting a financial planning firm, compared to only 27.9% overall.

Another important difference is the importance they place on positive online reviews and ratings, with 38.5% placing this in their top three most important factors when selecting an adviser, compared to only 26.5% of Advisable Australians overall.

Compared to the average, Emerging Affluents place large amounts of value in the digital capabilities of a firm, translating into greater trust levels and a reason to choose an advice firm

Generally speaking, which of the following factors would be most important to you when choosing a brand or firm to use for professional advice or services? (Top 3 ranked)



There are many marketing professionals who believe that the essence of what they do is to develop an articulate brand purpose and set of values.

A brand purpose has often been referred to as a higher-order reason for a company to exist other than just making a profit.

Nike is in the business of "striving to expand human potential". Patagonia is "in business to save our home planet". LinkedIn's purpose is to "connect the world's professionals to make them more productive and successful". These companies, and others, articulate a clear mission and have a set of values that drive their business, culture, and people.

Not only does a company purpose drive some sort of greater good, but it also often translates into company that is perceived as being trustworthy.

The four brand attributes most admired by the Emerging Affluent are "experienced", "authentic", "social and community minded" and being a "digital leader".

However, we know that the Emerging Affluent is divided into two groups with different desires from their business – about a third (33.4%) have a premium Brand Affinity and similarly a third (36.2%) have purposeful Brand Affinity.

Those in the premium Brand Affinity group are looking for a business that demonstrates digital leadership (32.5% versus none in the purposeful Brand Affinity group), creativity (36.9% versus 10.7% Purposeful) and dynamism (22.3% versus 8.4% overall).

Those in the purposeful group want a business that aligns with their social, community or environmental values. They want a service that resonates with them.

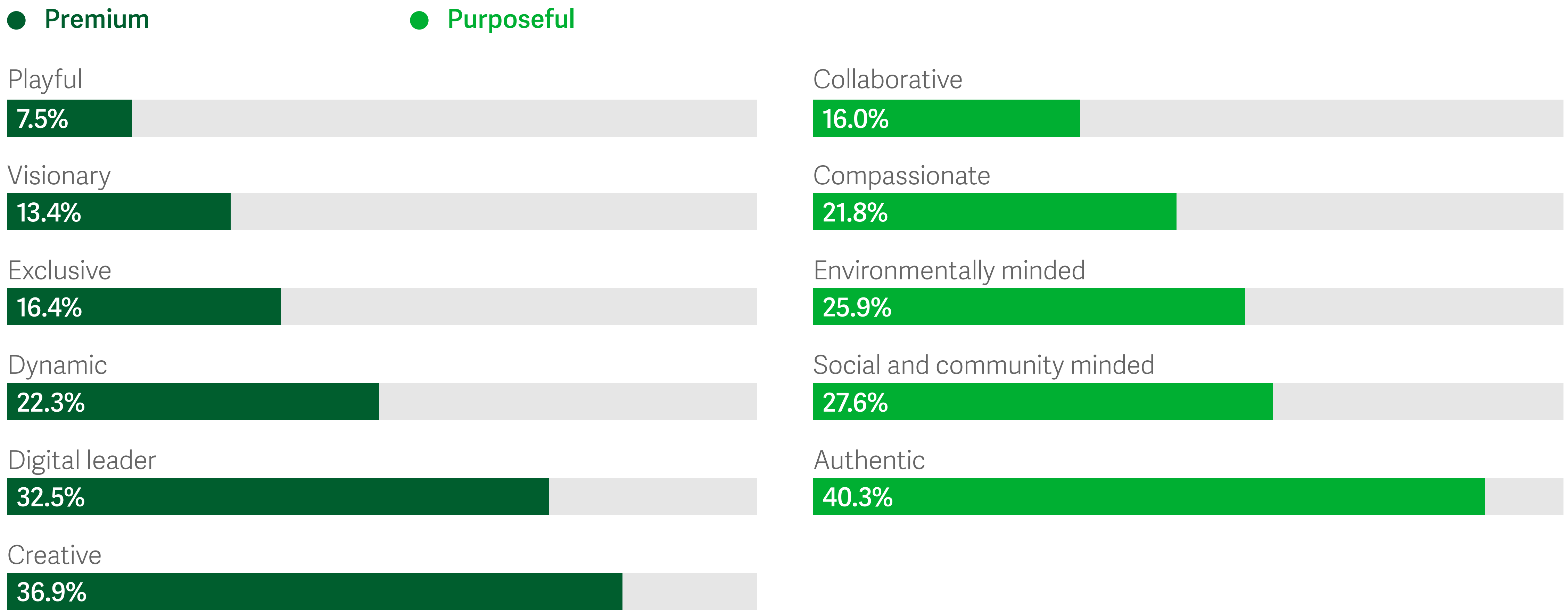
For example, we see that one in five (17.3%) of the purposeful Brand Affinity Emerging Affluent group actively look for ESG factors when investing and are even willing to pay higher fees or receive lower returns in order to do so (similar when compared to 12.1% of Advisable Australians overall).

Demonstrating key brand attributes in every interaction with the client will be important in winning over the trust of the Emerging Affluent, no matter what Brand Affinity group they fall into.

It is important to make sure social media, website and other digital channels clearly express these attributes. It is just as important that in early prospecting meetings these attributes are also articulated through personal presentation and language, office décor and other early touchpoints in the prospective client's journey.

The Emerging Affluent fall into two distinct groups and appealing to brand attributes they relate to can go a long way to improving trust

Which of the following attributes of a brand or firm would make you admire them? (Top 3 ranked)



*Top responses only

Emerging Affluent individuals are highly capable, yet they often place a great deal of trust in professionals with whom they have existing relationships.

Almost a third (29.2%) would turn to an accountant when looking for a financial adviser, one in five (22.0%) would turn to someone who's a member of a professional industry association, a similar proportion (17.6%) would turn to their super fund, and around one in seven (14.2%) would turn to their bank.

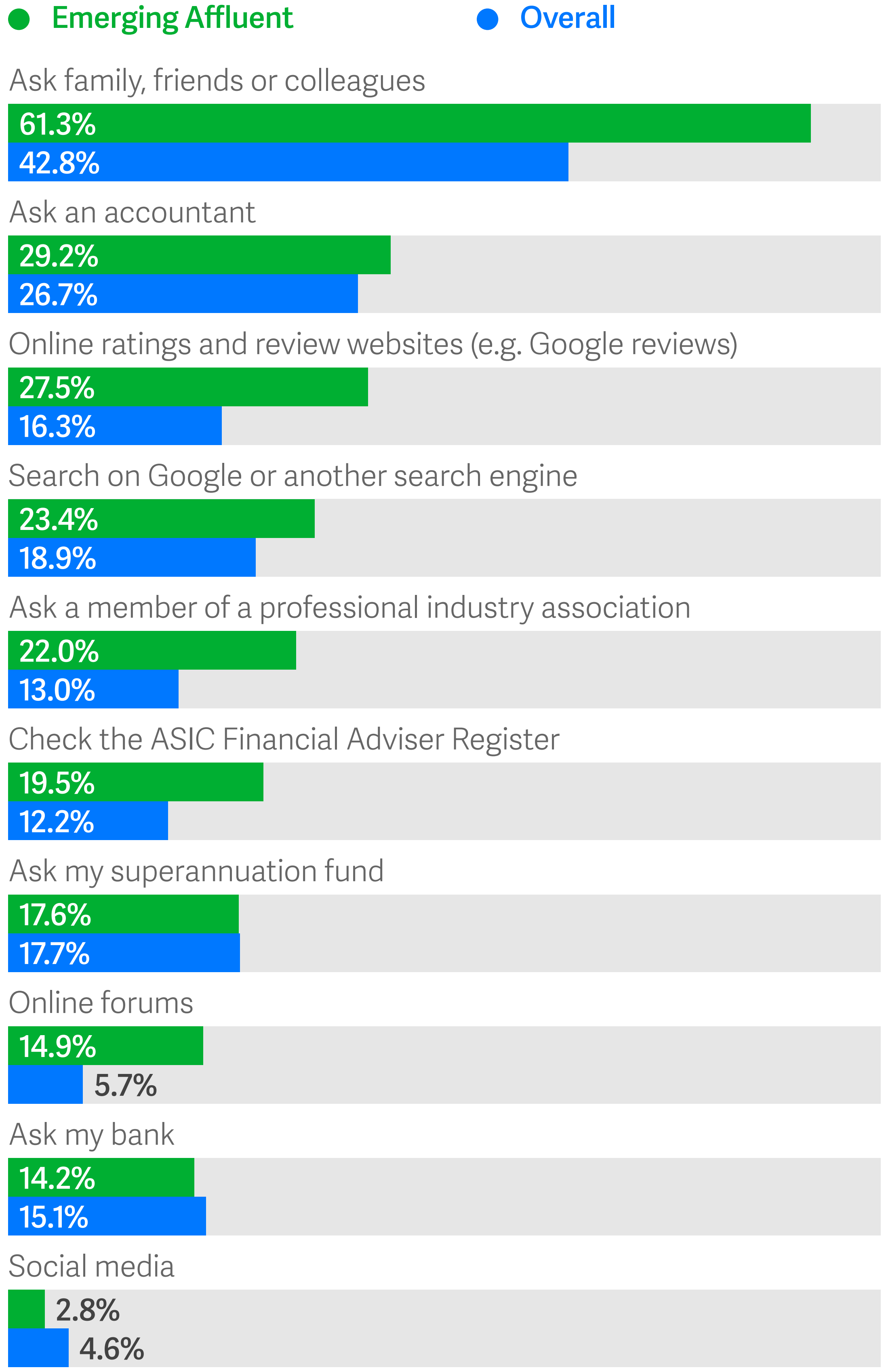
For this reason, it is important to build a strong referral network, whether that be through other trusted professionals such as accountants and mortgage brokers, or through their trusted financial institutions, such as banks and superfunds.

Client referrals can be just as effective. The Emerging Affluent are likely to place significant value on the recommendations of friends and family.

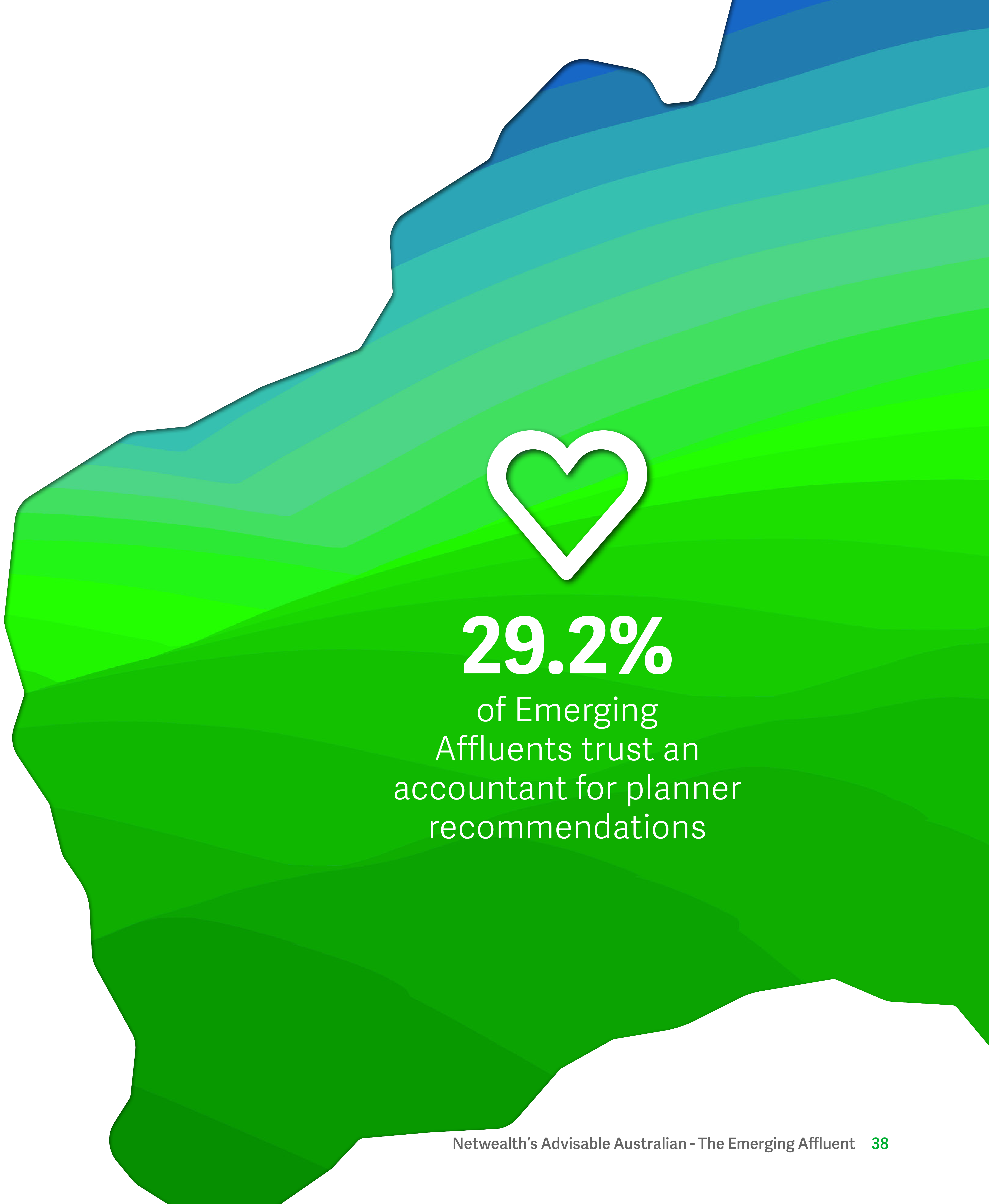
Trust is also high in online sources (and recommendations from people they have never met), with over one-quarter (27.5%) of The Emerging Affluent relying on online ratings and review websites to look for a planner.

The Emerging Affluent are more likely to look for a financial adviser through an existing trusted relationship

Where have you turned (or intend to turn) when looking to find a financial planner?



*Multiple answers allowed **Top 10 responses only



3

Tailoring your service proposition

Tailoring your service proposition for Emerging Affluents

Financial advice is as much about the plan as it is about the journey. Good financial advice focuses on both the destination and how to get there.

Financial advice today is a marriage of the actual financial plan, developed in conjunction with the client to meet their goals (the destination), and the ongoing relationship with them to help them actualise the plan (the journey).

It requires a clear understanding of two sets of issues: the client's financial needs and goals; and clarity on their underlying mental models, attitudes, and preferences.

With the dimensions of the Advisable Australian we have given you the tools to better understand both.

We discussed Advice Propensity and Brand Affinity in detail in Section 3, which leaves us with four further dimensions to help guide how an advice firm can tailor their value proposition to The Emerging Affluent to meet and exceed their expectations.

Dimensions of the Emerging Affluent	Recommendations to tailor your value proposition	
Financial Capability	**Take on the role as a validator and co-creator**	
High financial knowledge, investment engagement and ability.	• Empower them through co-creation. They like to do things on their own but are sometimes unsure how. Add value by guiding them and providing the help and knowledge to improve their capability. • Provide a compelling inspirational narrative and establish yourself as a trusted partner and their "anchor" in decision making.	• Explain broader options and approaches to them in more detail and how it suits and is fit for their needs. • Show them something they don't know in terms of investment options, diversification and risk.
Financial Resilience	**Low: Take on the role of the encourager and educator**	**Very high: Take on role of co-creator or 'high-performance coach'**
Polarising, either very high levels of resilience or very low levels.	• Help them build a financial plan educating them on their investment and insurance options. • Work within their means and ensure they make the most of what they have. • Set realistic expectations and help them understand the benefits of longer-term planning.	• Validate their decisions and look to go beyond what they already had planned. • Demonstrate experience and competence and extend their options. • Educate and provide more investment options.
Financial Wellbeing	**Take on the role of the encourager and educator**	
Not in financial distress but can be improved.	• They like to plan and often think about the long-term future. Reassure them and give them a view of their long-term options and potential outcomes.	• As they are very goal-driven, keep them on track and provide them updated with regards to their savings goals and help them manage their debt goals.
Technology Adoption	**Make your customer experience digital**	
Very tech savvy and confident in using all kinds of technology.	• Make sure you have a strong digital offering that can be used on mobile and is feature-rich. • Meet me face-to-face for key decisions otherwise make communication easy through digital platforms.	• Provide additional value through online client portals and apps to keep them in the loop of decisions, updates and to help track their progress.

1. Using Financial Capability to tailor the advice proposition

More than seven in 10 (70.4%) of the Emerging Affluent have high to very high Financial Capability, with good financial knowledge, investment engagement and ability.

They are self-sufficient with only two in 10 (20.9%) relying on financial advisers strongly as a critical source of information and decision-making support. The rest need support but rely on advisers only partially and make many decisions for themselves.

> **The role of the financial advice firm is to act more as a validator or co-creator, rather than encourager and educator. In this context an adviser is more like a 'high-performance coach'.**

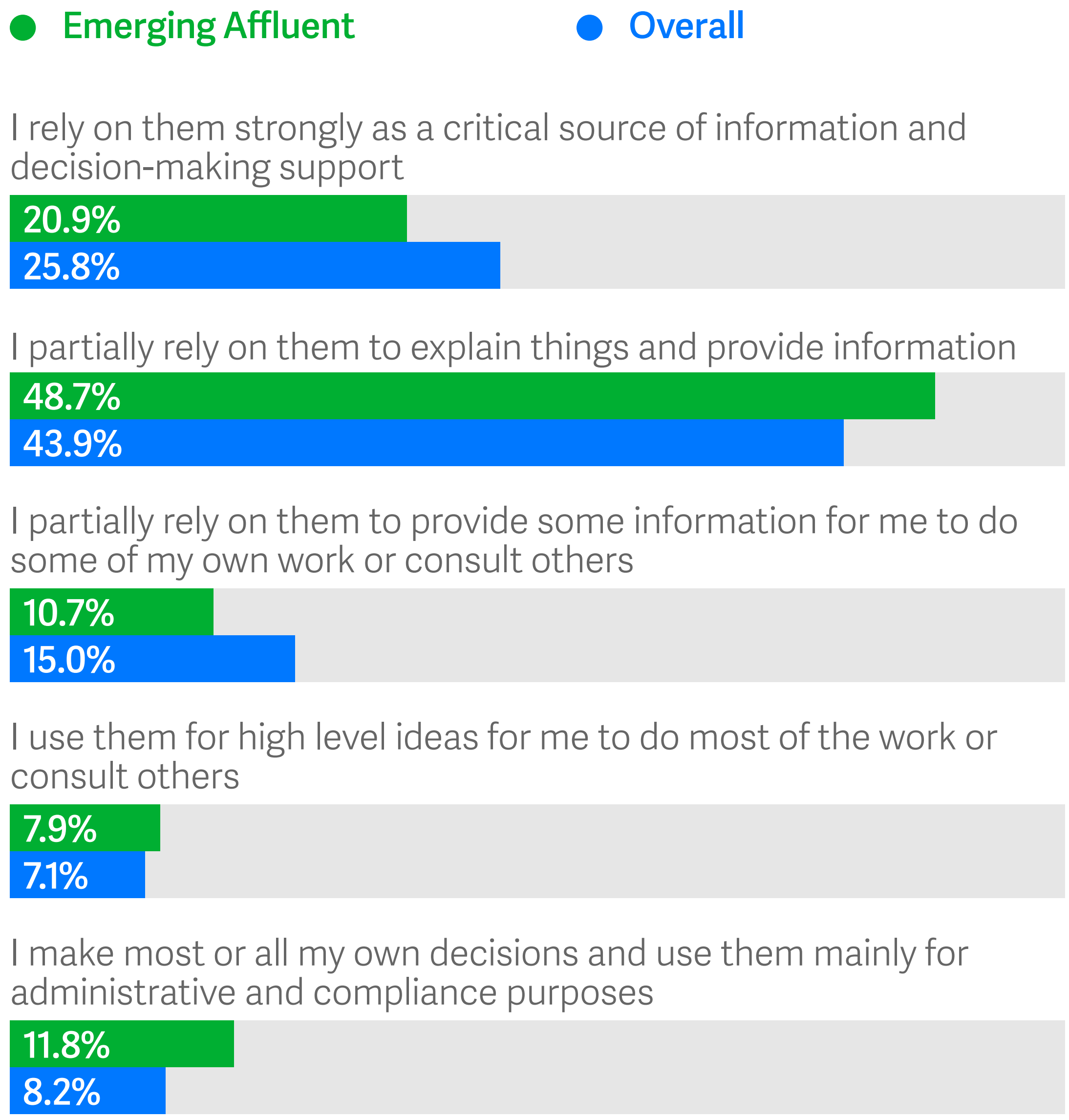
The Emerging Affluent need support in two most common areas: building and diversifying their investment portfolio (70.0%); and ensuring they have enough money during retirement (51.6%).

Yet this group has many life events either happening or planned, so they are more likely to have more complex financial needs – like debt management and accounting, tax and business planning services.

There is also an opportunity for financial advice firms to up-sell other services, although this will need to be done through the lens of co-creation, rather than prescription. To do this you will need to create a compelling and inspirational narrative to establish yourself as a trusted partner and an "anchor" in how they make decisions.

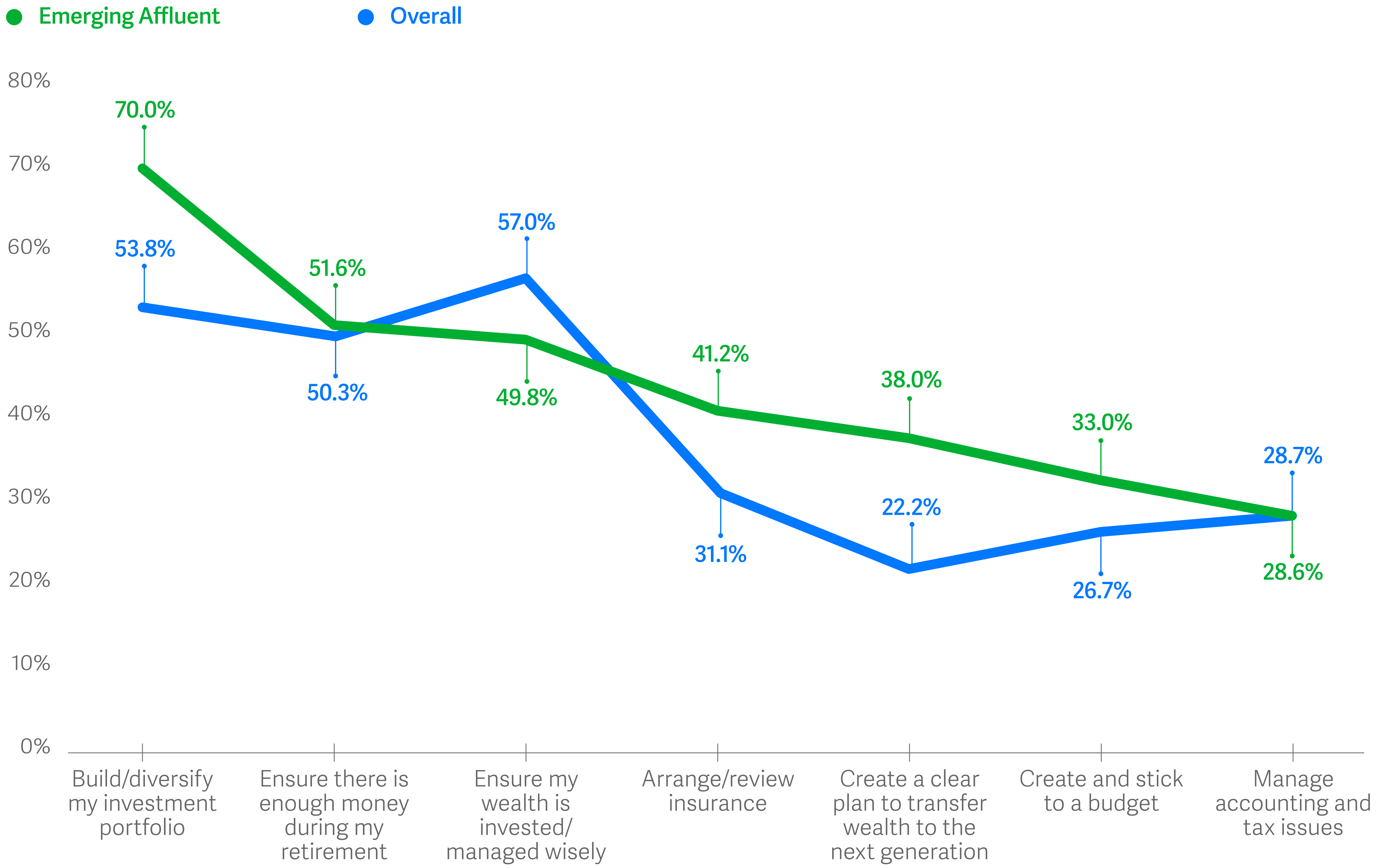
Emerging Affluent are generally self-sufficient

Which of the following best describes how you currently rely on your financial planner?



Building investment portfolios is on the top of mind for the Emerging Affluent

Which of the following areas has your financial planner been helping you with?



*Multiple answers allowed **Top 7 responses only

An individual's Financial Capability provides a guide to their likely risk appetite and the kinds of investments they are looking for.

The Emerging Affluent in general typically invest over the long term, want a diversified portfolio with a broader range of asset classes and have a higher risk appetite with almost half (49.8%) preferring investments with high potential returns, so they are more likely to invest or already invest in more risky investment options.

Not only that, but they are also more likely to invest in a more diverse range of investment options, from property to shares and all the way up the risk spectrum to cryptocurrencies.

An opportunity exists for financial advice firms to expose The Emerging Affluent to new investment ideas, which they may not otherwise have access to or not be familiar with, after given them a bit of guidance.

While the Emerging Affluent currently may not be invested in some less-mainstream options such as commercial property and investment property trusts, they are typically very willing to consider most kinds of investments to add to their portfolio – provided it meets their risk and return expectations.

These may include listed investment companies (LICs) - which almost half (45.7%) would consider if they had a better understanding - as well as hedge funds (47.6% would consider if they had better understanding), mFunds (51.0%) and managed accounts (35.5%).

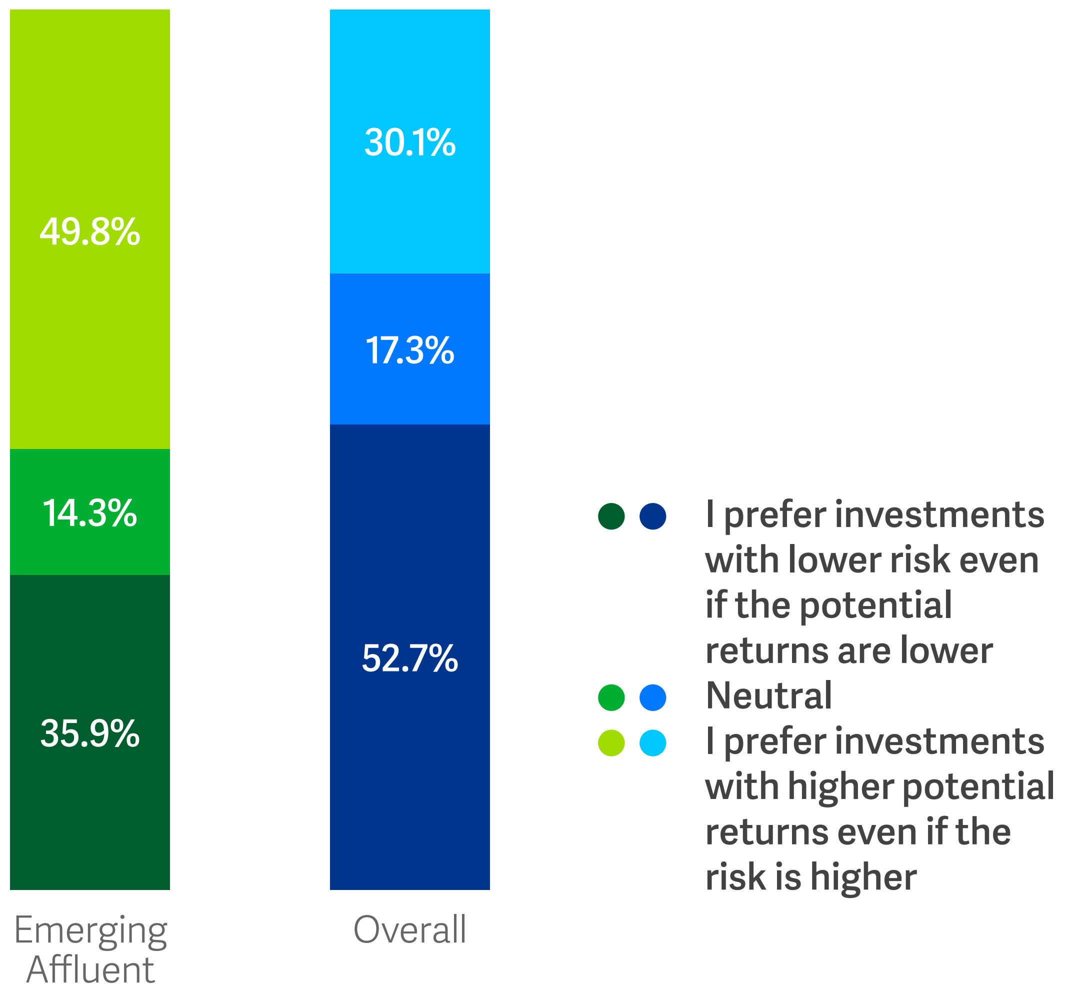
It is worth noting that not all Emerging Affluents already have large existing investment portfolios, especially those younger individuals in this group. Some will not yet have established their portfolios at all or will only have a small amount invested. These younger Emerging Affluent will need a bit more guidance and education from their adviser.

A successful advice offer will educate them on risks and make it clear what the potential positives and negatives are.

The majority of Emerging Affluents (50.6%) do say that it would be nice to have or actively seek ESG opportunities, as long as investing this way does not impact their returns, whilst almost two in 10 (17.3%) would be willing to sacrifice returns or pay more fees in order to invest in ESG investments.

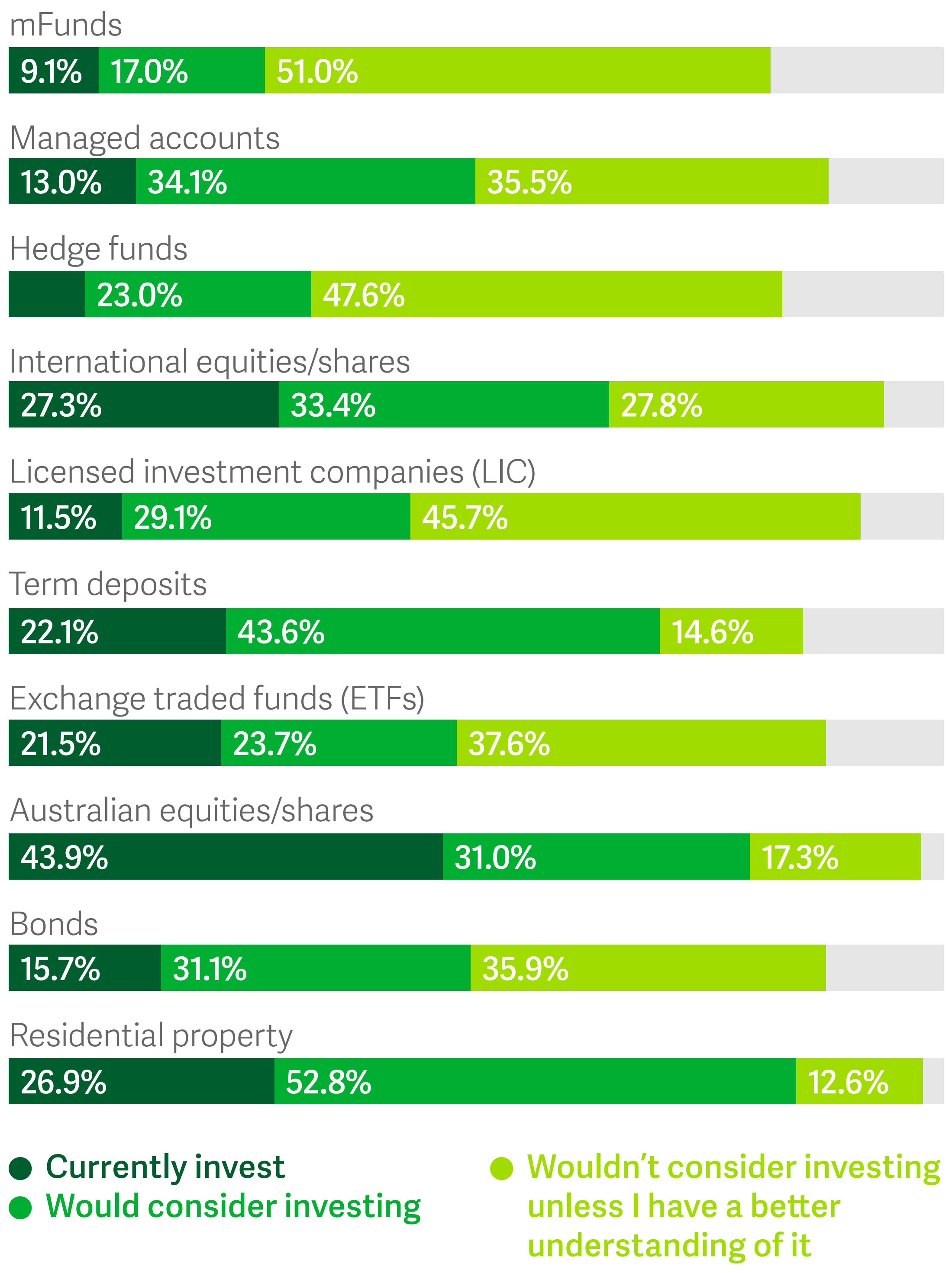
Emerging Affluents are more likely to prefer riskier investments with higher potential

How would you best describe your typical attitude towards investments risk?



Emerging Affluent are currently invested in more options and are more likely to be open to new investments if they have a better understanding of them

Which of the following investments do you currently invest in/ would consider investing in?



2. Using Financial Resilience to evolve the advice proposition

Almost six in 10 (58.3%) Emerging Affluents have high to very high Financial Resilience so are more future-focused, more likely to plan things in advance, have higher levels of income and are better equipped to manage debt, and are extremely confident in their insurance cover.

For these people, the role of the advice firm is to act as co-creator or performance coach to validate their decisions and look to go beyond what they already had planned.

It is the other one in three (31.9%) Emerging Affluents with low Financial Resilience that really need your attention.

These people have high Financial Capability, in that they understand financial concepts, yet they have low Financial Resilience – so are not acting in a way that prevents them from unexpected shocks and the long term.

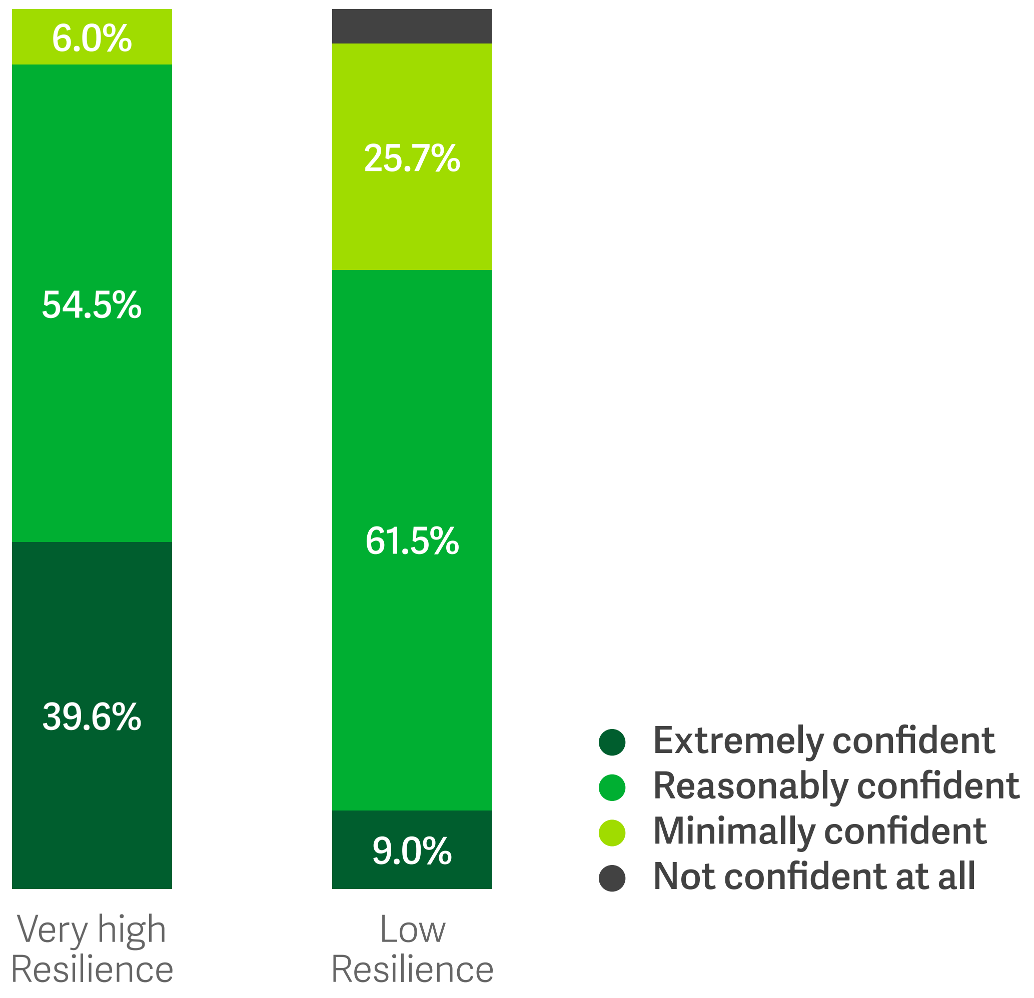
For example, under one in 10 (9.0%) of these individuals are extremely confident they have the right insurance cover; and just over half (61.5%) are reasonably confident. The remainder – almost three in 10 (29.5%) have minimal or no confidence at all they have the right insurance.

This paradox between high Financial Capability and low Financial Resilience becomes a balancing act for the financial adviser, and in this context the best role to play is one of educator and encourager, to shift the Emerging Affluent to become more resilient.

Advisers need to educate these low Resilience individuals on the benefits of long-term planning (such as investing with a longer timeframe), insurance and more complex and sophisticated investment options, so they are more comfortable being self-reliant in the short to medium term.

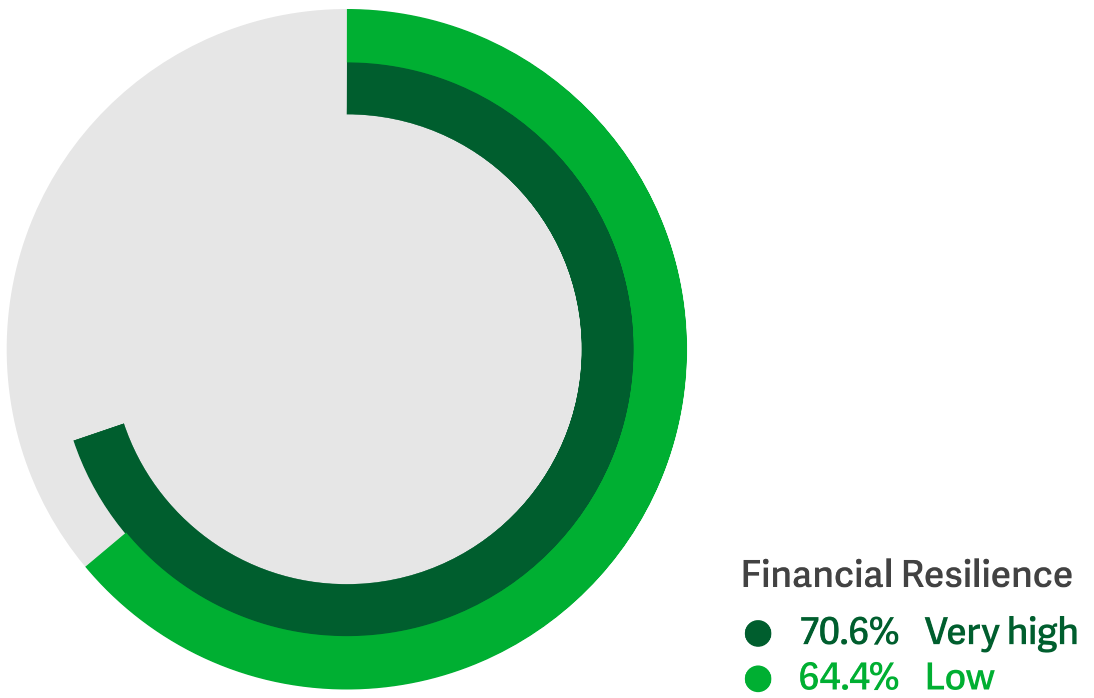
Lower confidence in insurance cover reduces the Resilience for some Emerging Affluents

How confident are you that you have sufficient and appropriate insurance cover for your needs?



Forward looking usually a factor in higher Resilience

I typically invest with a long timeframe (10 years or longer)



3. Using Financial Wellbeing to tailor the advice proposition

More than six in 10 (62.4%) Emerging Affluents have high to very high Financial Wellbeing, which means the financial impact on their physical, mental and social health is limited.

It is the remanding four in 10 (37.6%) financial advisers need to be aware of and provide support to.

Those with low Financial Wellbeing worry about money more (51.4% of them) and report adverse impacts on physical health at least several times (66.4%), mental health (100.0%), family life (88.0%) and social life (95.1%).

On the other hand, those in the very high and even high Financial Wellbeing bands are either not impacted at all or barely impacted.

> **We see Financial Wellbeing improving as individuals have less debt and better saving habits. Given the life-stage of The Emerging Affluent, debt is a constant and even a necessity, so the focus of the adviser to increase Wellbeing is to improve their savings behaviours.**

Planning and making sure they are on track is important for all clients, but it's especially so for these Emerging Affluents with lower Financial Wellbeing.

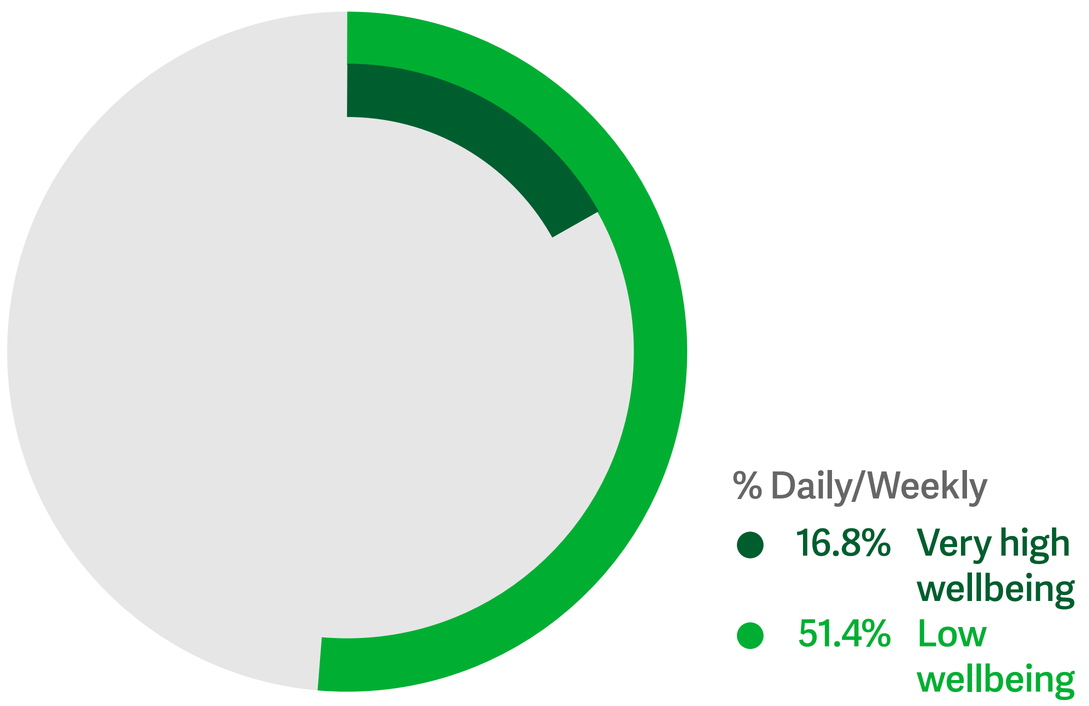
Advisers need to help them build a savings and financial plan that limits uncertainty and continually reassure and keep the person focused on what they need to do.

Even though the low Financial Wellbeing Emerging Affluents report these adverse impacts, they also report saving whenever they can (71.9%) or saving regularly (28.1%). However, it is likely they are not saving as effectively as they could.

Helping with the simple things like budgeting can go a long way to improving Financial Wellbeing. More than half (54.4%) of those Emerging Affluents with low Financial Wellbeing realise that they need to get on top of their budgets. Sometimes this need must be teased out of a client.

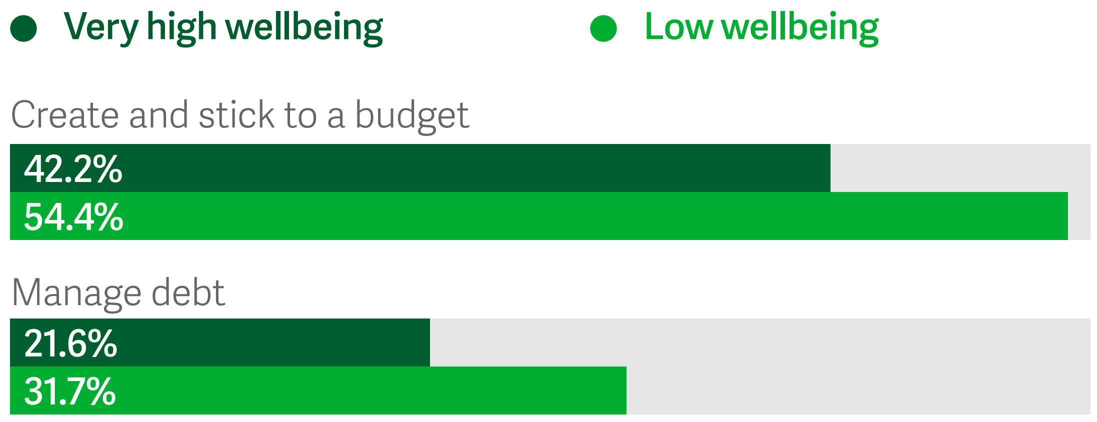
Emerging Affluents with low Financial Wellbeing worry more about money

How frequently do you worry about money at least weekly? (Emerging Affluent only)



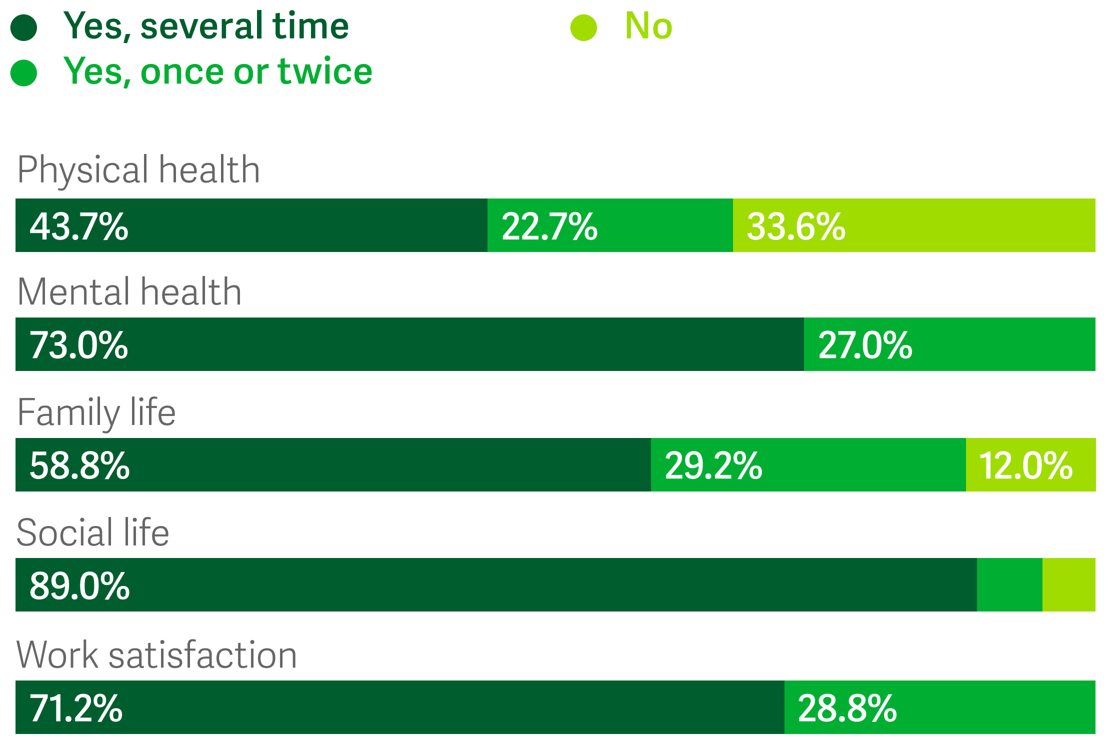
Poor budgeting is a key driver for low Financial Wellbeing in Emerging Affluents

Which of the following financial issues do you feel you need to get a better handle on? (Emerging Affluent only)



These lower wellbeing Emerging Affluents have more health, family and social life concerns because of finances

Have financial issues ever adversely affected your ...? (Emerging Affluents with Low Financial Wellbeing only)



While low Financial Wellbeing Emerging Affluents may save, they might not do it as effectively as they could

Which of the following best describes your personal financial situation? (Emerging Affluent only)

4. Using Technology Adoption to evolve the advice proposition

Almost nine in 10 (89.8%) of The Emerging Affluent have high or very high Technology Adoption profiles. These individuals are typically very comfortable with technology and expect a digital service experience from their adviser on par with the other services they use on a daily basis.

These are digital natives who have grown up using technology in their everyday lives. The ability of an adviser to adopt technology effectively will play an important role in servicing these individuals.

A poor digital experience can be a huge turn-off for Emerging Affluents. More than two thirds (72.0%) of them believe that a firm's digital or online capabilities play a critical or a major role in delivering a positive customer experience to clients (compared to 51.0% overall).

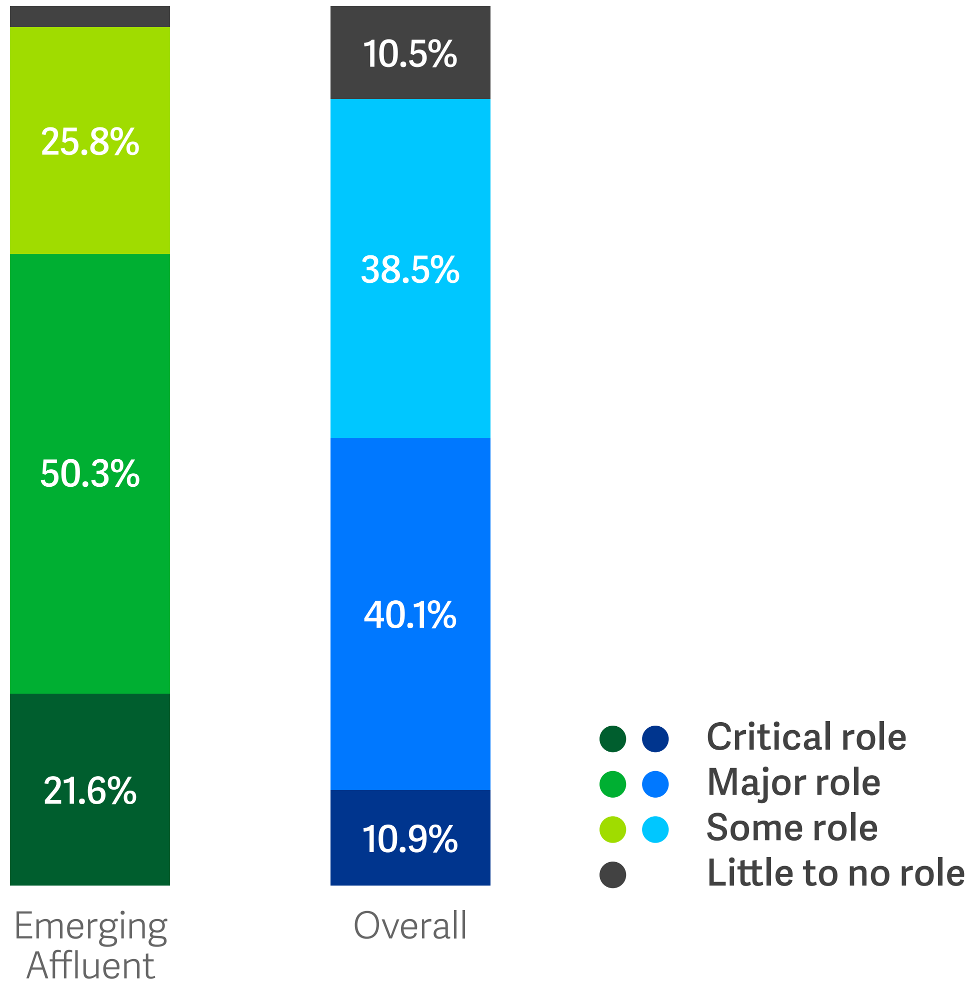
They are juggling many things, including work, personal life and managing their finances. Reducing the time it takes to access the services they need and manage the issue they're facing will be appreciated greatly by this group.

The digital advice experience does not need to be revolutionary, but it does need to provide clear utility and benefits.

Their online experience also needs to be frictionless and effective on mobile devices. A significant proportion (43.8%) are comfortable on all kinds of technology, so a mobile experience needs to be at least on par with a desktop experience.

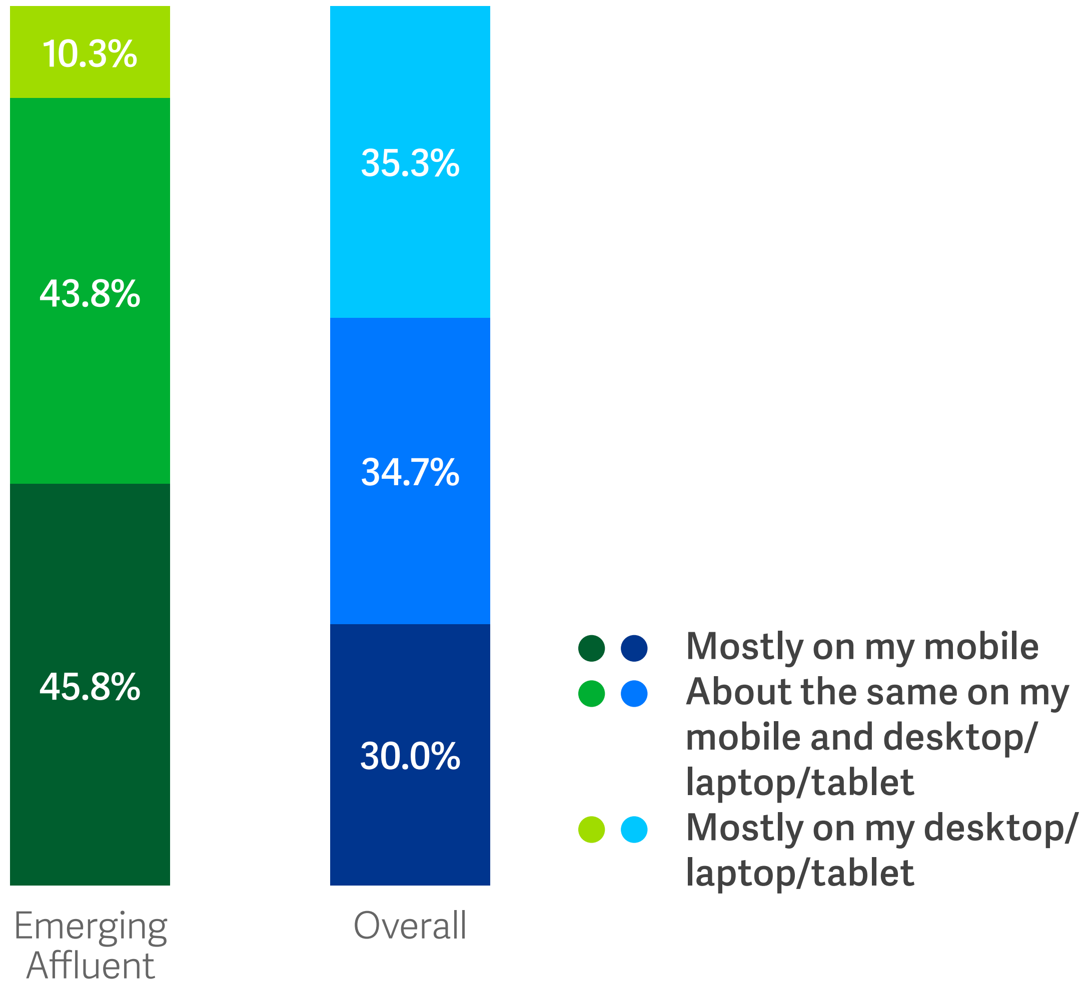
The majority of Emerging Affluents value digital capabilities in delivering a positive customer experience

What role does a brand or firm's digital or online capabilities (e.g. their app, client portal, website and social media presence) play in delivering a positive customer experience?



Almost nine in 10 Emerging Affluents use mobile phones regularly, whether that be solely or in conjunction with other devices

How do you typically access the Internet for personal non-work activities?



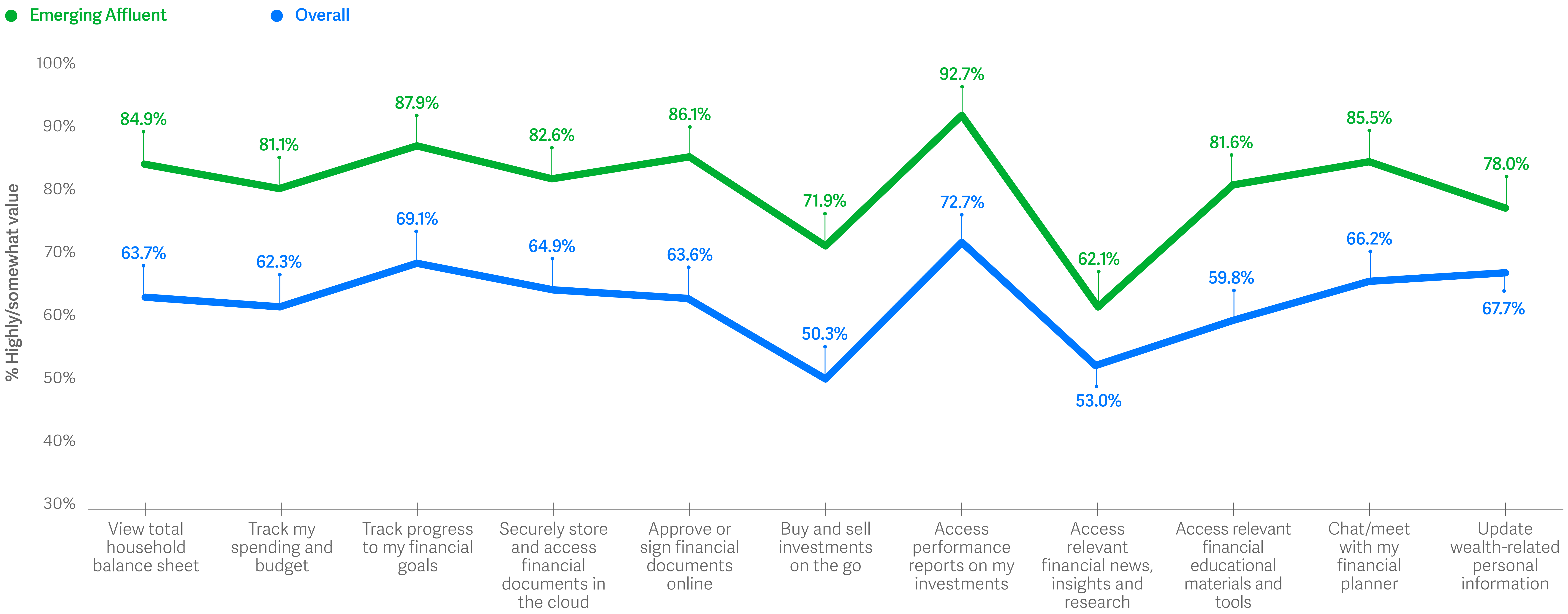
The Emerging Affluent identify many must-have and highly appreciated online or mobile features that would be valued from an advice firm through an online client portal or an app.

They are likely to use and value a range of online and mobile features:

- More than eight in 10 (84.9%) want to view their household's balance sheet (an amalgamation of their banking, super, property and other assets).
- More than eight in 10 (81.1%) want to track spending, budgets and progress to financial goals.
- More than eight in 10 (82.6%) want to securely store wealth related documents online (such as their will).
- Almost nine in 10 (86.1%) want to digitally sign financial documents (such as insurance renewals and investment advice).
- More than seven in 10 (71.9%) want to buy and sell investments on the go.
- More than nine in 10 (92.7%) want to see how their portfolio is performing digitally.
- More than six in 10 (62.1%) want to access financial news, insights and research, as well as other educational tools and materials.
- Almost nine in 10 (85.5%) want to chat/meet with their adviser in a more convenient and online manner.
- Almost eight in 10 (78.0%) want to manage their personal information online.

Emerging Affluents value a wide range of digital tools and services that could be considered in an advice offering

How much would you value the ability to do the following online, including on mobile devices?



Given their busy lifestyle, communicating with The Emerging Affluent needs to be when and where they need it. Technology plays a critical role in managing regular contact by multiple means, and to suit the content needed for their lifestyle.

When it comes to meetings, the Emerging Affluent prefer an initial meeting to be face-to-face (84.7%).

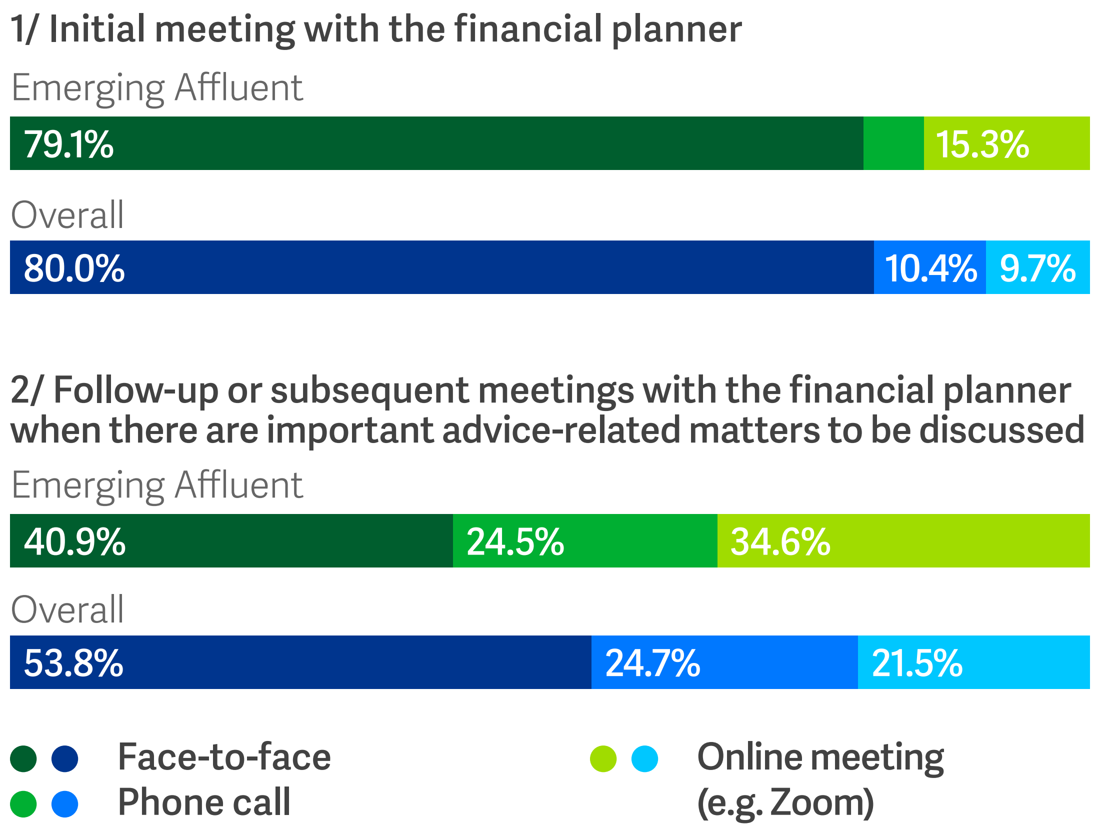
However, we see that for subsequent meetings when important advice matters are to be discussed they are almost as comfortable online meetings (34.6% versus 21.5% overall) as they are with face-to-face meetings.

For updates the most popular method communication method is Email, however we are seeing other digital methods, such as online meetings and Mobile app/client portals as having some popularity. For Information about new products and services eight in 10 (79.2%) of The Emerging Affluent would prefer email and almost one in 10 (8.1%) would prefer other digital communication tools, apps and portals. For updates on relevant news and insights, we see similar preference to email, however other digital platforms.

Updates on important advice-related matters can be via email, however there is a proportion of Emerging Affluents who want human interaction, either via face-to-face-meeting, phone call or online meeting.

For meetings, Emerging Affluents still want human interaction whether that be via face-to-face-meeting, phone call or online meeting

How would you prefer to interact with a financial planner in each of the following situations?

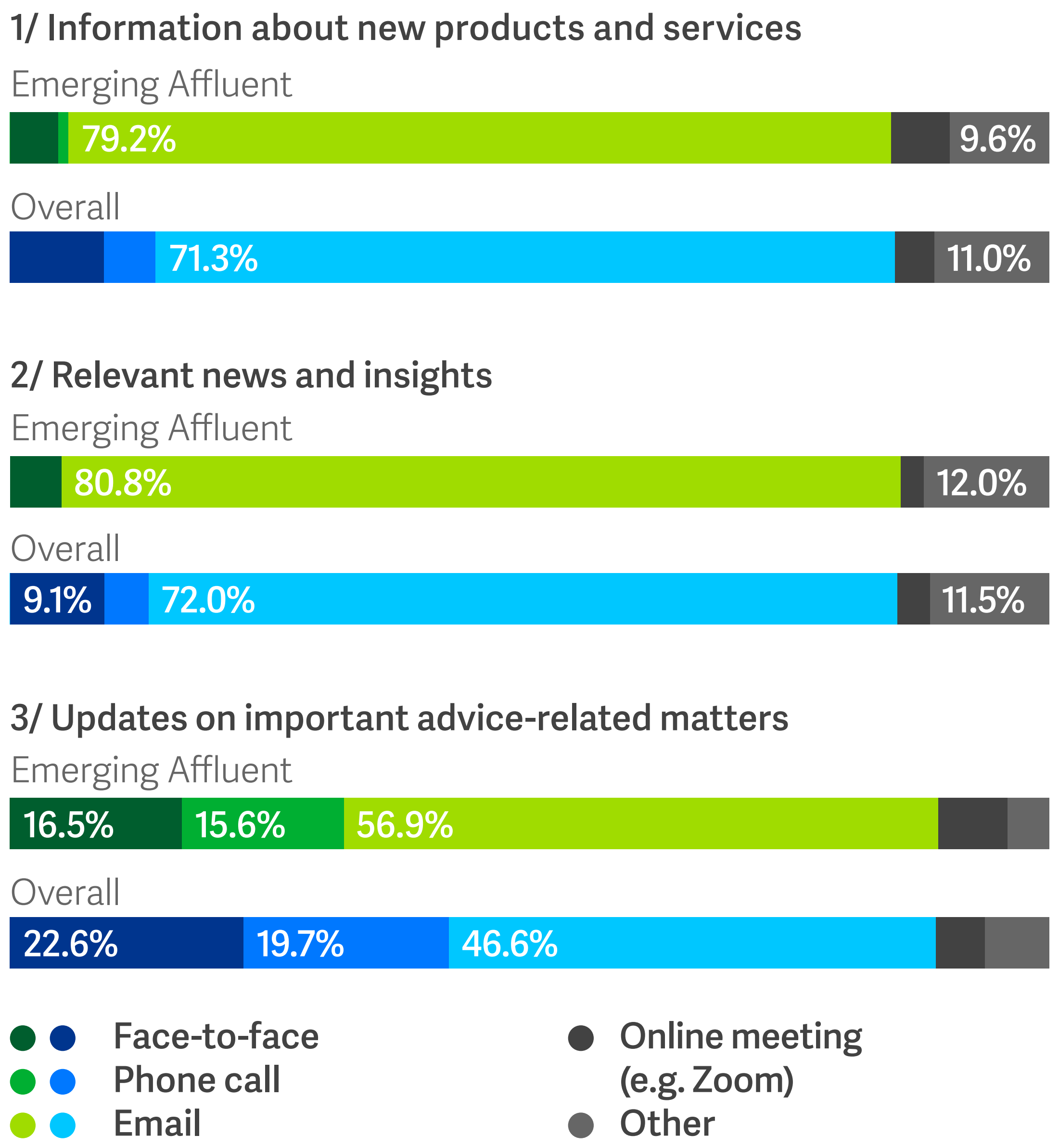


Digital content (such as podcasts and videos), online dashboards and calculators can also provide additional value-add support – which are particularly useful as a validation or coaching tool for the client/advice relationship with The Emerging Affluent.

Nine in 10 (93.3%) Emerging Affluents expect their financial advice firm to offer digital tools to see how their goals are tracking (compared to 81.3% overall). The same is true for updates on how their portfolio is performing (96.5% vs 83.1% overall) and also educational materials (92.9% vs.78.3% overall).

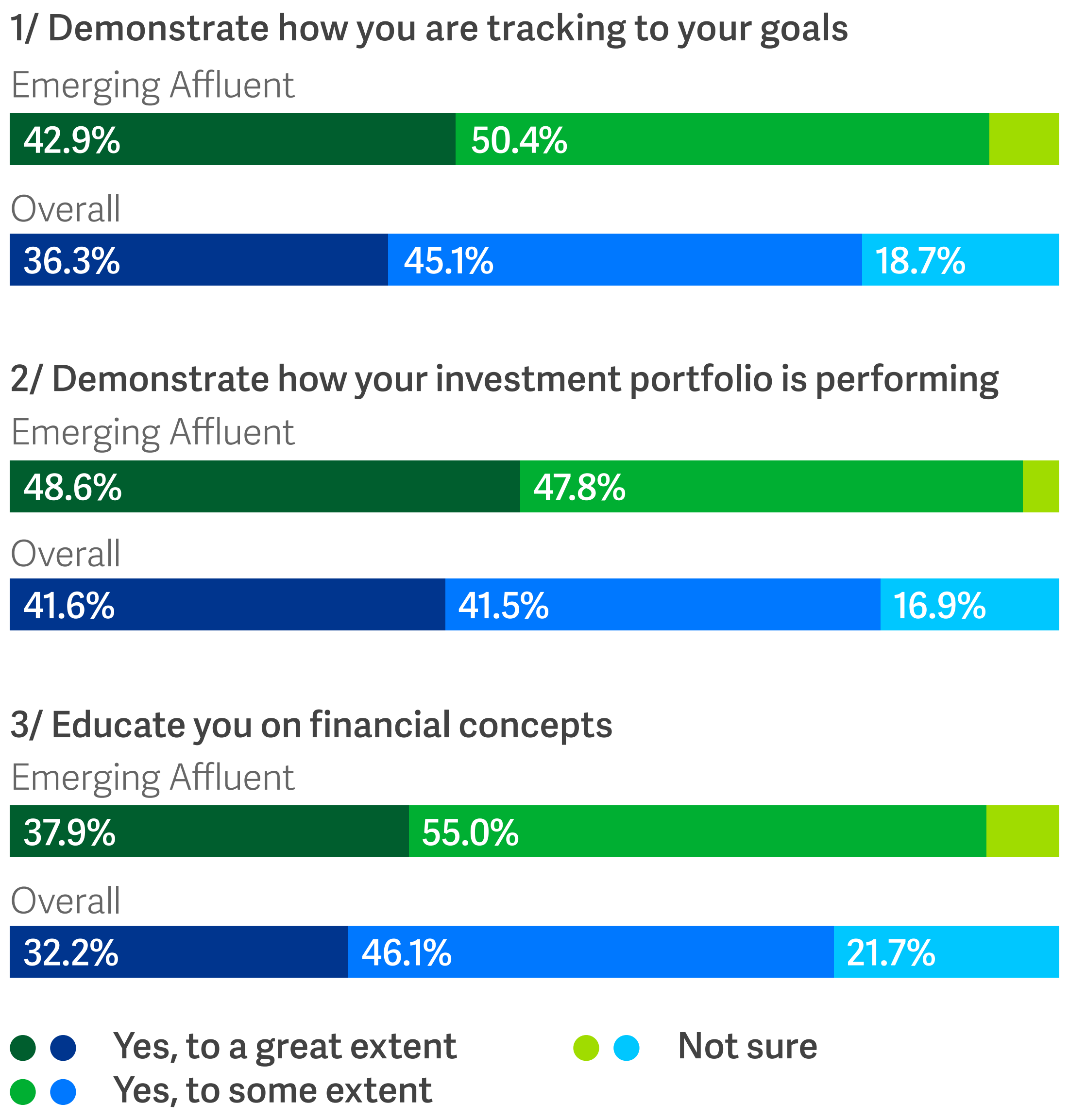
Email is the most popular tool for sharing updates and important information; other digital platforms like client portals and apps are becoming more important

How would you prefer to receive each of the following types of information from a financial planner? information from a financial planner?



Emerging Affluents are more likely to expect digital materials and tools to help educate and validate, such as online calculators, podcasts and videos

Would you expect your financial planner to use any digital materials and tools (e.g. online calculators, podcasts and videos) to ...?



Appendix and methodology

The Advisable Australian Volume 2: Fight for the future market – the Emerging Affluent defines the potentially advisable universe as Australians aged 30 and above who are at least open to receiving advice.

This includes Australians who:

- Are currently receiving advice from a financial adviser
- Are not currently receiving financial advice from a financial adviser but could consider receiving it in the future
- Have never previously received financial advice but would consider receiving it in the future
- Have previously received financial advice and would consider receiving it again in the future
- Australians who are not receiving advice and would not consider receiving financial advice in the future are excluded from this report.

The Advisable Australian survey was in field from September 28 to October 10 and received 1,012 valid responses consisting of 618 'currently advised' responses and 235 'never advised' and 159 'previously advised' responses.

Segment formation

The methodology for deriving the four persona segments is as follows:

Emerging versus established = 45 years and under versus over 45 years

Affluent versus Mass Market = Combination of:

- Personal income
- Household income
- Value of residential property relative to debt
- Household investment portfolio
- Household super

Income versus assets comes into consideration for wealth as individuals may have a lower income but substantial assets and vice versa. The starting point is everyone being considered mass market unless they reach a certain threshold on any of the following wealth measures i.e., they are affluent if:

- Personal income is greater than $100,000, or
- Household income is greater than $150,000, or
- Household investment portfolio is over $250,000, or
- Residential property equity is greater than $650,000 (this is determined by subtracting outstanding household debt from residential property value), or
- Household super is greater than $100,000 if aged under 35 years, or greater than $250,000 if aged 35 to 45 years, or greater than $500,000 if aged over 45 years.

Key dimension formation

The segmentation models for the key construct dimensions were developed from both a-priori and ad-hoc perspectives, using cluster analysis and latent class analysis to derive key variables and group allocations.

Cluster analysis is a group of tools algorithms which focus on 'unsupervised' learning (that is, there is no response variable). Cluster analysis allows us to find hidden grouping in the data, forming the basis of segmentation modelling.

It is used to classify different objects into groups in such a way that the similarity between two objects is maximal if they belong to the same group and minimal otherwise – that is, it identifies the natural groupings of 'tribes' within a diverse sample.

For more detail on these key dimensions, please refer to Netwealth's The Advisable Australian Volume 1: A new way of looking at Australian investors report, where we look at these dimensions separately and in detail.

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