UNIVERSITY OF KWAZULU-NATAL

Re-Thinking Financial Planning

THE CHANGING ROLE OF THE FINANCIAL PLANNER

By

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CONFIDENTIALITY CLAUSE

To Whom It May Concern,

Due the strategic importance of this research it would be appreciated if the contents remain confidential and not be circulated for a period of five/ten years or other specified period.

Sincerely

Ms Vimlesh Rajbansi

DECLARATION

This declaration serves to confirm that this submission is the own work of the researcher which has not been submitted to an institution of higher education for an academic qualification.

This hereby declared and signed in Durban, on 30th December 2006.

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Every success in this life is founded by People. These are the People who are closest to us, who will always believe in our ability to achieve what we set out to achieve.

For this I thank the people closest to me. Firstly my family: my father for his ongoing support and my son Avi for his patience and for anchoring me into shaping myself into a role model for him to learn from. I believe that knowledge is our only source of sanity and the capacity of the human mind is absolutely fascinating, thus never allow it to stand still. Success also stems from a deeper source, God - my solid foundation, my source of resolute strength, motivation and my provider of internal power to push my own boundaries, providing me with the ability to believe that anything is possible. Continued success also stems from other people who are a daily source of inspiration, my clients for their belief and trust in my abilities and my future potential.

My experience and skills acquired during the group work for the MBA programme are invaluable to my development on teamwork, collaboration, loyalty and trust. Having had no prior higher learning, the tasks were challenging yet not impossible. I am a firm believer in that "if you can think impossible thoughts, you can do impossible things" and here I find myself finally concluding a very valuable study.

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ABSTRACT

This study which is located in Durban, South Africa examines the life insurance Industry in South Africa, the trends, local and international, and strategic issues and the thinking of the industry leaders that will impact upon current distribution business models. The impact of these on the role of the Financial Planner is highlighted, providing evidence of the international success of alternative models for the distribution of professional financial advice.

The literature review in this study suggests that, from international experience, the weakest link in the present distribution chain of life insurance is the Financial Planner because their means of remuneration is currently being subjected to extensive reduction by regulators. As the South African industry transforms as a result of price cutting and regulatory pressures on downscaling of existing commission structures, the Financial Planner will bear the brunt of this resizing to the form of substantial reductions in their earnings, resulting either Financial Planners exiting the industry, or seeking an alternative business model than that of commission remuneration from the sale of life insurance products

It is against this backdrop that this submission examines three critical questions: How will the transformation of the South African life insurance industry, changing needs and demands of consumer's impact upon the role of the Financial Planner in the financial planning industry? What are the consumer's experiences, expectations and perceptions of Financial Planners? What must Financial Planners and their representative bodies do in order to ensure the continuity and independence of the role of the Financial Planner in the distribution of professional financial planning advice? These critical questions are investigated using a quantitative research instrument, i.e. a structured questionnaire, the results of which are statistically analysed using the SPSS system.

The main findings provide substantial evidence that trends and experiences from the UK and USA will have a similar impact on the South African Financial Planner's future in

the present life insurance business model. The predictions, teachings and motivations of relevant authors is for Financial Planners to adopt a holistic expanded business model offering Life Planning to consumers which provides the Financial Planner with an alternative to remaining in the present business model. The study further reveals that consumers attach a high value to the intellectual abilities and to the role the Financial Planner plays in providing them with professional financial advice. It further confirms that without the Financial Planner, life insurance companies have no real link to the consumers of life insurance products because the consumer is dependent upon the Financial Planner for professional financial advice.

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LIST OF ABBREVIATIONS

AUM	Assets Under Management
CEO	Chief Executive Officer
CFP	Certified Financial Planner
FAIS Act	Financial Advisory and Intermediary Service Act
FPA	Financial Planning Association
FPI	Financial Planning Institute
FSA	Financial Services Authority
FSB	Financial Services Board
FSP	Financial Service Provider
FPSB	Financial Planning Standards Board
IFA	Independent Financial Advisers
LIMRA	Life Insurers
LOA	Life Offices Association
PFA	Pension Fund Adjudicator
PPR	Policyholders Protection Rules
PPS	Professional Provident Society
SA	South Africa
UK	United Kingdom
USA	United State Of America
USD	US Dollars

CHAPTER 1

Introduction: Context, Objectives and Overview

"We can extrapolate present trends. We can continue present cycles. We can foresee certain convergences that might produce new effects. All these depend on the analysis of the present. What about discontinuities? What happens if the future is not an extension of the present?"

Edward De Bono (1990)[1]

1.1. Introduction

This study introduces the life insurance Industry in South Africa, the trends, local and international, and strategic issues and the thinking of the industry leaders that will impact upon current distribution business models. The impact of these on the role of the Financial Planner is highlighted, providing evidence of the international success of alternative models for the distribution of professional financial advice. The study seeks to examine the consumers' needs, expectations and perceptions of a Financial Planner, assess the changing role of the Financial Planner and examine the changes that the financial planning industry in South Africa will need to undergo to remain financially viable.

A Financial Planner can be defined as a professionally qualified individual who has the necessary skills and expertise to advise individuals and businesses on all aspects of their financial objectives, which incorporate and is not limited to financial needs such as life insurance, investments and short term savings, estate planning, retirement planning, debt reduction, cash management, healthcare, home loans and so forth. Professional financial advice by Financial Planners is currently an integral part of the financial plan for all individuals and businesses.[2] In order for Financial Planners to retain their arterial link to

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[1] Edward de Bono has faculty appointments at the universities of Oxford, London, Cambridge and Harvard as a leading authority in the direct teaching in thinking as a skill.
[2] Sanlam Website: https://sales.sanlam.co.za/advisors/eng/home.htm 22nd December 2006

clients and be the sole providers of professional financial advice, it is critical that they examine the relevant strategic issues and trends in order to foresee the impact of these on the present operating business model. As Edward De Bono (1990) comments on business models (quoted in the header above): What if the future is not an extension of the past (for Financial Planners)? What alternatives are then available in the likelihood that disintermediation occurs within the life insurance industry?"

1.2. Rationale for the Study

This study is prompted by a personal[3] rationale as well as research, policy and other contextual imperatives to investigate the status of the Financial Planning industry in South Africa. The literature review undertaken reveals that whilst numerous studies about the role of financial planning within the life industry have been conducted internationally, and changes on the global stage have been recorded, only two such two such market surveys has been undertaken by Price Waterhouse Coopers on the South African business environment. In 2004 the first survey had some CEOs and senior managers testify to the "inefficient and ineffective distribution models used", and that "the industry has not responded adequately to the new South Africa" (PWC, 2004). In the second survey in 2006 the drivers of change that were identified were regulatory pressures, consumerism and technology. No survey had yet been undertaken in South Africa on the actual distribution of financial planning advice which stands apart from the product as a solution. Furthermore, no study has been undertaken by asking consumers what *they* want. Based on international experience and the present state of the life insurance industry, the Financial Planner is the weakest link in the present distribution chain (Veres, 2003 and Sullivan, 2004). As the industry transforms as a result of price cutting and regulator pressures, the Financial Planner bears the brunt of the resizing and reshaping.

Given the personal and contextual imperatives that I described, I suggest that my study will produce the following benefits:

[3] A major player in the Financial Planning services in South Africa.

- the findings that will emerge from my research will contribute to understanding the current status the of the Financial Planning industry in South Africa
- will be able identify reasons for consumer's financial planning decisions and reveal consumers expectations with regard to financial planning
- the assessment of the customers' needs, expectations and perceptions of Financial Planners will allow the development of appropriate strategies and business models to cater for those needs. Financial Planners and intermediary bodies may welcome the study as it will provide a suitable measuring instrument to be used in assessing consumers' needs in more specific and even broader segments of the industry
- will inform key role players in the Financial services industry in ways of improving the service industry in South Africa
- inform financial curriculum developers and legal and fiscal education specialists, including management, to develop effective curricula and strategies to prepare efficient Financial Planners with a view to streamlining delivery and proficiency
- to allow Financial Planners to develop business models that will ensure their continuity and sustainability as effective service providers within the financial services industry
- It will introduce key concepts for further research on new business models for the financial planning industry and provide insight on the role of the Financial Planner as perceived by the consumer.

1.3. Outline of Research Topic

The literature reviewed reveals that the traditional model for the distribution of financial planning advice in South Africa, as in the case in the UK and the USA, has a very short lifespan for the Financial Planner as a primary link to the client. This is as a result of regulators pressurising the Life Insurer to reduce the method in which Financial Planners are remunerated. In this study a quantitative survey will be undertaken to understand the current status of consumer demands and the changing role of the Financial Planner in South Africa. The research methodology will be discussed in detail in Chapter 3.

Ghauri and Gronhaug (2002) propose that formulating and clarifying the research topic is the starting point of any research project. Wind and Crook in *the Power of Impossible Thinking* (2005) advocate that "if the world remained static, we might be able to remain blissfully unaware of our models". Financial Planners worldwide have been cited as the main cause for the high costs impacting on policyholders' investment fund values by life insurers, and with regulations, consolidation and pricing strategies today, the Financial Planners' vision is very clear on the impact this will have on their profession. The key to survival is to be better prepared to avoid becoming trapped in an outdated mindset to avoid obsolescence.

Professional financial advice by Financial Planners is currently and has always been an integral part of the financial plan for individuals and businesses. From international experience and present challenges within the South African Life Insurance Industry for Financial Planners to continue to be the arterial link to clients and sole providers of Professional financial advice, it is critical to examine the strategic issues and trends, able to foresee trends and issues which may result from other forces; foresee the impact of these on its operating business model; and have alternatives available in the likelihood that disintermediation occurs within the industry.

With reference to the preceding discussing the following problem statement is proposed:

Faced with current regulatory pressures and future strategic issues and trends, both international and local, and the impact of these upon the present role of the Financial Planner in the South African Life Insurance Distribution Model, what strategic alternatives are available to be adopted by Financial Planners' to ensure continuity of the profession?

The following objectives are stated with a view to ascertaining a response to the above problem statement.

1.4. Objectives of the Study

By understanding the impact of certain critical factors on the distribution of professional financial advice and consumers' expectations this research will strive to:

- measure the consumer's experiences, expectations and perceptions of Financial Planners and attitudes towards their personal financial planning.
- examine how the transformation of the South African life insurance industry, changing needs and demands of consumers will impact upon the role of the Financial Planner in the financial planning industry.
- determine what Financial Planners and their representative bodies should do in order to ensure the continuity and independence of the role of the Financial Planner in the distribution of professional financial planning advice

1.5. Critical Questions

By understanding the impact of critical factors on the distribution of professional financial advice and the consumer's perceptions, experience and expectation this research strives to answer the following critical questions:

- What are the consumer's experiences, expectations and perceptions of Financial Planners?
- How will the transformation of the South African life insurance industry, changing needs and demands of consumer's impact upon the role of the Financial Planner in the financial planning industry?
- What must Financial Planners and their representative bodies do in order to ensure the continuity and independence of the role of the Financial Planner in the distribution of professional financial planning advice?

It must be noted that the emphasis of this study will be on the consumer's needs, experiences and expectations on financial planning as they are the critical link in the Financial Planners business. A survey will therefore be undertaken to measure these variables.

1.6. Research Design

This study was limited to Durban Metropolitan area in Kwazulu Natal, South Africa. Although a single metropolitan area was the location, the problem being addressed is of national concern to Financial Planners and to The National Treasury. Discussion of the research design includes the sample design, the research approach which includes the data collection, research instruments and a description of the types of statistical analyses used in the study.

The size of the sample originally envisaged was 50 employed and self-employed persons from the medical/dental occupations, managers and accountants as well as from other fields of occupation. The reason these respondents were selected was that they formed part of the target market of the researcher.[4] Thus the sampling procedure may be considered *purposive*. A total number of 71 questionnaires were completed.

The sampling process was probability sampling using qualified respondents who were willing to fill in the questionnaire (Saunders, Lewis and Thornhill, 2002). The research design includes and analysis of both primary and secondary data sources: The primary data was quantitative in the form of a cross-sectional analytical intercept survey in which 71 respondents from various occupations were surveyed. The research strategy also included critical analysis of documents and journals, books, Discussion Papers, articles and policy documents relating to financial planning, life insurance, and Financial Planner, and life insurance trends internationally and locally, and other information such as surveys and internal company research.

[4] See footnote 1

The statistical analyses used the SPSS (Statistical Analysis for the Social Sciences) system. The analysis followed the same sequence as the questions were asked in the research instrument and presented graphically in the form of data analysis tables and summary tables. The mean, median and mode were used to measure the central tendency of selected variables and the standard deviation was applied to establish the extent to which the data values differ from the mean. Inferential analysis was used on selected data to test the likelihood of any differences between groups of the quantifiable data variables of three or more independent samples/ groups (Saunders, Lewis and Thornhill, 2002: 472). The ANOVA test for age groups, marital status and ethnic groups was interpreted followed by the Chi-Square test to establish if any significant relationships exist between selected variables. Finally the Cronbach Alpha test was performed which established that the research instrument's continuous study variables have internal consistency and reliability.

1. 7. Limitations of the Study

- This study was limited to the geographical area of Durban, South Africa. Given the limited sample of this study, future studies could include a more elaborate sample cross provincially or a nationally to determine whether a similar pattern emerges across South Africa.

- A lack of research and secondary resources on the South African Life Insurance Industry also limits this study. Further research could be encouraged by the Financial planning sector.

- Due to logistical reasons and the limited scope of my study only the views of customers were surveyed. Future studies must also include a survey of the perceptions of expert informers from the financial planning sector, whose expertise could produce richer data.

1.8. Overview of the Study

In this chapter *(Chapter One)* the reader is introduced to the background of the study, the rationale, objectives, critical questions, research design and limitations of the study.

Chapter 3 introduces the research methodology the primary aim of which is to assess the changing role of the Financial Planner, and the secondary aim was to measure the consumer's experiences with, expectations of and perceptions of the Financial Planner. The discussion focuses on the following features: the location of the study, the sample design, the research approach which includes the data collection, research instruments and a description of the types of statistical analyses used in the study.

In *Chapter 4* analyses of the results of the structured questionnaire that were administered to a set of 71 respondents from the medical, dental, accounting, management and other fields of employment, is undertaken. Responses to each of the questions enumerated in the questionnaires and the interview schedule are presented. A structured method of analysis was used in writing up of the research report.. The Statistical Package for Social Sciences (SPSS) was used to analyse the data generated by the responses to the questionnaires. Frequency tables and summary analyses are presented and explained. Descriptive, inferential, ANOVA and Chi-square analysis are undertaken. The analysis of the data is conducted to establish what the consumer wants and needs and to demonstrate and clarify the value the consumer places on the Financial Planner.

Chapter 5 then concludes this submission by detailing the main findings of this study with recommendations in relation to the three critical questions stated in this study. In this chapter several innovative business models for adaptation to the South African scenario are suggested.

In the next chapter, *Chapter 2*, a review of relevant international and South African literature is undertaken, which provides insight on trends and issues on the continued role of the Financial Planner in the distribution of financial planning advice, and expectations and perceptions of the consumer.

CHAPTER 2

Literature Review:

Changing Roles, Changing Expectations

2.1 Introduction

This study aims to assess the changing role of the Financial Planner within the life insurance industry, as well as to measure the consumers' experiences, expectations and perceptions of the Financial Planner.

The financial planning process is critical in understanding the role of the Financial Planner in the life insurance industry and the role they undertake as Financial Planners to consumers. The industry has adopted different titles when referring to a Financial Planner, namely: Intermediary, Financial Planner, Broker or Certified Financial Planner. In this study the term Financial Planner will be used as reference to all the categories described above. A Financial Planner is a part of the sales force licensed to market life insurers' products as solutions to the life insurance consumers. According to Heath (2004)[5] the most successful forms of distribution are "owned by the traditional distribution methods", referring to the life insurer (also referred to as the product manufacturers).

- **The Role of the Financial Planner**

Anecdotal evidence reveals that the traditional method of distribution of South African life assurance companies is to use financial planners as intermediaries as the man method of selling their products. The financial planners are remunerated by means of commissions when products are sold. The costs of these commissions have been built into the premiums which the consumers pay. The financial advice a Financial Planner provides to a client is designed around the sales process of the Life Insurer. The sales

[5] In Life Assurance and Market Research Association (LIMRA) (2004) research paper called *The 10 Reasons for the Growth in Independent Financial Advice in the UK.*

process of the life insurer is designed around the product as a solution to consumers. The product thus satisfies a need and these results in a recommendation on product purchase. This is evident from the business model of life insurers' as their core business involves the sale of life and investment products. Financial Planners act as the intermediaries between the consumer and the life insurer. Since the introduction of Policyholder Protection Rules (PPR) and the Financial Planner and Intermediary Services (FAIS) Act 2002 this sales process has been adapted into a form of a needs analysis which includes products as the solution. The life insurer pays the Financial Planner a commission as a means of remuneration for products which the consumer purchasers. If the product is not bought then the Financial Planner earns nothing from the process.

Presently in South Africa the traditional method of life insurance distribution is the only way in which advice is "indirectly" rendered to the consumer. Actuary Rusconi (2004), also referred by media as the R3 billion whistleblower, catapulted the life insurance industry onto the front page of critical media when he revealed that the costs associated with commissions paid on retirement and savings products was the main reason for poor policy fund values at early termination or at cancellation. This then led to the intervention by National Treasury which culminated in the *Discussion Paper on Contractual Savings in the Life Insurance Industry* (2006). The author of the Discussion Paper, Jonathan Dixon, refers specifically to South Africa's National Treasury's concern about the present business model of insurers to be "ill equipped to respond effectively to environmental changes".

Life insurers have heeded the proposals made by National Treasury in South Africa on *Contractual Savings in The Life Insurance Industry* (2006) and are at time of submission of this study, revisiting existing product cost structures on retirement and investment products to ensure alignment of these products with the final decision by National Treasury due to be released by the middle of 2007. The pressure on reduced costs and increased shareholders value however, directly impacts on commissions, the only source of earnings for Financial Planners. National Treasury has proposed a reduction in upfront commissions. Upfront commission costs have been built into the premium a consumer pays on all life insurance products. A reduction in upfront commission will mean a new model for remunerating Financial Planners to ensure their continuity in the financial planning industry. This proposal by the Discussion Paper (2006) has created a lot of uncertainty surrounding the future earnings of Financial Planners and their remuneration has been cited by the Life Offices Association (LOA) as the main reasons for high costs which impact on the fund values of retirement and savings products. National Treasury (2006) in its Discussion Paper also cites upfront commission as the main reason for not only high costs but improper advice whereby some Financial Planners sell products which are not needed by the consumer. This leaves the Financial Planner in a very vulnerable position in the life insurer's distribution value chain.

Macdonald (2006)[6] advised that in the near future Financial Planners will have to make the choice between being advice-based Financial Planners who are remunerated on a fee model, and being sales agents who are remunerated by means of commission for the sale of products. Macdonald (2006) further emphasized that the future for Financial Planners is going to be very different and cites the combining forces of consumerism, regulatory pressure and international trends which will influence this decision of between being "advice-based Financial Planners or product salespeople". The preceding discussion of the role of the financial planner introduces the background to the first aim of my study, i.e. an assessment of the changing role of the Financial Planner within the life insurance industry in South Africa.

- **The Expectations of the Consumer**

The Life Insurance Traditional Model has (for over 100 years) provided security to consumers in the form of risk products, wealth in the form of savings and pensions, and peace of mind to households. With the advancement of technology, transparency of business processes and increased complexities of consumerism (PWC, 2006) the traditional model is being challenged at its critical links of its distribution. "Business as

[6] Director of advice-based financial planning held at the University Of Cape Town Graduate School Of Business, commented on the proposed segmentation of the financial intermediary market in South Africa in a FANews editorial (2006).

usual" is not an acceptable answer to a consumer of the 21st century – they want details, they want answers, they want choices, and they demand recourse. Someone must be accountable and the consumers have started to question the fairness of charges, and undisclosed costs; thus in many countries the government had to intervene to balance the scales in favour of the consumer. Both the literature reviewed in this study and anecdotal evidence has included the views of the most important party to this industry – i.e. the consumer. At this juncture in the history of the life insurance market, the following questions are highly significant: how does the consumer feels about the Financial Planner? What perceived value and expectation does the consumer attach to the Financial Planner? How do consumers feel about paying for advice? And in what way will they be most comfortable in doing so? What value is placed on their financial matters? And who will they trust? It is hoped that by understanding what the consumer of financial planning services wants and needs, this may result in the production of the ideal business model for the distribution of professional financial advice.

In this chapter the literature reviewed is described under the following sections: in section 2.2 the life insurance industry is defined. Section 2.3 provides an overview of the international sources and surveys to establish the experience of the more mature markets like the UK and USA and its relevance to the South African industry. More specific attention is given to the UK industry as it has evolved and experienced the impact of regulatory pressures which resulted in disintermediation of the life insurance industry, and the rise and falls in the number of small Financial Planner businesses. Additionally, due to research conducted by LIMRA, and other researchers, South African life insurers presently benchmark the South African industry with that of the UK in establishing trends which South African business can learn from. In section 2.4 an overview of the present state of the South African Life Insurance Industry is presented. Emerging trends and strategic issues are identified in the PWC survey (2004 and 2006). The key decision makers are presented as the role players in the South African life insurance industry. Treasury, FPI, life insurers, and the role of the Financial Planner are introduced. In Section 2.5 the main thoughts of relevant authorities, the impact and the opportunities it presents for the South African Financial Planner are summarized.

2.2. Defining the Life Insurance Industry

The life insurance industry comprises several companies which provide benefits in the form of products to individuals and selected qualified groups ranging across the entire spectrum of financial services and personal finances, risk cover, investments and home loans, personal loans, asset management to local and offshore banking and retirement provision for individuals. These products and services include estate planning and trusts, home loans, personal loans, linked products, and financial services.[7]

The life insurance companies in South Africa are Old Mutual, Sanlam, Liberty Life, Momentum, Professional Provident Society and Discovery Life. These are all businesses within the group which provide personal, business and group solutions to the consumer. Life insurance products and services are distributed to the market via representatives who are Financial Planner sales force who are either fulltime employed as Financial Planners or are brokers who are contracted to sell the insurers products (FAIS Act 37 of 2002). The main source of turnover of these Insurers is in the form of premium income from the sale of insurance products channel. A typical distribution channel in the life insurers business is headed by a chief executive. This is supported by finance and human resources. The chief executive oversees the independent broker division (broker services) and the tied agent business (Financial Planners). These two channels are responsible for the sale of life insurance products by Financial Planners. Also supporting the sales and within this structure are training divisions, operations and a direct channel.[8]

Supporting this are primary support structures with divisional heads for distribution finance, operations and Financial Planners which are regionally based.[9] The distribution channel for financial planners comprises of insurer employed agents and an independent broker channel. The structure is as follows:

- The general manager and the regional general managers with the support team of

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[7] Sanlam website – https://sales.sanlam.co.za/advisors/eng/home.htm – accessed 22nd December 2006
[8]https://sales.sanlam.co.za/NR/rdonlyres/eyn3pvr5coc4h4klmglvefb7dvs72q5htlupcjlypob7fn4bhls2rifts4y7wjrkmbkpsoclwl6lbygs5hscr3idkgd/eSPF_Distribution.pdf
[9] Sanlam website – https://sales.sanlam.co.za/advisors/eng/home.htm

distribution finance and operations.

- Regional offices are segmented per province in South Africa and the regional head oversees business units segmented to work within a specific market.
- Each business unit is headed by a marketing manager who is supported by the business development managers.
- The Business Units comprise of financial planners who are tied agents or independent brokers. The financial planners deal directly with the consumers.

Anecdotal evidence indicates that a Financial Planning business requires the following support structure:

- The Financial Planner
- Office staffed with a minimum one Personal assistant
- An office assistant and Financial Planners in training
- Hardware and software for data management, telephone, Internet and email facilities

Therefore the approximate cost of running an average successful Financial Planner business is:

Monthly Average Cost		R 15, 000
Rent	3, 500	
Salaries / wages	5, 000	
Stationary	500	
Telephone	2, 000	
Cell phone	1, 500	
Parking	500	
Other	2, 000	

Table 2.1. Average monthly cost of a Financial Planners overhead expense at Sanlam Life, Professional Financial Services, Durban (Costs gleaned from anecdotal evidence)

The annual targets for production are always set against previous years target and the focus is on either policies per month and growth in new business sales. The recognition awarded to sales force is based on growth and based solely on new business written.

With products being available online some companies have attempted the direct channel of the Internet to market their products. Liberty Life closed down Mylife and Old Mutual closed down Fundsnet (Melzer, 2002). Old Mutual was also quoted as saying that the failure of its direct investment channel made it clear that the investment market preferred dealing with an intermediary. This reinforces the important role a Financial Planner plays in the distribution of life insurance products and financial planning advice to the consumer.

A Financial Planner is an individual who is licensed to provide solutions utilizing the products of life insurance companies. The role of the planner is to source new clients and to monitor the financial plan of existing clients. The Financial Planner is fully dependent on the sale of the product to earn an income and his/ her main business is to offer financial planning to individuals or business.

The Financial Planning Services Board (FSPB) states that personal financial planning is the process of meeting the life goals of consumers through the proper management of their finances. Life goals can include anything from buying a car or a home, saving for a child's education or planning for retirement.

The Financial Planning Institution's Code of ethics and professional responsibility require its members (Financial Planners) to act with integrity, objectivity and professionalism and to be fair and honest in disclosure (Chapter 4, FAIS Act 37 of 2002). More importantly this code places an obligation on the Financial Planner to place the client in a position whereby he/she makes an informed decision (fully understanding their needs) and then to ensure that the product solution most appropriately satisfies the need of the consumer.

The Certified Financial Planners (CFP) Board of Standards devised the financial planning process, a strategy that Financial Planners follow when assisting the consumer in achieving their financial goals. A holistic approach to financial planning is adopted which considers all facets of the consumers life, to develop a plan that will enable the consumer to realise their personal and financial goals. The six essential steps which Financial Planners have to follow in providing consumers with professional financial advice are:

Step 1: The professional relationship is established and defined. This is achieved by a telephone conference, email or by the first meeting to get acquainted

Step 2: This is the goal setting session were the Financial Planner gains insight on the clients past, present and future plans as it relates to their career as well as their personal and financial goals. Together with the client, the Financial Planner then gathers all the relevant information and assists the client in defining their goals; establishing timeframes and their investment risk profile. Assumptions are agreed upon on inflation and growth rates. Information gathered may include, but is not limited to the following:

- Any existing financial plan
- Latest IRP5 or salary slip or income statement
- A written authorization to download the latest portfolio information
- A monthly budget is also completed to establish cash flows: income and expenses
- Assets and liabilities
- Pension fund values
- Income and capital needs for events like death, disability, retirement, savings
- A last will and testament: for distribution of assets and death wishes
- Existing trust deeds
- Family obligations
- And any other information pertaining to the clients individual situation

Step 3: In this step an analysis and evaluation is undertaken at the Financial Planner's office. This requires investigative research of the client's financial status to establish shortfalls when benchmarked with their financial goals.

Financial planning software is used to conduct this analysis. When necessary other expert opinion is also sourced in the analysis. It is critical that professional advice must be combined with efficient delivery and timely implementation of relevant solutions for clients. The comprehensive analysis report plus relevant solutions are all prepared by the Financial Planner or by competent staff employed directly by the planner. This preparation requires time, investigative research, superior communication and negotiation skills, insight and intuition which results in quality delivery of advice.

Quality advice also requires adequate infrastructure to ensure immediate back up support and service as required by the consumer. Besides dependency on IT and software programmes, the immediate office is staffed with at least one professional personal assistant.

Here it is important to introduce the infrastructure of Financial Planners. The following outlines costs which are borne by the Financial Planner:

- Office space of at least minimum 25-30 square meters. Some practices may be up to 120 square meters
- Parking
- Hardware: computers and filing systems and related software
- Software: for data management
- An office assistant and a personal assistant
- Telephone, stationery, lights, water, licences, training, education
- Transport and related costs

Step 4: Financial planning recommendations are then developed and alternative solutions based on the clients goals and information is presented to the client at this session. Here again a face to face meeting is scheduled and the planner has to fully explain each step of the analysis report and supporting documents. This could take at least an hour and in some cases, at most two-three hours. It is at this juncture when the products of the Financial Service Providers are introduced into the financial planning process and into the relationship. The consumer's monthly budget and future cash flows are reviewed to establish the allocation of resources toward the financial planning implementation.

Step 5: In this session the consumer's monthly budget is revisited and recommendations are reviewed with relevant feedback from the last meeting. Once resource allocation (affordability) has been established the Financial Planner then assists the consumer with implementing the financial planning recommendations in stages as they agree to.

Step 6: Once the transactions are successfully implemented, the Financial Planner will continually monitor the financial planning recommendations as agreed to with set timeframes.

Anecdotal evidence indicates that once the Insurer accepts the consumer as a client for the life insurance policy (solutions) the Financial Planner is remunerated by means of an upfront commission. If no solutions are accepted and implemented, the Financial Planner earns no fee for the work done for the client. The average time spent on a basic financial plan including meetings is approximately 4-5 hours (excluding other costs).

By examining the six steps above it is evident that the contact is between the client and Financial Planner and that the only time the client is introduced to the life insurer is when that the product is introduced by the Financial Planner. Thus except for except for policy documents and annual written communication, no direct contact occurs between the life insurer and the client. No communication or contact occurs between the product provider and the consumer at any point. The entire relationship is built between the Financial Planner and the client. Such important planning requires the interaction of trust, confidentiality, someone who listens, someone reliable, and someone with greater insight, an expert, someone who is qualified and someone with whom the consumer can build a lifelong relationship with.

2.3. The International Situation

In 2004, Deloitte and Touche, USA, conducted a major survey of the financial services industry using 80 leading insurance executives from around the world.[10] The findings concluded that leading insurance executives feel that theirs is "an industry in turmoil". With low investment returns, insurers went "back to basics" and started "looking afresh at business models and processes". This survey further revealed the following main strategic issues for insurers:

1. Improved cost control was a management priority
2. Product distribution channels required enhancement and expansion. Almost all survey respondents linked distribution directly to profitability. However, "one-third of the survey participants said the biggest challenge was simply identifying the right strategy". This suggested that there is scope for improvement.
3. There was a need for product innovation in response to changing market conditions and perceptions.

Internationally life insurers have used the same distribution model as South Africa (Deloitte and Touche, 2004). However, with the implementation of regulations which resulted in disintermediation, there now exists many more small Financial Planner businesses and a handful of Financial Planners still employed by insurers than in South Africa (Sullivan: 2004). In the following sections I describe the trends of the life insurance industry in the United Kingdom and USA, including the review of four specific Financial Planner business models, as well as review some of the important disseminations by prominent researchers (Hurley, 1999 and 2000; Veres, 2003; Sullivan, 2004; Kahlr, 2005).

[10] Global Financial Services Survey. 2004. Deloitte. June 2005
http://www.deloitte.com/dtt/newsletter/0,2307,sid=2211&cid=38962,00.html

2.3.1. The United Kingdom (UK)

The UK insurance industry has experienced a dramatic shrinkage in Financial Planner Force from 185000 in 1981 to 10121 currently (Elliot, 2006). There were 4893 commission-only agents and 5228 salaried sales agents. Elliot (2006)[11] states that this was the result of the Financial Services Act of 1998 being introduced to protect the consumer, by substantially reducing commissions. Bank assurance is also another source of distribution in the UK.

Merges and acquisitions also took place in the quest by insurers to reduce costs. The legislation was tabled, and insurers transferred information to the Independent Financial Planners (IFP) and failed to communicate with the consumer. The legislation has resulted in reduced savings by the British consumer as fewer citizens are saving for their pension and the debt per household is increasing.

According to Mdlalose (2006) the Independent Financial Advisory distribution has been successful in the high net worth client scenario. Some companies like Scottish Widows, Standard Life and Zurich Life have started the "Direct" channel as they realised the need to maximise on opportunities in the middle market. They also have a concern for the ageing Financial Planner sales force. Almost all the companies have a fair balance of salaried and commission earners. Mdlalose (2006) outlines however, the following challenges facing the industry in the UK:

- the Financial Planner is the least sought after profession being compared to a second hand car salesman
- Since the enactment of the FSA, the average British citizen is heavily in debt and with no savings
- There is an ageing Financial Planner force

[11] Elliot M of LIMRA: 10th December 2006
http://www.twelvehorses.com/ct/CCS5OC/7UKFU91M/*http://www.fanews.co.za/category.aspx?CategoryID=9&SubCategoryID=1202&ItemID=7cd01af6-cad2-42cd-b159-f6367fba2234*print

- A multi-tiered route is the new strategy, which includes: s a life product provider; one insurance provider, and a health product provider. An independent agency force operates separately from these three providers, and is managed by the agency management team. The report indicates that if agency management is given top and bottom line responsibility, it seems to work and the agency will do the right thing for the business and the consumer
- Not many customers are willing to pay the fees to Financial Planners which was one of the primary goals of the legislator in the UK. The legislator in the UK tabled a bill which determined that Financial Planners could only be remunerated by fees and not upfront commissions as was previously done.
- Affinity marketing (e.g. Manchester United soccer club) means the supporter could have a club credit card and buy life cover through the club.
- There is hardly any cheap financial advice available and the IFA numbers are decreasing. Additionally consumers are unwilling to pay for advice from an IFA.

The Sanlam Report (Mdlalose, 2006) also highlighted other situations which exist in certain companies, namely:

- **Association Of British Assurers (ABI)**

ABI Management lobbied the government to improve the environment and outsourced the sales and claims divisions. Residents of the UK are not saving enough for their retirement and the reputation of the industry has a perception of miss-selling.

- **Scottish Widows**

Scottish Widows was bought by Lloyds TSB and has between 1400-500 Financial Planners working in the bank. The staff consisted of direct sales-own Financial Planners and the company also sells products online to consumers. The best results were obtained when the company partnered with Virgin to distribute its products to the middle market. Scottish Widows are re-engineering themselves after losing market share since being bought by Lloyds TSB. They are training a strong Financial Planner force and gradually regaining market share.

- **Standard Life**

Standard Life uses *worksite marketing* which means that a senior manager visits a company's worksite with the aim of securing the company's pension fund for Standard Life. Their Financial Planners are salaried, and have a company car with quarterly bonuses. The smaller premiums are sold direct by Financial Planners while senior management are responsible for the training, education and clinics on site to secure pension funds and high net worth clients. Managers do not sell and they earn a salary, a company car and bonus of 40% of the business unit's production.

- **Burns Anderson**

This company acted as principal to Financial Planners' and was licensed by the FSA. The Independent Financial Planners (IFA)/firms join the Burns Anderson Network and operate according to the set standards and submit business through the Burns Anderson Code. Burns Anderson is responsible for monitoring the business submitted through their code to life insurance companies. The IFA's are paid a salary and bonus according to production levels.

- **Zurich Life (Open-works)**

Zurich Life operates as a product manufacturer. It has its own the distribution network (called Open-works) through the IFA, Multi-tied agency and direct channel. 95% of their new business is done face to face with the consumer and their Financial Planners are salaried with a bonus, and have a Practice Development Programme. Zurich life is also focusing on recruiting brand new Financial Planners to target the younger generation. They provide the Financial Planner free evaluation of the Financial Planner's practice and also provide finance to Financial Planners to purchase established Financial Planners practices.

Heath (2005) reveals that very few countries have embraced the idea of independent financial advice as extensively as the UK and the reason for the growth is:

- The decline of the direct sales force created a vacuum which IFAs have filled
- The consumers demand for face to face direct contact with a Financial Planner
- The belief amongst consumers that independent advice is the best advice
- The increasing affluence of consumers and their greater interest in financial planning
- Complex lifestyles of consumers and core competencies

The report also highlights the fears held by many IFAs in the UK. Amongst these are that they have no capital backing and are unable to train, recruit staff and develop a brand. Identifying a successor in a Financial Planner's practice was another concern highlighted by the report. Consumerism is seen as one of the complexities in life's changing environments which results in the need to engage in an ever more complicated solutions to problems and the constant need to grow.

Summary of the UK experience:

- After the FSA regulation created a fee-only model for remunerating Financial Planners, this resulted in Financial Planners setting up their own independent businesses (IFA)
- The average British consumer was however not willing to pay a fee to get advice and nor did they save and as a result of this the negative impact on the life insurance industry
- Life insurers survived by direct sales and employing a salaried Financial Planner force
- IFA's was only successful in the high net worth market resulting in the middle market losing access to valuable financial planning
- British consumers' perception of Financial Planners is poor
- British Life insurers outsourced sales to an independent agency
- Large IFA representative firm (Zurich Life) where monitoring is managed by the firm and salaried IFAs operate in face to face client planning

2.3.2. The USA

Veres (2006) mentions that there are some Financial Planners in the USA who have taken the lead by creating their own model for distribution of advice. Currently there are 1500 independent Financial Planners that have adopted an independent model of fee based advice. This means Financial Planners have completely divorced themselves from the distribution channel of life insurer's and provide advice for a fee with no selling of life insurance products.

2.3.2.1. The Views of Bob Veres[12]

Veres (2003) in a review of independent financial planners concludes that he foresees the convergence of trends in the industry as it enters a new professional cycle. He envisages a future business model where the current financial planning model will evolve into life planning because expertise in life planning is what the client of tomorrow seeks. He advises that Financial Planners must consider a transition from being loyal to product manufacturers to becoming loyal to their clients (push to pull transition). What the customer really needs must be used as a starting point. He further advocates that the financial planner should give excellent advice and be appropriately remunerated for it. Veres makes reference to life planning which incorporates holistic planning for consumers. He also predicts that as the life planning industry transitions from infancy to mature stages "financial planning will then become what it has never been before: a mainstream service that is central to the way society functions" (2003: 76)

Veres (2006) outlines the following on converting to fees from commissions:

- Fees allow the Financial Planner to get paid for their services and for the advice which the clients need, such as planning their holidays, negotiating the purchase

[12] Editor and publisher of *Inside Information* with 21 years experience in the financial industry in USA. In his book *The Cutting Edge in Financial Services* (2003) he reviews discussions held on Inside Information with over 1,200 independent Financial Planners' who have independent financial advisory firms.

of a property, doctors' fees for surgery, home loans etc, and even for coaching their clients to make changes in their lives

- A fee-based model will free the planners from the traditional anchors of only life and investment planning to really provide holistic advice to their clients
- The report states that financial services clients will always need a full range of services and this will not change much. Consumers want a better life, and want to be happy. Financial Planners will have to move from existing in a producer culture to planning culture.

In *The Cutting Edge* (2003) Veres refers to four distinct business models which are currently very successful in the USA for the Financial Planners' business:

1. The Garret Planning Network model which uses a similar model to the Doctors' Office Model and targets the middle market. The Financial Planner bills their time out at USD $3 per minute and targets 60% of time to be billed. Services include budgeting, cash flow, credit card debt and reduction plans, retirement projections and life insurance analysis. The planner gives investment advice by means of a prescription. This means of advice offers the middle income market access to financial planning as it is affordable and a flat structure is possible. (Veres, 2003: 116).

   Rowland (2004) further commends Garret's hourly model as a real breakthrough which provides the middle market with access to objective financial planning. Clients are given homework (self therapy) to develop their self-sufficiency (Rowland 2004: 44)

2. The Cambridge Alliance Model works on a client's net worth. As assets increase so does the fee the Financial Planner receives. Payment is made by cheque, or credit card. The Financial Planner does most of the planning work whilst with the client, meeting the client 8-10 times a year and covers all aspects of the client's financial needs like tax, retirement, investment. The client pays a fee equivalent

to their net worth and a thin structure is possible (Veres, 2006: 121). The difference between this model and the doctor model is a fee is earned on net asset value and not billed on time.

3. The Firm model (family office) where the client deals with a firm, not one specific person. This is quite an attractive option offering a broad range of services, including life implementer. Here, a retainer is requested and clients are billed a flat fee. The client can speak to any expert and does not have a specific relationship with one person. A proper infrastructure is critical and efficient processes to track the clients' history are necessary. This model also ensures continuity and brand value for equity of the practice. A substantial staff is required to run this model, such as office managers. Core competencies are harnessed for efficient delivery of advice and the firm is created by senior partners/ owners. (Veres, 2006: 127)

4. In a Virtual practice (thin practice) back office functions are outsourced such as the analysis, portfolio downloads and investment summaries. Sheila Chesney outsources her back office at a relatively low fee. Here she gives away her creative aspect of her job by outsourcing it to reliable professionals who charge her a fee. She sends her clients a quarterly financial plan and portfolio updates such as tax information and reworked retirement models. On a monthly basis she also sends a detailed economic review and performance of asset classes to her clients. She travels to her clients' home for face-to-face review meetings. She has no office staff and she also downloads portfolios at cheap prices. The financial planning work is outsourced to a professional and the client completes a fact find which is emailed to the outsourced company to capture data. This frees up the Financial Planner's time to focus on life planning and being in the clients face (Veres, 2003)

Veres (2003) suggests that the growth of outsource firms and that virtual firms will become the most popular business models of the future. This will liberate the Financial

Planner from the burden of paperwork and allow them to allocate more time on life planning issues with clients.

Veres (2003) also recommends that a Financial Planner's practice can charge reduced fees for financial plans and advice and still earn a commission. He concludes that Financial Planners have to educate clients that good service comes at a reasonable price. It is important at every meeting with a client to educate them on the value of financial planning and advice.

Summary of the views of Bob Veres:

- Most Financial Planners understand their clients intimately and this involves guidance, direction, motivation for all areas rather than just a purely clinical relationship in hope of selling a product to earn a living. Clients are very trainable and if they value time, they will value advice. If clients pay for professional advice they will follow through with recommendations.
- Life planning is at its infancy and it is advantageous for Financial Planners in South Africa to enter the industry at present because with the proposed reduction in commissions (National Treasury Discussion Paper, 2006) it will become a commission-less environment and therefore an alternative model must be sought.
- The Doctors' Model is an affordable way of charging for advice. It involves diagnosing a financial problem by doing the necessary analysis and charging the client a fee to heal the problem (need) identified. The implementation of the recommendations (product) made by the Financial Planner is independent of the advice rendered and paid for.
- The Total Net Worth Model also adds value as a holistic approach is adopted and clients pay for services based on the value of net worth including property. This model will work with clients who have assets over R1million in South Africa, and it will be more feasible to charge a fee based on the total asset value.
- The Partnership Firm Model is portrayed as a more professional business structure which allows the partners to focus on their individual capacities and delegate other tasks. It also allows for succession planning and provides the client with

peace of mind in respect of their planning. However, this structure will also attract high overhead expenses.

- The Virtual Office is attractive with software tools and remote ISP back offices. These will be cost efficient and individually owned practices. This concept of outsourcing back office functions can be combined with the Partnership Firm Model to harness core competencies and simplify office tasks like portfolio downloads, analysis, data capturing and transaction processing. The focus will have to also focus on branding, hence a professional business with maybe an office manager and two assistants.

2.3.2.2. The New Competitive Landscape: Views of Hurley and findings from Undiscovered Managers Survey

In this section I review the surveys undertaken by Hurley from Undiscovered Managers (1999, 2000 and 2005) which reviewed over 100 small Financial Planner businesses in the USA.

Hurley (1999) predicted that Financial Planners businesses would fall into two groups: namely mega firms and niche firms. Hurley advises that the niche player firm can insulate the Financial Planner business against competition by providing services to a specialised group of consumers for example doctors or divorcees. The client's needs would define the niche practice. The result of this niche is that the Financial Planner must find a group of clients who have more complicated and unique needs which are currently not being met or who are underserved. An efficient operating process and the ability to anticipate a clients changing need would keep the barriers to competition high. Hurley predicts that the Financial Planner business will be committed to remaining small and that niche firms can charge premium prices. The traits of a niche financial firm were highlighted in the report to include:

- Client problems define the niche firm
- Constantly meet changing needs of customers
- Dominant share within the niche market

- Perception created that their products are unique
- Ability to anticipate clients' future needs

Hurley suggests that a niche firm asks the following questions:

- Who does the firm want as clients?
- How does the firm acquire clients?
- What services will be provided to attract and retain clients?
- How do the answers to the above provide the firm with a sustainable, competitive advantage?
- How to brand?
- Should the business be institutionalised?

Hurley proposes that delivering comprehensive financial solutions and incorporating capabilities of other professionals like a psychologist is the comprehensive approach to understanding the client. The relationship with the firm is also recommended in Hurley's report and that the firm's value added is delivered by many individuals, each being a specialist in specific areas of financial solutions.

Hurley advises a team approach whereby the client is assigned a team of experts, each focusing on a different need of the client. He further recommends that a relationship manager should head the team and his duties will be to seek new clients and at the same time service existing ones. The rest of the team will provide all the financial advice.

The Business Model:

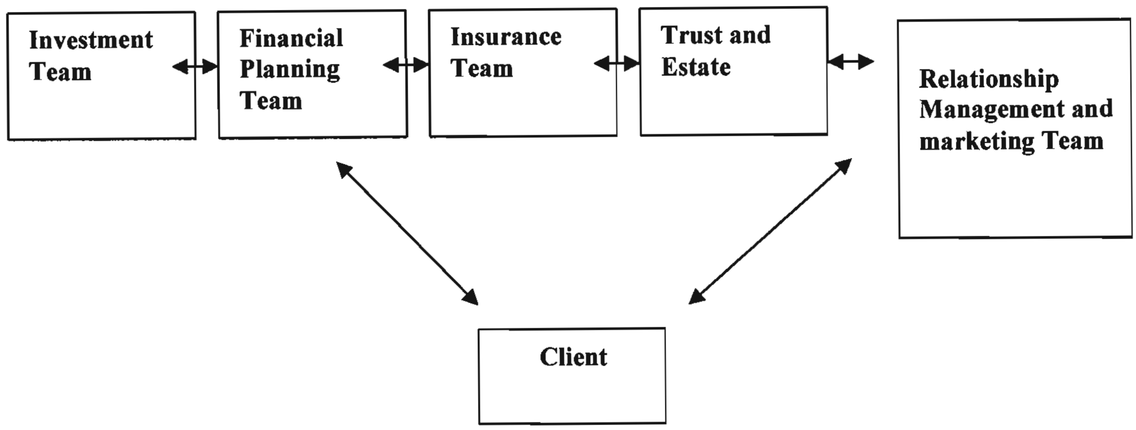

Figure 2.1 Hurley, M (1999: 40)

The Financial Planners business model in the USA is very different to the model for Financial Planners in South Africa. In the USA these businesses are modelled around assets under management (AUM) in which Financial Planner businesses manage large investment funds for their clients and earn a fee based on the value of AUM (Hurley 2000). Although this differs from the South African situation, American literature is relevant in this study as it may provide insight to patterns which may occur in the future South African Financial Planners business, therefore it may assist the researcher in making such recommendations on the role of the Financial Planner.

In another survey undertaken by Undiscovered Managers (2005) the interviewers met with more than 100 Financial Planning firms and interviewed senior members of private banks, law and accounting firms, service providers, consultants and senior officials of trade groups associated with the Financial Planning industry.

The survey summarises that from 1980 until late 1990s the independent Financial Planning industry expanded rapidly. Barriers to entry were low, markets were bullish, and clients were profitable and growing, with Financial Planner firms' overall assets under management approaching $1 trillion USD. The structure of the industry changed from a highly fragmented industry made up of competitors of all sizes to one in which a small group of dominant competitors emerged. These were highly profitable, large firms that would "look like multi-user family offices for the semi-affluent." These firms would have at least $15 billion - $20 billion in assets under management and some would be much larger (Hurley, 1999).

This survey highlighted the new competitive landscape to the Financial Planner as follows:

- **New entrants to the industry:**
  Banks entered the arena offering the same services as Financial Planners' business (wealth management and distributed securities). Major insurers converted their agent networks into wealth management firms and many other organisations such as E*Trade, H&R Block and numerous law firms, entered the industry.
- **The traditional competitors re-engineered their services** to be similar to that of independent Financial Planner firms. This combined with massive marketing and advertising budgets has made regional broker-dealers more effective competitors in certain markets than the Financial Planner business which had almost no budget for marketing.
- **Technology** became a key factor in increasing the efficiency of larger Financial Planner firms. Automated trading, client relationship management software and web-based data warehouses are a few examples of recent time-saving technological improvements. These improvements created additional capacity for Financial Planner firms that can be used to generate revenue.

The survey (2005) predicts the future of the Financial Planner business and its role players:

These following five additional forces will further alter the economics and structure of the Financial Planner business over the next five to seven years, and may be future challenges which the South African Financial Planning Industry needs to foresee:

- These are the rising expectations of key employees at larger Financial Planner businesses who are demanding shareholding. Owners have a choice; to retain key staff by selling a share in their business or losing their key employees.
- The growing demand for professionals which will significantly increase salaries over the next five to seven years. Large financial services companies with sufficient working capital are able to offer more generous compensation packages for professionals than the small Financial Planner business can.
- The third major force that will shape the Financial Planner business over the next five to ten years is higher general operating costs. On average, operating costs have risen cumulatively more than 60% over the last four years in the USA. The main reason for this has been reduced fees and compliance with regulations.

The survey further presents the following strategic options for owners of Financial Planner firms in the USA, which may prove to be applicable to South Africa:

- Reinvest for growth and evolve as a medium sized Financial Planner firm
- Adopt a Cash Cow strategy: reap the benefits for as long as possible
- Sell the business. This will provide owners an option to better fund their retirement. Buyers are willing to pay five to six times saleable cash flow of the firm. Potential buyers can include banks, insurance companies and customers.

Summary of the Undiscovered Managers' survey findings:

- Niche Firms will be the most successful, offering expanded services specific to the consumers within a specific segment. This will enable the firm to charge a higher fee due to their niche attraction
- Co-opting with other professionals may be a starting point in gaining market shares.
- Pricing pressures will impact on small Financial Planner firms, so very small and very large firms will remain

- One stop access to total financial solutions may not work with a rise in consumerism, however it may work in a specific niche
- The independent sole practitioner Financial Planner business is soon to be absorbed by the huge giants
- Competition from huge conglomerates (bank assurance and life insurers) is the biggest threat to Financial Planner small practice
- Fees will be reduced on AUM, and cost of business will increase.
- Specialisation is the key to success of Financial Planner firms
- With technology, the younger generation may be attracted to the larger companies rather than the small Financial Planner firm as these young clients may prefer the brand strength of a larger firm
- Sole practitioners should consider merging with other individual practices to create economies of scale and areas of specialisation

Structural changes occur in every industry as it evolves through different stages of its lifecycle. It is the ability of the leaders to foresee these challenges and harness them to their advantage. That makes a difference to the ability of a firm to survive changes.

Financial Planners must determine a strategy that makes the most sense for their firms and try to execute it successfully. Failing to do so could prove to be disastrous because then the industry and its economics are not going to remain static.

2.3.2.3. Propositions of Richard S. Kahler

Kahler (2005) in an article on financial integration, proposed that it was vital to connect the clients past, present and future by mapping their future to achieve these goals. He introduced the new paradigm of interior and exterior finance and the 'nest solution' for understanding a client holistically also understands their past and that is why it is best to integrate financial planning with therapy. The reason for this is that the psychological thinking, the upbringing and the financial environment a client is exposed to will influence their attitude and behaviour towards their financial management and decision making. He concluded that this theory is already in practice because consumers are more conscious of the importance of balance and self fulfilment in all aspects of their lives, including their wealth. Kahler also reinforces the need for holistic planning rather than just life and investment business.

2.3.2.4. Dan Sullivan on *Creative Destruction*

In his series titled *Creative Destruction,* Dan Sullivan (2003- 2004) presents a new kind of educational and planning technology for Financial Planners worldwide. Sullivan acts as strategic coach to multiple Financial Planners equipping them with the proper tools to transform Financial Planners into Industry Transformers. In discussion groups between individual Financial Planners, Sullivan plays strategic coach to almost 10000 Financial Planners and documents his teaching/beliefs in a two-part thesis which presents Financial Planners with a 25 year game plan for Financial Planners to liberate them from the commoditisation trap. Because of commoditisation, fees and commissions paid for products and services, sales will steadily decline. His deduction is that the bureaucrats' increasing failure to deal with a changing industry will result in the emergence of entrepreneurial Financial Planners who will transform the industry.

Sullivan (2004) says that because of the Commoditisation Trap and the specific danger of lawsuits, Financial Planners need to develop a unique concept business model to differentiate themselves from the traditional life insurers' distribution model, and protect them in the challenging times facing the financial services industry.

Sullivan shares the same view as Veres (2003) that due to declining fees and commissions, many Financial Planners have switched their compensation entirely to asset management fees, not realising that these are also commoditised. He further estimates that when these fees drop from their current average of 100 basis points to 60 (which they will), that approximately 40 percent of fee-based Financial Planners will be forced out of business within 12 months.

Sullivan's (2004) analysis of the Financial Planning environment is also similar to that of Hurley (2005). The main reason according to Sullivan is that financial services companies are continually cutting costs by reducing and withdrawing support for both Financial Planners and consumers. In order to create value for their clientele as a commoditized Financial Planner, the planner must increasingly absorb the rising overhead costs. Unable to compete on this basis of reduced fees, more value-added services must be provided by the Financial Planner to retain client and customer loyalty. He also highlights the rise of lawsuits against Financial Planners in the USA, thus Financial Planners will increasingly be forced to make a career decision, with the following options available to them:

- Leave the industry,
- Become a salaried employee, or
- Become a privately-branded entrepreneur.

Sullivan (2004) maintains that many Financial Planners facing these pressures and dangers have become obsolete in the USA but the most innovative and enterprising Financial Planners will increasingly capitalise on their experiences, skills and existing resources and opportunities by opting for this third path. He predicts that before 2010 all Financial Planners will be forced to decide between being salaried employees or privately branded entrepreneurs. He identifies the following eight forces of commoditisation:

1. **The Internet**: Being the most powerful tool ever invented for instant price comparisons, the internet is able to take over the Financial Planner's role in this, and make product purchasing decisions easier for the client
2. **Disintermediation**: In all industries, there are constant attempts to bypass and eliminate the 'middleman'. The airlines did it in America, and now in South Africa are also bypassing the middleman. In the SA life insurance industry, price is an important question and life companies are constantly pressured by regulators to cut cost. This will impact on the earnings of Financial Planners
3. **Convergence of technologies**: this undermines specialised occupations.

4. **Consolidation**: Large, publicly-traded global corporations either purchase smaller competitors or drive them out of the marketplace through price and cost-cutting.
5. **Capitalisation:** Global equity markets only want investments that are easily commoditized for mass distribution to mass audiences. And Life insurers will have to keep up by reducing costs
6. **Consumerism:** Consumers want the lowest possible prices in all commodity products, services, and experiences and they will research until they are satisfied that they have achieved this.

Summary of Sullivan's views

- Sullivan refers to the Financial Planners' wisdom as his/her intellectual property which is in fact the real worth of the Financial Planner, like the ability of any other practicing professional
- Sullivan refers to the Financial Planners' present value as his/ her intellectual capital. He says the problem is that when the Financial Planner retires or dies the Planners' intellectual property retires with or dies with them
- The reason why the best clients stay with a Financial Planner and recommend the Financial Planner is because of their unique intellectual property. It is this ability that clients buy into, and not what products are sold.
- What clients find most valuable is the intellectual property of the Financial Planner and this is given away for free. The things which are most commoditized (products) are the only things that clients can actually purchase.
- He criticises the life insurers by saying that clients realise that they want to pay for the Financial Planners intellectual property but the "*industry bureaucrats and regulators*" won't let them pay for it.
- Sullivan's statement about intellectual property is very true, and what must be added is the relationship between the Financial Planner and the client. The human element in connecting face-to-face and sealing that by trust, integrity and respect.
- Both Veres (2003) and Sullivan (2004) encourage that Financial Planners must always sell their Intellectual Capital before selling products (commodities).

- The small Financial Planner businesses needs to create a process that provides deep support in a way that is not accessible to the larger companies who are price driven.

Sullivan concludes that *Creative destruction* is about "capableism". In his final analysis he says that his predictions have to do entirely with "the emerging needs of clients and customers in the marketplace for financial services. They are being ignored and under-served by the financial service companies, as well as being insulted and betrayed. The amount of value currently being created for consumers by the entire financial services industry is grossly deficient – mainly because of the bureaucratic mentalities still controlling the industry". Returning to one of the aims of this study that it wishes to measure the consumers, experiences, their expectations and perceptions of the Financial Planner, the propositions of Sullivan (2004) and Hurley (2003) have ramifications for the life industry as financial planning clients are often undershot with solutions based more on products and not on holistic needs of consumers.

In the next section I examine the trends in the South African industry.

2.4. The South African Industry

2.4.1. Industry Overview

In South Africa Life insurers are publicly listed companies, except for Professional Provident Society. Drawing from anecdotal experience it is understood that the South African Life insurance industry consists of product manufacturers of life and investment products. These products are offered as solutions to consumers for events like death, disability, dreaded disease, functional impairment and so on. The distribution model of the industry has solely relied on the broker/ tied-agent channel whereby its products have been distributed based on a remuneration model dominated by commission.[13]

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[13] https://sales.sanlam.co.za/advisors/eng/home.htm 22nd December 2006

In South Africa the Life Insurance companies employ over 50 000 people in an insurance industry that turned over R159 billion gross premiums in 2004 (Ombudsman Annual Report, 2005). In his annual report on the Long Term Life Insurance Industry (2005: 6) the ombudsman, Nienaber, begins the overview with a sub heading, "An industry under stress". The first paragraph is as follows:

> No one reading a newspaper, listening to the radio or watching television could have remained insensible to the crescendo of criticism that was launched against the life insurance industry during 2005. One only has to mention the word "life insurance" to realise to what extent the sustained negative publicity of the past year has infused the public psyche. Rightly or wrongly, the industry's motives and methods are mistrusted, its credibility shot, its reputation in tatters.

Nienaber (2005:6) vehemently states that the industry "must blame itself before it blames others". He says the office of the ombuds believe that Insurers "neglected their own centre of gravity" (meaning their policyholders). "Policyholders, not shareholders, not officials, not intermediaries, are the beginning, the pay-in, and at the end, the payout, of the business. Diminish them and you drain off your lifeblood".

Perhaps his report was written after much of his time had been spent on the record number of 8985 complaints his office received, of which 5470 cases were finalised during 2005. Other factors which added to the Life's Industry present negative public perception are poor investment returns which discouraged policyholders to re-invest. The research by actuary, Rusconi (2004), and a series of determinations by the Pension Fund Adjudicator (PFA) in which the adjudicator highlighted what was perceived to be "a deliberate lack of proper conduct on the part of the insurers, and disproportionate cost deductions when policies were cancelled or altered" (Nienabar, 2005:).

Nienaber (2005) made reference to the discussions which where then entered into between the LOA (which represented the major insurers), the Ministry of Finance and the Financial Services Board (FSB) on how the industry will address its tarnished image and right the perceived errors of the past (miss-selling). He also highlighted that the major complaint addressed in all the early termination cases had been the deduction by the insurance company, on calculating the paid-up or surrender value, of outstanding expenses. After discussions and proposals between the parties (Treasury, LOA and Financial Planners representative bodies) the Statement of Intent (SOI) was agreed upon in which the Insurers agreed to refund R3billion to affected policyholders who had funds confiscated as penalties upon early termination of retirement and saving products. This process began in December 2006.

Further proposals to be overviewed will be the new commission structures (remuneration of Financial Planners) which are yet to be finalised (National Treasury, Discussion Paper, 2006)

2.4.2. Emerging Trends and Strategic Issues in South African Insurance 2006

The Price Waterhouse Cooper 2004 survey stated that the South African Industry is "still trapped in the old model". Locally, commission based distribution models dominates the entire industry (PWC: 2004).

As with international industries, Chief Executives in the South African Life Insurance sector face trying times. For the first time in this country Dr Brian Metcalfe, in a Price Waterhouse Coopers (PWC) survey conducted in 2004, revealed strategic issues and emerging trends in South African Insurance. The main findings suggesting the following to be the main (immediate) drivers of change:

- Financial Services Charter
- Legislative measures: Financial Advisory and Intermediary Services ACT 37 OF 2002(FAIS ACT)
- Consolidation and polarization

The survey made reference to some CEOs and senior managers surveyed who testified to the "inefficient and ineffective distribution models used" and that "the industry has not responded adequately to the new South Africa".

In a second PWC survey (2006) on the emerging trends and strategic issues in South African Insurance in which the CEOs of 25 companies were surveyed to establish their opinion on the insurance industry, the main findings of this survey highlighted:

- Business models of the short-term and long-term companies are subject to review. Many strategic and emerging issues identified in the PWC Survey in 2004 of the insurance industry continue to challenge the industry
- The industry operates in a dynamic marketplace where product, pricing and distribution are facing an extreme makeover
- It is affected by the regulatory and legislative environment. The impact of the Financial Sector Charter, BEE, FAIS, IFRS, National Credit Act and the Pension Fund Adjudicator rulings, in addition the Treasury's proposal for reform in the industry will add pressure
- Media criticism has fuelled the consumers perception of a costly industry
- Re-entry of foreign insurers and the ongoing demands and opportunities provided by new technology
- Most companies indicated that they face moderate to intensive competition.
- The established broad-based financial institutions represent the greatest threat in the market. Several niche players have been acquired since the last survey and this category has lost ground in the distribution network
- Niche players have lost ground as competitors

The PWC 2006 survey further added two more main drivers of change in the industry which are:

- Consumerism.
- Technology

The survey identified certain areas which life insurance companies should concentrate on. These were:

- Retaining existing customers
- Building a customer base
- Recruiting and training competent staff
- In-sourcing and outsourcing are both predicted to increase in importance to the Life Insurer. The survey highlighted outsourcing as the most popular option. Three short-term companies and three long-term companies predicted that it would play a very significant role by 2009
- Affinity marketing which relates to the functional, ego, society, empathy, association and cosmo of the consumer will impact upon where and how clients access financial planning services in the future
- The industry forecasts regulatory pressure to continue and even increase in the near future
- It is expected that the LOA proposals on costs and commissions will have a positive impact
- Technology is seen by the life insurer as a way to improve customer service and streamline business processes.

When asked, what in their opinion are the most important changes taking place in South Africa's insurance industry at present, the CEO's mentioned the following:

- **Customer Changes**: The rise of consumerism and clients and becoming more sophisticated in their decision making
- **Pricing changes**: Commission deregulation (long-term) Broker fees and remuneration

- **Distribution changes**: the growth of broker networks and new distribution channels, including affinity marketing
- **Consolidation** and professionalism of the intermediaries
- **New foreign entrants**: Return of international players to the market (short-term participants)
- **Economic environment**: Low inflation environment puts pressure on the cost base
- **Structural changes**: Blurring of the lines between different financial institutions
- **Technology**: survey participants mentioned how new technology facilitated product distribution. One company specifically mentioned technology in the context of affinity marketing while another said it permitted a more "open architecture."

Some of the major self-criticisms of South African Insurer from this survey were:

- **Value for Money**: They acknowledge that their products are perceived as poor value for money.
- **Lack of Transparency:** Concerns surrounding disclosure of fees and commissions. One comment by a participant was that the commission structure belonged to the twentieth century (PWC, 2004).
- **Distribution:** There is a high distribution cost structure and poor training of sales staff.
- **Product and Pricing:** Overly complex product design, and an overdependence on investment income, which in turn affects pricing.
- **Failure to deliver expectations:** Apparently only one company noted that insurance is about selling expectations and that fulfilling the expectations was the problem. This may be perhaps due to the companies not having that direct link to the consumer.
- **Financial Sector Charter:** A widespread feeling that the industry was slow to react to the demands of the Charter.

- **Industry Concentration:** Not enough competition in the market (dominated by the Big 5, namely Sanlam, Momentum, Old Mutual, Liberty Life and Discovery)
- This is an extensive list of self criticisms which illustrates that the insurance companies are well aware of their industry's shortcomings in the eyes of their customers, the media and the regulators PWC (2006).

Summary of PWC survey 2004 and 2006:

- **Value for Money**: Life insurers acknowledge that their products are perceived as poor value for money. This is as a result of the revelation in the media of early termination costs on retirement annuities and endowments. This was a cost which was never disclosed on any quotation or in the policyholder document. The only reference made is that a penalty will be imposed should the policyholder terminate the policy before its maturity
- **High cost of distribution** is due to the fact that there are many layers within the value chain. The main criticism by Treasury is on commissions as the main cost which substantially impacts on policy values on termination
- **Failure to deliver expectations** can be attributed to the fact that companies have no direct communication with the consumer. The product is sold by the intermediary and expectations are built surrounding the relationship which exists between these two parties
- **Competition**: The consumer does not have many options for alternatives and there are no real competitors outside the Big 5. The professional Provident Society (PPS) is the only niche player targeting working professionals who hold 4 year degrees or more
- **Complexity of products** requires expert advice to understand the shortcomings of the offering. A consumer is unable to understand basic terminology let alone the extensive descriptions of a benefit
- **Disclosure of fees** may be a concern. The FAIS Act now stipulates that fees and commissions must be disclosed and it this is obviously not happening during the sale process

- **Rise of consumerism.** The consumer is becoming more sophisticated and has greater demands. The consumer has needs and also has choices and with even a small amount of uncertainty consumers will find alternatives. The statistical result of the consumer survey in this study will demonstrate what consumers need and how they feel about financial planning and the Financial Planner. The new age consumer is also brought up with the internet as the central nerve system in their decision making process. This makes access to information easier.
- The Insurer has concerns over the consumer yet no research has been done to establish what best suits the consumer. There have been neither questionnaires nor focus groups with Financial Planners to establish what is best for the consumer. All changes are decided at a strategic level, not at the core.
- **Retaining the existing customer base / building a data base**: It is well known fact that the customer is led by the Financial Planner. Loss of clients could be due to the loss of the Financial Planner who leaves the company to become a broker and takes the clients on his / her data base with; or a disgruntled customer. The Financial Planners concern will be the Insurers' concern over retaining clients and building a database. What is the intention? Maybe the next point will clarify this.
- **Distribution changes**: the growth of broker networks with more independent Financial Planners.
- New distribution **channels**: direct sales via the Internet and merging of professional institutions. Bank assurance is also another popular means of distribution.
- **Consolidation and professionalism** of the intermediaries indicates awareness by CEOs that, as intermediaries professionalize themselves they maybe rethinking their business models too.
- And as technology advances it may streamline business processes of the insurer and that of the Financial Planner.

The ombudsman surmises the problem and identifies what must be done when he rightly states in his report: "the consumer is that consumers, not shareholders, not officials, not intermediaries, are the beginning, the pay-in, and at the end, the payout, of the business. Diminish them and you drain off your lifeblood" (Nienaber, 2005).

2.4.3. The Life Offices Association (LOA)

The LOA is a forum where member offices (all life insurance providers) promote their interests and the interests of current and future stakeholders. The purpose of the association is to promote a better understanding of life insurance among the general population of the country and represents the industry and its policyholders in negotiations with the authorities. Members of the LOA are South African Life insurers.[14]

2.4.4. The Financial Planning Institute (FPI)

The FPI is a leading independent representative body of professional Financial Planners in South Africa.[15] The chairperson of the FPI, Andrew Bradley, in a recent report, revealed that the FPI has over 10 000 members. He says that there are in excess of 100 000 CFP (Certified Financial Planners) graduates world-wide. South Africa is the fourth highest country for CFP professionals world-wide outside of the USA. The CFP qualification is the highest level of qualification for a Financial Planner and is adopted worldwide by the Financial Planning Association.[16] Once certified, CFP professionals complete professional development courses each year to maintain their ongoing competency and adhere to a rigorous code of ethics and set of practice standards. To support a career pathway to the CFP certification, the FPI also has an Associate Financial Planner or AFP credential as well as a Registered Financial Planner or RFP credential. The FPI run a comprehensive Continuing Education Programme country wide which enables members to maintain their professional development. Given the qualifications of the Financial Planners in South Africa as well as the rigorous codes of conduct promulgated, such a scenario should impinge upon the competency of the Financial Planners and influence the attitudes of clients in particular ways. This relates to

[14] Life Offices Association. www.loa.co.za
[15] Financial Planning Institute www.fpi.co.za
[16] Financial Planning Association www.fpa.net

the aims of the study in which I wish to assess the changing role of the Financial Planner within the life insurance industry, as well as to measure the consumers, experiences, their expectations and perceptions of the Financial Planner.

2.4.4.1. CFP Certification Requirements

The Financial Planning Standards Board Ltd (FPSB)[17] provides that for a Financial Planner to be allowed to use the CFP certification, an individual must meet country-specific requirements in the following:

- **Education:** Candidates for CFP certification must master theoretical and practical personal financial planning knowledge by completing a comprehensive course of study that meets the standards set by FPSB
- **Examination:** Candidates for CFP certification must pass a comprehensive CFP Certification Examination that tests their ability to apply integrated financial planning knowledge to real world client situations. Based on regular research of what planners do, the CFP Certification Examination covers the financial planning process, tax planning, employee benefits and retirement planning, estate planning, investment management and insurance
- **Experience:** A minimum of three years' experience in the personal financial planning environment prior to being awarded CFP certification to ensure that they possess financial counselling skills in addition to personal financial planning knowledge.
- **Ethics:** As a final step to certification, candidates must agree to abide by a strict Code of Ethics that defines their ethical responsibilities to the public, clients and employers. CFP professionals must agree to act fairly, diligently and with integrity, offering clients professional services that are objective and based on clients' needs. CFP professionals must disclose in writing to clients all information about their sources of compensation and conflicts of interest.

[17] Financial Planning Standards Boards (FPSB) : 15th December 2006
http://www.fpsb.org/CMS/index.php?option=com_content&task=view&id=49&Itemid=46

- **Renewal Requirements:** CFP professionals are required to maintain technical competence and fulfil ethical obligations. Every two years they are required to complete at least 30 hours of continuing education to stay abreast with developments in the personal financial planning profession. At least two of these hours must be spent studying or discussing the CFP professional's Code of Ethics and/or Professional Practice Standards. In addition to the continuing education requirement.

2.4.5. National Treasury and the Financial Services Board (FSB)

The Minister of Finance, Mr. Trevor Manuel, oversees the financial services industry. The Treasury's intervention is necessary to ensure that policymakers, financial service companies and their representatives are all placing the consumer's best interest at the forefront of any decision.

The Financial Services Board (FSB) was established by Treasury in 2001 and an ombudsman, Mr. Charles Pillai, was appointed to intermediate between disgruntled policyholders and the accused life insurer. The FSB was established to create a framework for a watchdog of the financial services industry.

The FSB was also created to facilitate consumer education on the benefits of financial planning and savings. Its role is to also act as a watchdog ensuring that the Financial Planners and Insurers do not miss-sell or advise the consumer incorrectly, and proper controls were set in place to evaluate and satisfactorily solve clients' complaints.[18]

Regulated disclosure standards were introduced in 2001 in the form of Policy Holder Protection Rules (PPR) and the Financial Advisory and Intermediary Services (FAIS) Act, 2002, which came into full operation on 30 September 2004 (FAIS ACT 37 of 2002). The Treasury's Discussion Paper (March 2006) on *Contractual Savings in the life Insurance Industry* addresses the life insurance industry and its impact on savings. It focuses on the product providers' distribution models and their impact on the bottom line of the consumer. The Discussion Paper considered issues which impact on the ability of

[18] Financial Planning Process. 10th December 2006 http://www.cfp.net/learn/knowledgebase.asp?id=2

the South African life insurance industry to offer contractual savings products that are appropriate, cost-efficient and equitable. It made reference to increasing evidence that several aspects of the traditional business model followed by insurers in providing savings products are inappropriate in a changed environment (lower inflation and consumerism). This situation has lead to dismal results for consumers. The blame for high costs and poor fund values was placed on commission payments to intermediaries. However the Discussion Paper refers to a number of factors which also have an impact on high costs (Discussion Paper, 2006).

Some of Treasury's recommendations in the Discussion Paper are:

- Intermediaries must declare themselves to a prospective client as either an insurer agent (i.e. tied agent or an independent broker), or an independent Financial Planner. The distinction is that insurer agents are remunerated by the insurer only and the independent Financial Planners are remunerated by the customer only.
- The paper further proposed that only the independent Financial Planners may describe themselves as "Financial Planners" and "providing advice".
- The quality of investment advice could be improved through higher standards of intermediary education and by implementing a system of accreditation. The Discussion Paper also highlighted that consumer lifestyles have changed considerably and lifelong employment with one employer is generally no longer the norm. This has led to a need for greater flexibility in financial products. Products should cater for the changing circumstances of the consumer. The Discussion Paper refers to the life insurer providing that the main reason for poor early termination values under the current business model is the high up-front costs of commission involved in the distribution of life assurance products. These costs consist of two basic elements: commission; and other acquisition costs of the insurer including distribution, marketing and issuing costs (Discussion Paper: 2006)

An FSB study however shows that insurers are introducing measures to do what is necessary to discourage early termination and have improved values on early termination.

Many insurers have now implemented minimum termination values. But Treasury feels that the minimum values are not sufficient to address the issue of poor early termination values. (Discussion Paper: 2006)

Summary review:

- The fact that Treasury recommends that by law Financial Planners must indicate to consumers that they are either life insurer agents or independent Financial Planners by law means that presently all Financial Planners will be regarded as insurer agents as they are only remunerated by the Insurer on life and investment products
- This is a clear indication that an independent Financial Planner will be remunerated only by the consumer. The problem with this is that all South African consumers may not be able to afford advice. The correct approach would be to establish how the consumer feels and what their needs are and then to proceed in designing a business model which can appropriately satisfy such needs
- The LOA should be the body which accepts the responsibility and takes a leading role to answer the above question and conduct research on consumers needs. However, the FPI should also undertake independent research on consumers' needs, similar to that conducted by the CFP Board's of Standards
- The critical observation of the Discussion Paper is that although many tied agents and independent brokers undertake a financial needs analysis as part of the sales process it cannot be regarded as independent advice in the true sense of the word. The Discussion Papers' reason is that this service is paid for by the product provider in the form of commission making this an incentive to sell the product
- The Discussion Paper however fails to recognise that advice rendered by a tied agent may be comprehensive and independent if the planner is abiding by the code of conduct and is accepting the ethical and professional responsibilities by providing the consumer with all relevant information on the limitations of the advice and so forth. Ultimately it is the consumers choice, on who they select as a Financial Planner, and should the entire business process be transparent then there may not be a need for the discrepancy in titles between life insurer agent and independent financial planners

2.5. Conclusion

This chapter presented the literature review of international experiences, trends and local strategic issues which impact upon the South African Financial Planner.

From the international experience in the UK and USA several trends will impact on the future role of the Financial Planner in South Africa. These findings are listed here and the discussion related to them is documented in the *Main Findings* in Chapter 5. From the literature reviewed the following trends are gleaned: that the impact of regulation inflicting dramatic decreases the remuneration of Financial Planners, which will force them to seek alternative methods of remuneration. Competition from global companies will add pressure to South African Life Insurers distribution cost. This will result in Sullivan's commoditization trap as a result of the existing life insurance distribution model being too costly. Such trends will influence the role of the Financial Planner, the assessment of which is a central aim of this study. This study also aims to measure the consumers' experiences, expectations and perceptions of the Financial Planner. This has particular ramifications for the financial planning industry. Consumerism produces particular demands and complexities of consumers opening up a new market of Life Planning as a holistic approach to the Financial Planning Profession. The future of the Financial Planner in the life insurer distribution channel may not be affordable. Successful Financial Planner business models from the USA provide South African Financial Planners an alternative which may be adapted to the South African market and the financial planning process which focuses on the needs of the consumer.

In the next chapter the research design and methodology that was used to elicit the data is described. The discussion focuses on the following features: the location of the study, the sample design, the research approach which includes the data collection, research instruments and a description of the types of statistical analyses used in the study.

CHAPTER 3

Research Design and Methodology

3.1. Introduction

The literature reviewed in Chapter Two forms the framework for this empirical study. The aims of this study are to assess the changing role of the Financial Planner within the life insurance industry, as well as to measure the consumers' experiences, expectations and perceptions of the Financial Planner. As demonstrated in the distribution model in Chapter Two, the Financial Planner is the critical link to 'owning' the relationship with the consumer. The PWC survey of CEOs in 2006 revealed the life insurance leaders are concerned about retaining consumers and the rise of consumerism as clients become more sophisticated in their demands of the industry. The literature review further revealed that, following international trends and regulatory pressures, the South African insurers have already began thinking about more efficient ways of distributing products. With price-cutting, the new commission dispensation will result in substantially reduced earnings for Financial Planners along the traditional lines, and this margin will be further reduced as life insurers compete for volume and margins are lowered. This will eventually result in Financial Planners having to make critical choices on the future of the financial planning profession. With reference to the aim of measuring the consumers' experiences, expectations and perceptions of the Financial Planner, the measuring instrument used sought to assess information into consumer's financial planning decisions, their attitudes and expectations of the Financial Planner, the value they place on engaging a Financial Planner; and what standards they seek prior to this decision.

In this chapter the reader is introduced to the research design and methodology that was used to elicit the data. The discussion focuses on the following features: the location of the study, the sample design, the research approach which includes the data collection, research instruments and a description of the types of statistical analyses used in the study.

3.2. Location of Study

This study was limited to Durban Metropolitan area in Kwazulu Natal, South Africa. Although a single metropolitan area was the location, the problem being addressed is of national concern to Financial Planners and to The National Treasury.

3.3. Sample Design

Sampling may be understood as a process of systematically selecting cases for inclusion in a research project (Neumann, 1997). The size of the sample originally envisaged was 50 employed and self-employed persons from the medical/dental occupations, managers and accountants as well as from other fields of occupation. The reason these respondents were selected was that they formed part of the target market of the researcher.[19] Thus the sampling procedure may be considered *purposive*. A total number of 71 questionnaires were completed. The sampling process was a probability sampling method using qualified respondents who were willing to fill in the questionnaire (Saunders, Lewis and Thornhill, 2002).

3.4. Objectives of the Study

This study aimed to:

- measure the consumer's experiences, expectations and perceptions of Financial Planners and attitudes towards their personal financial planning.

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[19] By profession I am a Financial Planner working with Sanlam, a financial institute in South Africa.. I have previously discussed this in Chapter 1 as part of my personal imperatives in conducting this study.

- examine how the transformation of the South African life insurance industry, changing needs and demands of consumers will impact upon the role of the Financial Planner in the financial planning industry.
- determine what Financial Planners and their representative bodies should do in order to ensure the continuity and independence of the role of the Financial Planner in the distribution of professional financial planning advice

3.5. Critical Questions

By understanding the impact of critical factors on the distribution of professional financial advice and the consumer's perceptions, experience and expectation this research strives to answer the following critical questions:

- What are the consumer's experiences, expectations and perceptions of Financial Planners?
- How will the transformation of the South African life insurance industry, changing needs and demands of consumer's impact upon the role of the Financial Planner in the financial planning industry?
- What must Financial Planners and their representative bodies do in order to ensure the continuity and independence of the role of the Financial Planner in the distribution of professional financial planning advice?

3.6. Research Approach

The function of research is to collect information that will investigate a research problem or question, which can only be attained if the research is conceived and executed in such a manner that the data collected is accurate and directly relevant to the question posed (Schumacher & McMillan, 1993:157). Since research design is governed by the idea of "fitness for the purpose", the purpose of research determines the methodology and design of the research (Cohen, Manion & Morrison, 2000: 73). In this study the quantitative research method has been used gather information about people's demographics, attitudes, opinions, perceptions, beliefs and behaviour. The rationale for the choice of the quantitative method in this study is as follows: This data gathering enables a researcher to generalize the findings from a sample of responses to a larger population (Babbie 1989: 237; Creswell 1994:117); quantitative research is also used to describe the frequency, incidence, and the distribution of the characteristics of an identified population and to explore relationships between variables (Schumacher & McMillan 1993:279; Creswell, 1994:118) and accurate measurement and control of possible extraneous sources of error is possible. Another significant point with quantitative research is that questionnaires can be used to ensure that the researcher remains as objective as possible.

In the following section the following aspects are discussed: data collection, quantitative data survey, questionnaire design and layout, and the data analysis.

3.6.1. Data Collection

The research design included the use of both primary and secondary data. The primary data was quantitative in the form of a cross-sectional analytical intercept survey in which 71 respondents from various occupations were surveyed. The research strategy also included critical analysis of documents and journals, books, Discussion Papers, articles and policy documents relating to financial planning, life insurance, and Financial Planner, and life insurance trends internationally and locally. More specific information such as surveys and internal company research was obtained to understand the dynamics involved with regards to trends and strategic issues in the South African Life Insurance Industry which impact upon the role of the Financial Planner in the present life insurance distribution models.

3.6.2. The Research Instrument

The design of the empirical investigation included a structured questionnaire consisting of several biographical details as well as themed questions based respondents' experiences in financial planning, and their expectations of professional financial planners. The above findings were explored in the context of the current status of the financial services industry in South Africa.

3.6.2.1. The Research Process

Quantitative data was collected by using self-administered questionnaires. The size of the sample originally envisaged was 50 employed and self-employed persons. However a total of 71 questionnaires were completed. These were delivered to and collected from the respondents to ensure reliability of data collection. Initially questionnaires were handed to respondents and a collection time was arranged. However, due the length and detail of the questionnaire, this method of data collection proved unsuccessful. The questionnaires were then administered by using an interviewer[20] who allowed participants 20-30 minutes to complete the questionnaires. Some questionnaires were administered in small groups of 5-10 participants and others were completed by individuals. These were administered whilst the interviewer waited for the completion of the questionnaire. This approach was followed to avoid contamination of responses and to ensure a higher response rate/participation. (Saunders, Lewis and Thornhill, 2002). The questionnaires were self-administered and handed to the participants in small groups.

The interviewer introduced the purpose of the study and explained the process of ethics, confidentiality and voluntary participation with the options to withdraw from the survey at any time. Permission for small group participants was obtained from the direct manager at worksites. In these situations the interviewer was allowed 30 minutes to conduct the survey. With individuals, telephone calls were sufficient in making contact and appointments.

[20] The researcher in this study was also the interviewer to ensure consistency in the process

3.6.2.2. The Questionnaire Design and Layout

The literature review and anecdotal evidence revealed that no previous surveys had been conducted on the role of the Financial Planner in South Africa, nor have the consumers' needs, experiences, attitudes and expectations of Financial Planners previously been surveyed. Some life insurance companies may have conducted research internally, but access to this was not available to the public. The only surveys available were those which dealt with the strategic issues and emerging trends relevant to the life insurance industry itself (PWC: 2004 and 2006)

- **Designing the Questionnaire**

As a result of this the CFP Board of Standards Inc, *Consumer Survey* (2004)[21] and the *General Market Consumer Survey* (2004)[22] was used as a guideline and benchmark in designing the measuring instrument used in this study. This survey, together with the research objectives, was used to calibrate a questionnaire which assisted the researcher in answering the research objectives. The design of individual questions was adapted from some of the results published in the CFP Board of Standards survey. A covering letter explained the purpose of the questionnaire and the value of the participants to the research objective

The questionnaire as a research tool consisted of four sections (see Addendum A) namely:

- Section A: Personal Details which were used to profile the participants.
- Section B: Respondents' reasons for and experience in financial planning.
- Section C: Respondents' experience with a Financial Planner.
- Section D: Respondents' expectations of their Professional Financial Planner.

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[21] CFP Board of Standards Inc, *Consumer Survey*. 2004. 16th June 2005 http://www.cfp.net/downloads/CFPBoard2004ConsSurvey.pdf
[22] CFP Board of Standards Inc, *General Market Consumer Survey*. 2004. 16th June 2005 http://www.cfp.net/downloads/CFPBoard_GMsurvey.pdf

The types of data elicited by each of the above sections will be described in more detail in section 3.7.1 titled *Descriptive Statistical Analysis.*

- **Type of Questions**

In Section A, quantity questions where used to collect attribute and behaviour data of the sample (Saunders, Lewis and Thorhill, 2002: 298). In other sections fixed-response questions were used to ensure that the respondent considered all possible responses. Likert-style rating/scale questions were used to obtain opinion data (Saunders, Lewis and Thornhill, 2002: 296). The phrase 'neither' was used in certain questions as it is less threatening, and on more specific questions relating to valuable responses the respondents had to implicitly state their feelings with not 'sitting on the fence' (Saunders et al: 2002: 296). The Likert scale was used in order to analyse and determine the extent to which the participants agreed or disagreed with a particular inference to Financial planning. Further this type of scale was easier to respond to and the analysis was not so difficult to interpret.

Some questions were adapted from the results of the CFP Board of Standards survey (2004). The design was created by working backwards as the questionnaire itself was not obtainable upon request by e-mail from the CFP Board of Standards, Inc. Questions were worded by following a theme of the value of the respondent's feedback. To facilitate responses familiar words were used.

Open-ended questions where asked in specific sections which provided more insight into what the participant was thinking and assisted in gathering information on the participant's personal experiences and opinions of the value and status of financial planning and planners.

The questionnaire was pilot tested on a group of 5 working colleagues to establish time allocation and to allow for the improvement of interviewer's introduction of the research.

3.7. Data Setup and Analysis

The data collected from questionnaires was reviewed and coded in order to meet the requirements of a template design sheet in SPSS (Statistical Programme for Social Sciences). The data was coded as per each section of the questionnaire and the data was recorded using numerical codes (Saunders, Lewis and Thornhill, 2002: 333). The data was captured onto the template and verified for any errors. Spoilt responses and the data were randomly checked to ensure accuracy of importing data. Missing data codes were used in questions where data was not required and where respondents provided no response (Saunders, Lewis and Thornhill, 2002: 334). All the questions in the questionnaire was reviewed and categorised into nominal, ordinal and scale measurements based on the type of format of each statement.

The most appropriate statistical test was then identified based on measurement scales. Data was first explored by analysing each variable (question) using descriptive statistics (Saunders, Lewis and Thornhill, 2002: 338). This focused on specific values as well as on the highest and lowest responses to establish the respondents' experiences, expectations and perceptions of Financial Planners. Specific values of individual variables were summarized in a tabular format, and where large number of categories existed, the data was grouped into categories (Saunders, Lewis and Thornhill, 2002: 339).

After each variable had been explored and analysed then relationships between variables were explored and relationships between two or more variables were explored by using cross-tabulation (Addendum 2) to establish the interdependence between the variables (Saunders, Lewis and Thornhill, 2002: 346). The following descriptive and inferential statistical tests were done:

3.7.1. The Descriptive Statistical Analysis

The questionnaire comprises four sections and for purposes of this study every variable is analysed and interpreted in Chapter 4. The analysis layout and data interpretation of all questions follows this sequence:

- **Section A**: Personal details to profile the demographics of the participants in terms of age, ethnicity, marital status, occupation, income, assets and liabilities. (Demographics)
- **Section B**: Respondents' reasons for and experience of financial planning. Here fourteen questions were designed to establish why and when consumers begin financial planning, their focus areas and concerns in financial planning matters, and what their own capabilities and/ inabilities are in certain aspects of financial planning.
- **Section C**: Respondents' experiences with a Financial Planner were measured. Six questions were designed to identify how a consumer selects a Financial Planner, the perception the consumer places on the advice received and their service experience from a Financial Planner.
- **Section D**: Respondents' expectations of their Professional Financial Planner. Here thirteen questions were used to establish what value and standards the participants seek from Financial Planners. Their attitude towards financial matters, their willingness to pay for valuable advice was also measured. The method they feel most comfortable to remunerate the Financial Planner for the advice; and other services they require could also be judged in this section.

3.7.2. Comparative analysis statistics

The data from the comparative statistic test results was extensive so only selective and relevant tables were used. These were judged to most appropriately contribute to answering the research objectives. When analysing variables such as age groups and gender groups, cross-tabulation statistics were used. It became evident that a dispersion of perceptions exists, and due to the limited constraints of this study, only the results which are relevant to answering the research objectives was extrapolated and interpreted (see Addendum 2).

3.7.3. The Central Tendency Statistics

Central tendency statistics follow the descriptive analysis. Here impressions of the values for selected variables (questions) that are common, middling or average are analysed (Saunders, Lewis and Thornhill, 2002: 474). Due to the extensive statistics which emerged from the analysis, only a few variables were selected and interpreted. This was based on their high degree of relevance to the study objectives of this submission.

The mean, median and mode were used to measure the central tendency. The standard deviation was applied to establish the extent to which the data values differ from the mean. If the data values are all close to the mean, then the more typical they are than if the data values vary widely (Saunders, Lewis and Thornhill, 2002: 355).

3.7.4. The Inferential Statistics

Inferential statistics were then used to test the likelihood of any difference between groups of the quantifiable data variables if three or more independent samples/groups were different (Saunders, Lewis and Thornhill, 2002: 472).

The ANOVA test for age groups, marital status groups and ethnic groups were interpreted, followed by the Chi-Square test to establish if any significant relationships existed between variables.

Finally the Cronbach Alpha Test was performed to establish that the research instruments' continuous study variables have internal consistency and reliability.

3.8. Conclusion

This chapter introduced the details of the research methodology and the research approach employed by the researcher. The discussion focused on the following features: the location of the study, the sample design, the research approach which includes the data collection, research instruments and a description of the types of statistical analyses used in the study. An appropriate sample was selected within the targeted population in the Durban Metropolitan area of Kwazulu Natal, South Africa. The research objectives were revisited and critical questions devised which assisted the researcher in designing a questionnaire for the survey. The questionnaire was then tested and successfully administered to 71 participants.

The data analysis was then conducted by the use of SPSS. Thereafter the appropriate statistical tests were identified based on measurement scales, and descriptive and inferential statistical tests were conducted.

The results of this study are presented in Chapter 4, beginning by presenting each section with its questions. Each question is then followed by the data result from the SPSS statistical test results and the interpretation of each question is presented.

CHAPTER 4

Data Analysis and Results

4.1. Introduction

This chapter presents an analysis of the results of the structured questionnaire that was administered to a set of 71 respondents from the medical, dental, accounting, management and other fields of employment. Some respondents' did not answer all the questions as they left out the ones which were not relevant to them. This is why the valid percent is used rather than the raw score percent in many of the results. This presentation and analysis of data attempts to address the critical questions of this research study which are:

- What are the consumer's experiences, expectations and perceptions of Financial Planners?
- How will the transformation of the South African life insurance industry, changing needs and demands of consumer's impact upon the role of the Financial Planner in the financial planning industry?
- What must Financial Planners and their representative bodies do in order to ensure the continuity and independence of the role of the Financial Planner in the distribution of professional financial planning advice?

Responses to each of the questions enumerated in the questionnaires and the interview schedule are presented. A structured method of analysis was used in writing up of the research report. This study is an exploratory one and reflects the opinions of the participant's feelings on the status of financial planning in South Africa. The Statistical Package for Social Sciences (SPSS) was used to analyse the data generated by the responses to the questionnaires. Frequency tables and summary analyses are presented and the explained. The analysis of the data is conducted to establish what the consumer wants and needs and to demonstrate and clarify the value the consumer places on the Financial Planner. It is hoped that the results will further assist the Financial Planner, other intermediary bodies, and life insurers on rethinking the way in which advice is delivered to the end user.

4.2. The Structure of the Analysis

The questionnaire comprises four sections and the descriptive statistical and interpretation of all questions is presented in the respective sections as introduced in Chapter 3. For ease of interpretation, these sections are presented as follows:

- In Section A personal details was gathered to profile the participants in terms of age, ethnicity, marital status, occupation, income, assets and liabilities
- Section B measured the respondents' reasons for and experience in financial planning. Here fourteen questions where designed to establish why and when consumers begin financial planning, their focus areas and concerns in financial planning matters, and what their own capabilities and/ inabilities are on aspects of financial planning
- Section C measured the respondents' experience with a Financial Planner. Six questions were used to identify how a consumer selects a Financial Planner, the perception the consumer places on the advice they received and their service experience from a Financial Planner
- Section D measured the respondents' expectations of their Professional Financial Planner. Thirteen questions were used to establish what value and standards the participants seek from Financial Planners as well as their attitudes towards financial matters, their willingness to pay for valuable advice and the method they feel most comfortable to use in remunerating the Financial Planner for advice and other services they require

Selected data from comparative statistic test results will be included when analysing variables such as age groups and gender groups, as well as cross-tabulation will be used (Addendum 2). The central tendency follows the descriptive analysis. Because of the extensive data available from the analysis, only a few variables will be selected and interpreted based on degree of high relevance to the study objectives of this submission. Inferential statistics will then used to test the likelihood of any difference between groups of the quantifiable data variables of three or more independent samples/ groups which are different (Saunders, Lewis and Thornhill, 2002: 472). The ANOVA test for age groups, marital status and ethnic groups are interpreted, followed by the Chi-Square test to establish if any significant relationships exist between variables. Finally the Cronbach Alpha Test is performed to establish that the research instruments' continuous study variables have internal consistency and reliability.

The results of this study are presented hereunder beginning by presenting each section with its questions. Each question is then followed by the data result from the SPSS statistical test results and the interpretation of each question is presented.

4.3. Demographic Profile (Section A)

Section A of the questionnaire profiled the participants. All tables referenced are in Addendum 2. A total of 71 respondents participated in this survey of which the demographics are as follows:

Age group dispersions (Table A1, Addendum 2)

- 52.1% of the participants are between the ages 21-35years;
- 33.8 % are in between 36 – 50 years,
- 14.1 % are older than 50 years.

This provides an appropriate age group mix for analysis and interpretation.

Gender (Table A2, Addendum 2)

- Of the 71 respondents 56.3 % are male,
- 43.7 % are females.

This provides an appropriate gender mix for analysis and interpretation.

Marital status: (Table A3, Addendum 2)

- 26.8% of respondents are single,
- 66.2% are married and
- 7% are divorced.

Children living with them: (Table A4, Addendum 2)

- 21.1% have 1 child living with them,
- 23.9% have 2 children living with them
- 9.9% have 3
- 45% have no children living with them

Ethnicity: (Table A5, Addendum 2)

- 12.7 % of the respondents are Black,
- 5.6 % are Coloured,
- 40.8 % are Indian,
- 40.8 % of respondents are White.

White and Indian respondents dominated the survey.

Annual Income: (Table A6, Addendum 2)

- 39.4% of participants earn between R120,000-R200,000;
- 29.6% earn between R200,001-R350,000;
- 18.3% earn between R350,001-R600,000;
- 8.5% earn between R600,001-R1million and
- 4.2% earn above R1million per annum

Almost 70% of respondents earned less than R350, 000 per annum and only 12% earn over R600, 000 per annum

Liabilities: (Table A7, Addendum 2)

- 46.5% have debt of between R100, 000-R200,000;
- 22.5% have debt of between 200,001-R400,000;
- 9.9% have debt of between R400,001-R600,000;
- 8.5% have debt of between R600,000-R1million and
- 5.5% have debt of over R1million.
- 7% of participants had no debt.

This indicates that 93% of participants have debt.

Gross Asset Values: (Table A8, Addendum 2)

- 47.5% of respondents hold assets with values over R600, 000.

From the liabilities dispersion it can be interpreted that the respondents with high asset values have higher liabilities, which re-enforces that South African's are spending money on debt.

Risk Profile: (Table A9, Addendum 2)

- 61.2% of respondents have invested their assets in low risk investment such as fixed property
- 35% in moderate risk
- 3% of respondents did not answer this question

Time spent on financial matters per month: (Table A10, Addendum 2)

- 52.1% of respondents spend 1-2 hours per month on financial planning
- 18.3% of respondents do not spend any time at all on financial matters
- Whereas 17% of respondents spend 3-5 hours of time on their financial matters

The time spent by the respondents is insufficient to be effectively managing their cash flow. This may be due a lack of ability to manage their financial matters, or lack of time, or that someone else is handling the matter for them.

Type of employment: (Table A11, Addendum 2)

- 83.1% of respondents are salaried full time professionals/ non professionals.
- With 15.8% self employed.

Profession (Table A12)

- 50.3% of participants were from the medical/dental occupation,
- 21.2% were managers and accountants and
- 36.6% were from other fields of occupation.

This provides a good balance for interpretation of inferential data

Educational qualification: (Table A13)

- 12.7% of participants have only a basic matric (grade 12) qualification
- 87.3% holding postgraduate and higher qualifications.

Investment risk strategy: (Table A14)

- 25.4% of participants displayed an understanding of their investment risk strategy,
- Whilst others were distributed over cautious, moderately cautious and neither

4.4. Descriptive Statistics

4.4.1. Section B: Reasons for and Experience in Financial Planning

Question B1: Have you begun any financial planning?

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	68	95.8	95.8	95.8
No	3	4.2	4.2	100.0
Total	71	100.0	100.0	

- 95.8% of the participants responded that they had begun their financial planning
- 4.2 % have not begun any financial planning.

Question B2: Reasons why you began financial planning

(Refer Addendum 2, Table B2).

The respondents could tick any appropriate selection from a list of 12. From the selections it was clear that the respondents began their financial planning for the following reasons:

Top 12 Reasons People Begin Financial Planning		%
1	Retirement concerns	68.7
2	Began a first job	44.9
3	Family provisions and concern for their future	37.8
4	Children	30.8
5	Investment	30.8
6	Married	22.4
7	Increase in salary/income	21.0
8	Property purchase	15.4
9	New car	12.6
10	Health and associated risk concerns	4.2
11	Inheritance	2.8
12	Death in family	1.4

From this analysis it is clear that the participants across all age groups began their financial planning with retirement concerns being a priority, followed by a new job then family provisions followed by investment, marriage and family, salary increases, new car. Health concerns, inheritance and death in family were given as the least important reason for beginning financial planning.

Question B3: Reasons to begin your financial planning?

This question was for those participants who had not yet began any financial planning

	Frequency	Percent	Valid Percent	Cumulative Percent
Not Applicable	68	95.8	95.8	95.8
5&6&9	1	1.4	1.4	97.2
1&3&8&9	1	1.4	1.4	98.6
2&5&6&8	1	1.4	1.4	100.0
Total	71	100.0	100.0	

Respondents who have not begun their financial planning say they will do so when:

- They have children
- They have to provide for their families and concern for their future
- They need investment
- They begin their first job
- Their salary increases
- They get married
- They are concerned about retirement.

Question B3.1: Would you use a Financial Planner when you do begin your planning?

This question was for those participants who had not yet began any financial planning

		Frequency	Percent	Valid Percent	Cumulative Percent
	Yes	19	26.8	82.6	82.6
	No	4	5.6	17.4	100.0
	Total	23	32.4	100.0	
Missing	System	48	67.6		
Total		71	100.0		

- 82.6% of respondents who answered this question indicated that they will use a Financial Planner when they begin their financial planning.
- 17.4% said they will not use a Financial Planner.
- The missing system means that it was not applicable to the respondent to

select an answer here as they had already begun their financial planning.

Question B4: At this stage in your life what is your main financial planning focus?
Respondents could select what they felt was relevant to their financial planning focus.
(Refer Addendum 2 Table B4)

Summary of Analysis and Interpretation of data:

Main Financial Planning focus		%
1	Retirement planning	77.1
2	Manage/ reduce debt	56.0
3	Accumulate capital	46.2
4	Generate income	32.2
5	Reduce tax	26.2
6	Build an emergency fund	25.2
7	Save for home purchase	15.4
8	Provide for future medical aid fund	12.6

- 77% of participants in this study cited retirement planning as their main focus area,
- 56% cited debt management;
- 46.2% cited the need to accumulate capital;
- 32.2% cited generating an income;
- 26.2% cited reducing tax;
- 25.2% cited building an emergency fund;

- 15.4% cited saving for a home and
- 12.6% cited providing for medical aid fun.

With most respondents falling in age group 21-35 it is evident that there is a general dispersion amongst all age groups with the main focus area being retirement planning concerns. The area of least concern is providing for future medical aid funds and saving for home purchase.

Question B 5. Respondents had to mark the appropriate for each of the 8 categories which were relevant to them. Likert-scale questions were used. A total of 8 categories were listed.

Question B5.1: I worry about debt

	Frequency	Percent	Valid Percent	Cumulative Percent
Very often	5	7.0	7.0	7.0
Often	25	35.2	35.2	42.3
Neutral	11	15.5	15.5	57.7
Sometimes	19	26.8	26.8	84.5
Never	11	15.5	15.5	100.0
Total	71	100.0	100.0	

- 7% of the participants worry about debt very often,
- 35.2% often and
- 15.5% neutral.

It may be inferred from this result that 42.2% of respondents worry about debt.
A possible reason could be due to the lack of debt management/ control and possibly poor understanding of financial planning.

Question B5.2: I fret about financial decisions

	Frequency	Percent	Valid Percent	Cumulative Percent
Very often	5	7.0	7.0	7.0
Often	14	19.7	19.7	26.8
Neutral	17	23.9	23.9	50.7
Sometimes	23	32.4	32.4	83.1
Never	12	16.9	16.9	100.0
Total	71	100.0	100.0	

- 7% of respondents fret very often,
- 19.7% fret often,
- 23.9% neutral and
- 32.4% sometimes and
- 16.9% never worry about financial decisions.

It can be inferred that 59.1% of respondents fret about financial decisions which reflects lack of understanding about debt.

Question B5.3: Not confident in my control over my financial future

		Frequency	Percent	Valid Percent	Cumulative Percent
	Very often	6	8.5	8.8	8.8
	Often	16	22.5	23.5	32.4
	Neutral	11	15.5	16.2	48.5
	Sometimes	18	25.4	26.5	75.0
	Never	17	23.9	25.0	100.0
	Total	68	95.8	100.0	
Missing	System	3	4.2		
Total		71	100.0		

- A total of 58.8% of respondents' very often, often and sometimes lack confidence in their control over their financial future
- 16.2% remained neutral and
- Only 25% are confident.

Question B5.4: Satisfied with your financial decisions

	Frequency	Percent	Valid Percent	Cumulative Percent
Very often	5	7.0	7.0	7.0
Often	27	38.0	38.0	45.1
Neutral	14	19.7	19.7	64.8
Sometimes	21	29.6	29.6	94.4
Never	4	5.6	5.6	100.0
Total	71	100.0	100.0	

- 5.6% of respondents are never satisfied with their financial decisions.
- 29.6% are sometimes satisfied
- 45.1% of respondents are often and very often satisfied with their financial decisions. Of this number males and female participants fared equally. (Addendum 2; table B5.4)

Question B5.5: Are you more knowledgeable than others on financial planning issues

	Frequency	Percent	Valid Percent	Cumulative Percent
Very often	6	8.5	8.5	8.5
Often	16	22.5	22.5	31.0
Neutral	23	32.4	32.4	63.4
Sometimes	15	21.1	21.1	84.5
Never	11	15.5	15.5	100.0
Total	71	100.0	100.0	

31% of the respondents state they are often and very often more knowledgeable than others on financial planning issues. A total of 32.4% remained neutral and 15.5% are never more knowledgeable than others.

This indicates that several participants feel that they have some knowledge and some are better than others.

Question B5.6: Make own financial decisions

		Frequency	Percent	Valid Percent	Cumulative Percent
	Very often	12	16.9	17.6	17.6
	Often	18	25.4	26.5	44.1
	Neutral	13	18.3	19.1	63.2
	Sometimes	23	32.4	33.8	97.1
	Never	2	2.8	2.9	100.0
	Total	68	95.8	100.0	
Missing	System	3	4.2		
Total		71	100.0		

- From the cumulative percentage it is evident that 44.1% of respondents often and very often make their own financial planning decisions
- Whilst 2.9% never make their own decisions and are either not making decisions or are dependent on others who make it for them.
- 33.8% of respondents sometimes make their own decisions which can be interpreted as they leave some of their financial decisions to other people.

From comparative (Refer Addendum 2, Table B5.6), it is evident that respondents over the age of 50 make their own financial decisions. This could mean that they feel that they are more knowledgeable, and therefore do not seek help. A higher number of respondents between ages 21-35 answered only sometimes and never.

Question B5.7: I seek professional help with my finances

	Frequency	Percent	Valid Percent	Cumulative Percent
Very often	8	11.3	11.3	11.3
Often	27	38.0	38.0	49.3
Neutral	9	12.7	12.7	62.0
Sometimes	20	28.2	28.2	90.1
Never	7	9.9	9.9	100.0
Total	71	100.0	100.0	

- 49.3 % of respondents often seek help with their finances,
- 9.9% do no seek help.
- 28.2% sometimes seek help.

The cumulative percent of those respondents who very often, often and sometimes seek help are 77.5%. This may be interpreted as 77.5% of respondents require help with their finances and are unable to manage these by themselves, or lack the confidence to do so. Again a higher number of younger age groups respondents seek help (Table B5.7, Addendum 2)

Question B5.8: I would rather leave my financial planning to an expert

	Frequency	Percent	Valid Percent	Cumulative Percent
Very often	7	9.9	9.9	9.9
Often	26	36.6	36.6	46.5
Neutral	22	31.0	31.0	77.5
Sometimes	9	12.7	12.7	90.1
Never	7	9.9	9.9	100.0
Total	71	100.0	100.0	

- A large number of respondents 56.4% often and very often leave their financial planning to an expert.
- 12.7% sometimes do so.

A cumulative 59.2% of respondents prefer to leave their financial planning to an expert. Whilst 9.9% of respondents said never and 46.5% will definitely use the help of an expert. This indicates the respondents trust in their experiences with and their positive attitudes and reliance upon their Financial Planner.

Question B6: Did you use a Financial Planner in your planning, and if you have not begun your planning will you

		Frequency	Percent	Valid Percent	Cumulative Percent
	Yes	55	77.5	82.1	82.1
	No	12	16.9	17.9	100.0
	Total	67	94.4	100.0	
Missing	System	4	5.6		
Total		71	100.0		

- 82.1% of respondents said that they did and will use a Financial Planner in their planning
- 17.9% of the participants said that they have not used a Financial Planner in

planning.

- A higher number of female respondents (85.6%) than male (79.6%) indicated that they already did use a Financial Planner.
- For those participants who have not begun financial planning they too will use a Financial Planner when they begin their financial planning.

Question B7: What are your priorities for your financial goals?

Respondents where given 12 choices to categories using Likert-scale questions. Each category will be dealt with separately in the tables that follow.

- 89.6% of the respondents stated that it is important for them to reduce debt
- 9% feel that it is unimportant and decidedly unimportant. It can be interpreted that these respondents do not have any debt or very little debt.

Question B7.1: Manage/ reduce debt

		Frequency	Percent	Valid Percent	Cumulative Percent
	Decidedly Important	29	40.8	43.3	43.3
	Important	31	43.7	46.3	89.6
	Neutral	1	1.4	1.5	91.0
	Unimportant	3	4.2	4.5	95.5
	Decidedly Unimportant	3	4.2	4.5	100.0
	Total	67	94.4	100.0	
Missing	System	4	5.6		
Total		71	100.0		

When the gender comparisons are referred to in Addendum 2, table B7.1, it is evident that both male and female respondents feel that reducing debt is a financial planning priority.

Question B 7.2: Build a university/college fund

		Frequency	Percent	Valid Percent	Cumulative Percent
	Decidedly Important	8	11.3	13.3	13.3
	Important	18	25.4	30.0	43.3
	Neutral	14	19.7	23.3	66.7
	Unimportant	9	12.7	15.0	81.7
	Decidedly Unimportant	11	15.5	18.3	100.0
	Total	60	84.5	100.0	
Missing	System	11	15.5		
Total		71	100.0		

- 43.3% of respondents' priority is to build a university fund.
- 33.3% of participants said it was unimportant to build a college fund.

This could be so because they have children.

Question B7.3: Provide for Retirement

		Frequency	Percent	Valid Percent	Cumulative Percent
	Decidedly Important	43	60.6	64.2	64.2
	Important	21	29.6	31.3	95.5
	Neutral	3	4.2	4.5	100.0
	Total	67	94.4	100.0	
Missing	System	4	5.6		
Total		71	100.0		

- 95.5% of respondents prioritise retirement.
- 4 responses were missing,
- 4.5% remained neutral.
- None of the respondents said that providing for retirement was unimportant or decidedly unimportant.

Although over 50% of the respondents were under age 35 a high number is concerned about retirement.

Question B7.4: Reduce tax payable

		Frequency	Percent	Valid Percent	Cumulative Percent
	Decidedly Important	23	32.4	39.0	39.0
	Important	23	32.4	39.0	78.0
	Neutral	10	14.1	16.9	94.9
	Unimportant	2	2.8	3.4	98.3
	Decidedly U *Table* unimportant	1	1.4	1.7	100.0
	Total	59	83.1	100.0	
Missing	System	12	16.9		
Total		71	100.0		

- 78% of respondents responded that it is either important or decidedly important to reduce tax payable.
- 16.9% remained neutral
- And 5.1% responded that it was unimportant to reduce tax payable.

This result indicates a high number of respondents relying on their Financial Planner for tax assistance and advice.

Question B7.5: Accumulate capital/wealth

		Frequency	Percent	Valid Percent	Cumulative Percent
	Decidedly Important	41	57.7	62.1	62.1
	Important	23	32.4	34.8	97.0
	Neutral	2	2.8	3.0	100.0
	Total	66	93.0	100.0	
Missing	System	5	7.0		
Total		71	100.0		

- 97% of the participants responded that it is important for them to accumulate wealth
- 3% remained neutral
- 7% were missing
- None of the respondents indicated that it was unimportant to accumulate wealth.

This indicates that consumers are aware of the need to save and will need guidance/ advice in achieving this objective.

Question B7.6: Will

		Frequency	Percent	Valid Percent	Cumulative Percent
	Decidedly Important	15	21.1	25.0	25.0
	Important	27	38.0	45.0	70.0
	Neutral	11	15.5	18.3	88.3
	Unimportant	3	4.2	5.0	93.3
	Decidedly Unimportant	4	5.6	6.7	100.0
	Total	60	84.5	100.0	
Missing	System	11	15.5		
Total		71	100.0		

- 70% of respondents said that a Will is important/ decidedly important.
- 18.3% remained neutral
- And 11.7% selected unimportant.

Question B7.7: Estate planning

		Frequency	Percent	Valid Percent	Cumulative Percent
	Decidedly Important	12	16.9	20.3	20.3
	Important	23	32.4	39.0	59.3
	Neutral	14	19.7	23.7	83.1
	Unimportant	4	5.6	6.8	89.8
	Decidedly Unimportant	6	8.5	10.2	100.0
	Total	59	83.1	100.0	
Missing	System	12	16.9		
Total		71	100.0		

- 59.3% of the participants selected that estate planning is a high priority
- 23.7% remained neutral
- 14.1% selected unimportant
- And 16.9% did not make any selection

Question B7.8: Build emergency fund

		Frequency	Percent	Valid Percent	Cumulative Percent
	Decidedly Important	11	15.5	17.5	17.5
	Important	27	38.0	42.9	60.3
	Neutral	17	23.9	27.0	87.3
	Unimportant	4	5.6	6.3	93.7
	Decidedly Unimportant	4	5.6	6.3	100.0
	Total	63	88.7	100.0	
Missing	System	8	11.3		
Total		71	100.0		

- 60.3% of respondents said that building an emergency fund is important and decidedly important
- 27% remained neutral
- 11.7% were missing
- And 11.2% selected unimportant

The above results indicate that respondents realise the need for contingency funds.

Question B7.9: Save for home purchase

		Frequency	Percent	Valid Percent	Cumulative Percent
	Decidedly Important	10	14.1	16.9	16.9
	Important	18	25.4	30.5	47.5
	Neutral	18	25.4	30.5	78.0
	Unimportant	8	11.3	13.6	91.5
	Decidedly Unimportant	5	7.0	8.5	100.0
	Total	59	83.1	100.0	
Missing	System	12	16.9		
Total		71	100.0		

- Saving for a home purchase is important and decidedly important to 47.5% of participants.
- The majority of these responses are from the age group 21-35. Most of the participants remain neutral/ unimportant in age groups 36-50; whilst over 50 unimportant.
- 30.5% remained neutral
- And 22.1% find it unimportant to save for a home purchase. This may be the case

because they already have a home.

Question B7.10: Vacation/travel

		Frequency	Percent	Valid Percent	Cumulative Percent
	Decidedly Important	6	8.5	9.7	9.7
	Important	20	28.2	32.3	41.9
	Neutral	26	36.6	41.9	83.9
	Unimportant	7	9.9	11.3	95.2
	Decidedly Unimportant	3	4.2	4.8	100.0
	Total	62	87.3	100.0	
Missing	System	9	12.7		
Total		71	100.0		

- 41.9% of the respondents find it important and decidedly important to travel,
- 41.9% remained neutral
- 16.1% finds it unimportant.

Question B7.12: Provide for medical needs

		Frequency	Percent	Valid Percent	Cumulative Percent
	Decidedly Important	22	31.0	34.4	34.4
	Important	21	29.6	32.8	67.2
	Neutral	11	15.5	17.2	84.4
	Unimportant	7	9.9	10.9	95.3
	Decidedly Unimportant	3	4.2	4.7	100.0
	Total	64	90.1	100.0	
Missing	System	7	9.9		
Total		71	100.0		

- 67.2% of participants selected that is important for them to make provisions for medical needs.
- 17.2% remained neutral and
- 15.6% find it unimportant to provide for medical needs.

Summary Analysis of Question B8 (Priorities for financial goals reflected in %)

	Decidedly important	Important	Neutral	Unimportant	Decidedly unimportant
Manage/ reduce debt	43.3	46.3	1.5	4.5	4.5
Build a university/ college fund	13.3	30.0	23.3	15.0	18.3
Provide for retirement	64.2	31.3	4.5	0	0
Reduce tax payable	39.0	39.0	16.9	3.4	1.7
Accumulate capital/ wealth	62.1	34.8	3.0	0	0
Will	25.0	45.0	18.3	5.0	6.7
Estate Planning	20.3	39.0	23.7	6.8	10.2
Build emergency fund	17.5	42.9	6.3	6.3	0
Save for home purchase	16.9	30.5	30.5	13.6	8.5
Vacation/ travel	9.7	32.3	41.9	11.3	4.8
Provide for medical needs	34.4	32.8	17.2	10.9	4.7

It is evident from this summary that all participants find it decidedly important and important to prioritise their financial goals. Providing for retirement, accumulating wealth and providing a contingency fund is of the highest priority to the respondents. It is also evident that managing and reducing debt, medical needs and reducing tax is also of high priority.

QUESTION B8: Respondents were asked to rate their financial knowledge and capabilities on 5 categories

In the table that follows the following responses were obtained:

- 22.5% of respondents are fully capable
- 23.9% are slightly capable.
- 53.5% of respondents fare themselves incapable and average on understanding risk assurance for life, disability and medical aid.

Question B8.1: Risk assurance: life, disability, medical aid

	Frequency	Percent	Valid Percent	Cumulative Percent
Fully Capable	16	22.5	22.5	22.5
Slightly Capable	17	23.9	23.9	46.5
Average	23	32.4	32.4	78.9
Incapable	11	15.5	15.5	94.4
Completely incapable	4	5.6	5.6	100.0
Total	71	100.0	100.0	

This may be so because products are complex and varying with too many options in the market.

Question B8.2: Retirement funds: pension, provident, retirement annuities

	Frequency	Percent	Valid Percent	Cumulative Percent
Fully Capable	15	21.1	21.1	21.1
Slightly Capable	17	23.9	23.9	45.1
Average	25	35.2	35.2	80.3
Incapable	9	12.7	12.7	93.0
Completely incapable	5	7.0	7.0	100.0
Total	71	100.0	100.0	

- 21.1% of respondents are fully capable in their knowledge on retirement funds,
- 23.9% are slightly capable.
- 54.9% of respondents fair themselves as average and incapable of understanding retirement funds for pension, provident, retirement annuities.

Question B8.3: Investment: Savings, unit trusts, endowments, private investments?

	Frequency	Percent	Valid Percent	Cumulative Percent
Fully Capable	14	19.7	19.7	19.7
Slightly Capable	17	23.9	23.9	43.7
Average	27	38.0	38.0	81.7
Incapable	8	11.3	11.3	93.0
Completely incapable	5	7.0	7.0	100.0
Total	71	100.0	100.0	

- 43.7% are capable and slightly capable
- Whilst 18.3 % of respondents are incapable

- 38% fare themselves as average
- 11.3% incapable and 7% completely incapable

Question B8.4: Stock markets: JSE, FTSE, NYSE?

	Frequency	Percent	Valid Percent	Cumulative Percent
Fully Capable	5	7.0	7.0	7.0
Slightly Capable	8	11.3	11.3	18.3
Average	21	29.6	29.6	47.9
Incapable	23	32.4	32.4	80.3
Completely incapable	14	19.7	19.7	100.0
Total	71	100.0	100.0	

- Only 18.3% of respondents are capable of understanding stock markets,
- Whilst 53.1% of respondents are incapable of understanding stock market investments.

Question B8.5: Property: residential, commercial?

	Frequency	Percent	Valid Percent	Cumulative Percent
Fully Capable	11	15.5	15.5	15.5
Slightly Capable	31	43.7	43.7	59.2
Average	20	28.2	28.2	87.3
Incapable	5	7.0	7.0	94.4
Completely incapable	4	5.6	5.6	100.0
Total	71	100.0	100.0	

- 43.7% of respondents find themselves capable of understanding property
- 28.2% remained average,
- Whilst 12.6% of participants found themselves not fully capable of understanding property for residential and commercial.

On the following page the Summary Analysis of Question B8 is given

Summary Analysis of Question B8 (figures reflected in %)

	Fully capable	Slightly capable	Average	Incapable	Completely incapable
Risk assurance: life, disability, medical aid	22.5	23.9	32.4	15.5	5.6
Retirement funds: pension, provident, retirement annuities	21.1	23.9	35.2	12.7	7.0
Investment: Savings, unit trusts, endowments, private investments	19.7	23.9	38.0	11.3	7.0
Stock markets: JSE, FTSE, NYSE	7.0	11.3	29.6	32.4	19.7
Property: residential, commercial	15.5	43.7	28.2	7.0	5.6

It is evident from this summary that more participants rate themselves as average on the categories and this can be interpreted as being due to the complexity of risk assurance, retirement funds, investments, stock markets and property. It is also evident from the participants' ratings of their knowledge that they are not fully aware of the link between their investments and retirement savings and the stock markets. They indicate a higher capability to understand investment and retirement funds but have no knowledge of stock markets which are the underlying investment instrument of retirement funds. This may be so because they rely on their Financial Planners for expert advice.

Question B9: Do you have a recent written plan?

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	29	40.8	40.8	40.8
No	36	50.7	50.7	91.5
Uncertain	6	8.5	8.5	100.0
Total	71	100.0	100.0	

- 40.8% of respondents indicated that they have a recent written plan
- 59.2% do not have a recent written plan.

Of these in the various age groups comparison 64% of age 21-35; 41.5% of age 36-50 and 80% of over age 50 do not have a recent written plan or are uncertain. This demonstrates that the younger age group up to age 35 and the older retirees' financial planning is not thorough. (Table B.9, Addendum 2). This can be related to the participants using a Financial Planner who provides them with a written plan. A high number of respondents use a Financial Planner but only 40.8% have a written plan.

Question B10: If you answered yes in Q.9 when did you draft your plan?

Year		Frequency	Percent	Valid Percent	Cumulative Percent
	2005	20	28.2	29.4	29.4
	2004	7	9.9	10.3	39.7
	2002	1	1.4	1.5	41.2
	2001	2	2.8	2.9	44.1
	Cant recall	1	1.4	1.5	45.6
	Not Applicable	37	52.1	54.4	100.0
	Total	68	95.8	100.0	
Missing	System	3	4.2		
Total		71	100.0		

- 29.4% of respondents' most recent plan was drafted in 2005
- 10.3% of respondents' financial recent plan was drafted in 2004
- 1.5% of respondents could not recall when their financial plan was drafted
- And 54.4% selected not applicable because this correlates with Question B9 it can where these respondents said that they had no written plan

This can be interpreted for purposes of the research objective that 82.1% of participants used a Financial Planner (Refer results of question B6 above). Of these participants only 39.7% had a plan drafted for them in the last two years. A total of 57.7% selected not applicable, can't recall, 2001, and 2002 which can be interpreted that they their plans are outdated or do not have a written plan.

To be more specific with age groups cross tabulation, 56.3% (46.3% / 82.1%) of respondents in age group 21-35 used a financial lanner as indicated in the cross tabulation table below, yet only 44% of these respondents within this age group have a written plan. This could be interpreted as meaning that their Financial Planners did not provide any plan in writing or that only a product was sold with no comprehensive financial plan.

B6: Did you use a financial adviser/planner in your planning, and if you have not begun your planning will you * A1: Respondent Age group Cross tabulation

		A1: Respondent Age group			Total
		21 - 35 years	36 - 50 years	Above 50 years	
B6: Did you use a financial adviser/planner in your planning, and if you have not begun your planning will you	Yes	46.3%	28.4%	7.5%	82.1%
	No	7.5%	3.0%	7.5%	17.9%
Total		53.7%	31.3%	14.9%	100.0%

B9: Do you have a recent written plan * A1: Respondent Age group Cross tabulation

		A1: Respondent Age group			Total
		21 – 35 years	36 - 50 years	Above 50 years	
B9	Yes	18.3%	19.7%	2.8%	40.8%
	No	28.2%	11.3%	11.3%	50.7%
	Uncertain	5.6%	2.8%		8.5%
Total		52.1%	33.8%	14.1%	100.0%

Question B11: Respondents' knowledge of their financial plan was tested by asking them to tick a list of categories as to what events and goals their financial plan included. What events/goals did your financial plan include?

Analysis and Interpretation:

	Highest number of events catered for in financial plan	%
1	Retirement goals	83.6
2	Debt reduction goals	54.6
3	Property goals	48.1
4	Children educational goals	45.0
5	Cash goals	20.8
6	Business goals	12.8
7	Timeframe for achievement	12.8
8	Own educational goals	8.0
9	Estate Liquidity	4.8
10	I do not have specific timeframes for the above goals	4.8

The above analysis may be interpreted that the participants' financial plans' main focus area is retirement planning, followed by debt reduction goals, property goals and children educational goals. The balance of choices fared very rarely in the selection which could mean that either the participants lack an understanding of their financial plan or that cash goals, timeframes and estate liquidity are not addressed in their financial plan. This result also reflects that the financial plan presented may be with a focus on products only which fails to recognise the holistic approach to financial planning.

Question B12: Do you use the internet for financial planning decisions and purchases

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	13	18.3	18.3	18.3
No	26	36.6	36.6	54.9
Not Applicable	8	11.3	11.3	66.2
Only Internet banking	24	33.8	33.8	100.0
Total	71	100.0	100.0	

- 18.3% of respondents use the internet for financial planning decisions and purchases
- 36.6% do not use the internet
- And 33.8% use the internet for internet banking only
- Whilst 11.3% selected not applicable

This may be because not many financial products are sold directly on the internet at present and, based on the participants' apparent lack of knowledge and capabilities; it can be assumed that they are therefore not using their internet to make such decisions. This also indicates the consumers prefer the face to face interaction in financial decisions.

Question B13: Do you use the internet for financial planning purchases

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	6	8.5	8.5	8.5
No	35	49.3	49.3	57.7
Not Applicable	8	11.3	11.3	69.0
Only Internet banking	22	31.0	31.0	100.0
Total	71	100.0	100.0	

- 57.7% again do not use the internet for purchases
- Only 8.5% responded yes
- And 31% use the internet for banking only

This result reveals that the consumer either makes a choice not to use the internet for decisions or is not comfortable in doing so. From the question below where 82.1% of the participants use personal Financial Planner which does not involve internet purchases or transactions, hence the high number (80.3% = 49.3+31) of respondents who do not use the direct method of internet. It is also evident that the Financial Planners' business model does not incorporate internet transactions in their dealings with their clients.

Question B14: Did you use a professional qualified Financial Planner/ planner

This question is more specific about whether a qualified Financial Planner was used by the respondent?

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	44	62.0	62.0	62.0
No	25	35.2	35.2	97.2
Unknown	2	2.8	2.8	100.0
Total	71	100.0	100.0	

- 62% of participants used a qualified planner in their purchases
- 35.2% did not use a qualified planner

This may explain the lack of knowledge or no written financial plan (revealed in Q B.9) as only a qualified Financial Planner understands the importance of a comprehensive financial plan.

4.4.2. Section C: Experience with a Financial Planner

Some respondents already indicated in Q B.3 that they did not use a financial planner and were therefore unable to answer the questions in this section.

Question C15: Do you currently deal with a Financial Planner?

		Frequency	Percent	Valid Percent	Cumulative Percent
	Yes	46	64.8	71.9	71.9
	No	15	21.1	23.4	95.3
	Not applicable	3	4.2	4.7	100.0
	Total	64	90.1	100.0	
Missing	System	7	9.9		
Total		71	100.0		

- 71.9% of the participants responded that they do presently deal with a Financial Planner

- 23.4% responded that they not
- 4.7% selected not applicable

The age group 36-50 has the higher number of respondents dealing with a Financial Planner (81.7%); followed by age group 21-35 (76.5%). A worrying number of only 24.8% of over age group 50 deal with a Financial Planner. (Table C15, Addendum 2). The older participants may not deal with Financial Planners due to the bad history of the industry or perhaps they are accustomed to making their own financial decisions.

Question C16: How did you choose the planner/s?

		Frequency	Percent	Valid Percent	Cumulative Percent
1	Planner contacted you	22	31.0	38.6	38.6
2	You contacted the planner	9	12.7	15.8	54.4
3	Referred by another person	15	21.1	26.3	80.7
4	Bank	1	1.4	1.8	82.5
	Other	6	8.5	10.5	93.0
5	Not applicable	3	4.2	5.3	98.2
	1&2&3	1	1.4	1.8	100.0
	Total	57	80.3	100.0	
Missing	System	14	19.7		
Total		71	100.0		

- In 38.6% of the responses the Financial Planner contacted the client
- 15.8% of the respondents' contacted the planner
- 26.3% of the contact was based on referrals
- Only 1.8% said they used a bank's in house Financial Planner

This result largely confirms that the Financial Planner contacts the client directly or by referrals. It also confirms that Consumers do not contact Financial Planners. This may indicate that the consumer does not start his/her financial planning but is convinced to do so by the Financial Planner.

- In the following table C17, 18.6% of the participants rated the advice of their existing Financial Planner as exceptional

- 40.7% rated them as very good
- This totals 59.3% of respondents valuing the advice they received from their existing Financial Planner
- 30.5% of respondents rated the advice of their existing planner as average
- And 5.1% rated the advice they received as poor and below average

Question C17: How highly do your rate the advice of your current or last Financial Planner?

		Frequency	Percent	Valid Percent	Cumulative Percent
	Exceptional	11	15.5	18.6	18.6
	Very Good	24	33.8	40.7	59.3
	Average	18	25.4	30.5	89.8
	Below average	2	2.8	3.4	93.2
	Poor	1	1.4	1.7	94.9
	Not applicable	3	4.2	5.1	100.0
	Total	59	83.1	100.0	
Missing	System	12	16.9		
Total		71	100.0		

Of the 82.1% of participants who use a Financial Planner, 59.3% hold the advice received in high regard. This allows an interpretation that 35.6% of respondents who deal with Financial Planners are not entirely confident in the advice they receive from their Financial Planners.

Question C18: How would you rate the abilities of your planner or planners used in the past?

		Frequency	Percent	Valid Percent	Cumulative Percent
	Exceptional	6	8.5	10.7	10.7
	Very Good	25	35.2	44.6	55.4
	Average	15	21.1	26.8	82.1
	Below average	6	8.5	10.7	92.9
	Poor	1	1.4	1.8	94.6
	Not applicable	3	4.2	5.4	100.0
	Total	56	78.9	100.0	
Missing	System	15	21.1		
Total		71	100.0		

- 10.7% rated their Financial Planners' abilities as exceptional
- 44.6% as very good
- 26.8% as average
- And only 12.5% rated the abilities as below average and poor.

These positive responses reflect a high level of trust in the advice provided by the Financial Planners as 55.4% of respondents trust the advice they receive.

For a professional industry the 55.4% positive response is still inadequate. It is evident that the Financial Planners need to communicate their abilities effectively to their clients or improve on their professional abilities. As professionalism is advanced and instilled in practices, the result has the potential to increase to 82.1% if the average respondents' improve their ratings.

Question C19: Will you continue to use the service of your existing Financial Planner?

		Frequency	Percent	Valid Percent	Cumulative Percent
	Most likely	25	35.2	43.1	43.1
	Likely	11	15.5	19.0	62.1
	Neither likely nor unlikely	10	14.1	17.2	79.3
	Unlikely	4	5.6	6.9	86.2
	Very unlikely	5	7.0	8.6	94.8
	Not applicable	3	4.2	5.2	100.0
	Total	58	81.7	100.0	
Missing	System	13	18.3		
Total		71	100.0		

- 62.2% of the participants will continue to use the services of their existing Financial Planner
- 17.2% remained neutral
- 15.5% responded that it is unlikely that they will continue to use the services of their existing Financial Planner

This can be related to question C17 and C18 on the ratings of the respondents' Financial Planners' abilities and the value the client places on the Financial Planners' advice.

This result provides Financial Planners an opportunity to revisit their financial planning processes, services and levels of advice in order to increase the retention rate of their clients. However 62.2% is a relatively high number when the 'neither likely nor likely' is added, this percentage is increased to a 79% possibility that the respondents will use the services of their existing Financial Planner.

C20: What is your service experience with a planner?

		Frequency	Percent	Valid Percent	Cumulative Percent
	Exceptional	12	16.9	20.0	20.0
	Very Good	23	32.4	38.3	58.3
	Average	18	25.4	30.0	88.3
	Poor	4	5.6	6.7	95.0
	Not applicable	3	4.2	5.0	100.0
	Total	60	84.5	100.0	
Missing	System	11	15.5		
Total		71	100.0		

- 58.3% of respondents rated the service experience with their Financial Planner as exceptional and very good
- 30% remained average
- And 6.7% as poor

Again, this result reveals that the Financial Planners' service is highly rated by over 50% of respondents who use a Financial Planner. Again there is room for improvement for the average ratings which have the potential to increase this percentage to 88.3%.

4.4.3. Section D: Expectation Of Professional Financial Planners

Question D21: Respondents were asked to rank characteristics which will make them select a financial adviser on a Likert-scale.

Eleven categories were provided. These categories were selected to establish the critical human factors, qualities, qualifications and ethics which consumers value in entrusting their financial matters to planners.

Question D21.1: Trustworthiness

	Frequency	Percent	Valid Percent	Cumulative Percent
Decidedly Important	62	87.3	87.3	87.3
Important	9	12.7	12.7	100.0
Total	71	100.0	100.0	

- 87.3% of respondents ranked trustworthiness as decidedly important
- And 12.7% as important.

Trust is the glue in any relationship and is a basic human requirement for maintaining a relationship, (and because only a human face to face interaction builds trust, thus it is rated highest by the respondents). None of the respondents selected unimportant.

Question D21.2: Someone who listens

	Frequency	Percent	Valid Percent	Cumulative Percent
Decidedly Important	47	66.2	66.2	66.2
Important	24	33.8	33.8	100.0
Total	71	100.0	100.0	

- 66.2% of respondents selected decidedly important for a Financial Planner who listens.
- 33.3% say it is important.

From this result it can be seen that the human element is a basic need in the financial planning relationship. Consumers want their needs to be listened to; they do not want to just be told what to do with their money.

Question D21.3: More interested in meeting needs than selling products

	Frequency	Percent	Valid Percent	Cumulative Percent
Decidedly Important	57	80.3	80.3	80.3
Important	13	18.3	18.3	98.6
Decidedly unimportant	1	1.4	1.4	100.0
Total	71	100.0	100.0	

- 80.3% respondents' selected that it is decidedly important that their Financial

Planners focus on their needs rather than on just selling a product

- 18.3% selected important, which makes a total of 98.6% of respondents want their needs prioritised over that of product sales
- 1.4% responded that this characteristic is unimportant to them

This indicates that consumers have a high need for a Financial Planner who focuses on the needs of the client.

Question D21.4: Good reputation

	Frequency	Percent	Valid Percent	Cumulative Percent
Decidedly Important	42	59.2	59.2	59.2
Important	25	35.2	35.2	94.4
Not an issue	3	4.2	4.2	98.6
Decidedly unimportant	1	1.4	1.4	100.0
Total	71	100.0	100.0	

- 94.4% of respondents felt that they would select a Financial Planner who has a good reputation and this is a key factor in them selecting a Financial Planner
- 4.2% said it was not an issue
- And 1.4% said that it was unimportant

This result proves that the adage that reputation adds value to the respondents' selection criteria for their Financial Planner.

Question D21.5: Expert in area

	Frequency	Percent	Valid Percent	Cumulative Percent
Decidedly Important	51	71.8	71.8	71.8
Important	18	25.4	25.4	97.2
Not an issue	2	2.8	2.8	100.0
Total	71	100.0	100.0	

- A total of 97.2% of participants said they will select a Financial Planner based on the planner being an expert in the area.

This reinforces the idea that the consumer is very specific with relinquishing full control of their personal finances to an expert who is trustworthy. This can be related to time spent on financial matters monthly, and it is safe to assume that consumers do not have time to handle their own financial matters and would rather entrust it to a reliable qualified expert.

Question D21.6: High level of professionalism

	Frequency	Percent	Valid Percent	Cumulative Percent
Decidedly Important	50	70.4	70.4	70.4
Important	21	29.6	29.6	100.0
Total	71	100.0	100.0	

- All respondents said they will select a Financial Planner based on a higher level of professionalism
- None of the respondents made any other selection.

The result clearly provides the Financial Planner with the evidence that the consumer is demanding a high level of professionalism from their Financial Planner. This is very different to the sales process of life insurance products.

Question D21.7: Reasonable cost?

	Frequency	Percent	Valid Percent	Cumulative Percent
Decidedly Important	24	33.8	33.8	33.8
Important	26	36.6	36.6	70.4
Not an issue	20	28.2	28.2	98.6
Decidedly unimportant	1	1.4	1.4	100.0
Total	71	100.0	100.0	

- 70.4% of participants will select an Financial Planner based on the charges/ fees being reasonable
- 28.2% said that it was not an issue

From this result it is clear that consumers are willing to pay a reasonable fee for valuable and trusted advice.

Question D21.8: Client chooses degree of control in decision

	Frequency	Percent	Valid Percent	Cumulative Percent
Decidedly Important	37	52.1	52.1	52.1
Important	26	36.6	36.6	88.7
Not an issue	8	11.3	11.3	100.0
Total	71	100.0	100.0	

- 88.7% of participants will select a Financial Planner if they had a choice and more control in the decision than the Financial Planner.
- 11.3% responded that control was not an issue.

This reveals that the consumer does not want any pressure attached to the relationship or decision and prefers to deal with a planner who will respect their decisions. It further demonstrates that the traditional sales process no longer stands firm in the relationship the Financial Planner has with his/her client.

Question D21.9: Competent

	Frequency	Percent	Valid Percent	Cumulative Percent
Decidedly Important	56	78.9	78.9	78.9
Important	15	21.1	21.1	100.0
Total	71	100.0	100.0	

- All respondents will select a Financial Planner if he/she is competent.

This demonstrates that the planner needs to ensure that his/her qualifications and skills, knowledge is up to date.

Questions D21.10: Professional accreditation

	Frequency	Percent	Valid Percent	Cumulative Percent
Decidedly Important	51	71.8	71.8	71.8
Important	18	25.4	25.4	97.2
Not an issue	2	2.8	2.8	100.0
Total	71	100.0	100.0	

- 97.2% will select an Financial Planner who has professional accreditation
- 2.8% indicated that professional accreditation was not an issue

This demonstrates that the Certified Financial Planner (CFP) qualification will be held in high regard and is a requisite qualification for a client when selecting a Financial Planner.

Question D21. 11: Lifelong professional relationship

	Frequency	Percent	Valid Percent	Cumulative Percent
Decidedly Important	39	54.9	54.9	54.9
Important	25	35.2	35.2	90.1
Not an issue	5	7.0	7.0	97.2
Unimportant	1	1.4	1.4	98.6
Decidedly unimportant	1	1.4	1.4	100.0
Total	71	100.0	100.0	

- 90.1% of respondents will select a planner with whom they can have a lifelong professional relationship
- 9.8% of respondents ranked it as not necessary.

This high result can be related directly to being trustworthy and being someone who listens. It also relates to the consumer needing advice as he/ she progress through the stages of life planning.

QUESTION D 22: What standards would you seek in a professional Financial Planner?

These questions were designed to establish what standards the respondents seek in a professional Financial Planner, and 6 categories were created. Again Likert-scale responses were given, from which the respondents could choose the one which best described their own response.

Question D22.1: Adherence to professional codes of ethics

	Frequency	Percent	Valid Percent	Cumulative Percent
Decidedly Important	58	81.7	81.7	81.7
Important	13	18.3	18.3	100.0
Total	71	100.0	100.0	

- 100% of respondents will seek adherence to a code of ethics.

This indicates that consumers seek Financial Planners who adhere to a code of ethics and that they want to trust the advice of their planners.

Question D22.2: Adherence to professional practice standards

	Frequency	Percent	Valid Percent	Cumulative Percent
Decidedly Important	57	80.3	80.3	80.3
Important	14	19.7	19.7	100.0
Total	71	100.0	100.0	

100% of respondents require their Financial Planners to adhere to professional practice standards

Question D22.3: Successful completion of certification exam

	Frequency	Percent	Valid Percent	Cumulative Percent
Decidedly Important	44	62.0	62.0	62.0
Important	21	29.6	29.6	91.5
Not an issue	6	8.5	8.5	100.0
Total	71	100.0	100.0	

- 91.6% of respondents require their Financial Planners to complete certification exams,
- Whilst 8.5% indicated that it is not an issue.

This indicates that consumers prefer to work with a financial planner who successfully completes the necessary certification exam.

Question D22.4: Successful completion of a curriculum specific to financial planning

	Frequency	Percent	Valid Percent	Cumulative Percent
Decidedly Important	43	60.6	60.6	60.6
Important	23	32.4	32.4	93.0
Not an issue	5	7.0	7.0	100.0
Total	71	100.0	100.0	

- 93% of participants said that their Financial Planners must have completed the CFP qualification which is the curriculum specific to financial planning
- Whilst 7% say it is not an issue

This indicates that consumers prefer to work with a financial planner who has successfully completed the necessary curriculum

Question D22.5: Ongoing continuing education requirement

		Frequency	Percent	Valid Percent	Cumulative Percent
	Decidedly Important	41	57.7	60.3	60.3
	Important	24	33.8	35.3	95.6
	Not an issue	3	4.2	4.4	100.0
	Total	68	95.8	100.0	
Missing	System	3	4.2		
Total		71	100.0		

- Ongoing education is important to 95.6% of respondents
- 4.4% say it is not an issue

This reveals that the consumers prefer that their Financial Planner skills and knowledge to be relevant to changes in the industry and to their needs.

Question D22.6: Practical experience over a length of time

		Frequency	Percent	Valid Percent	Cumulative Percent
	Decidedly Important	46	64.8	67.6	67.6
	Important	21	29.6	30.9	98.5
	Not an issue	1	1.4	1.5	100.0
	Total	68	95.8	100.0	
Missing	System	3	4.2		
Total		71	100.0		

- 98.5% indicated that they will seek a Financial Planner who has experience over a length of time
- 1.5% indicated that experience is not an issue

This indicates the new Financial Planners entering the market will find it more difficult to convince the consumer to trust them due to their lack of experience in the industry.

Question D22.7: Confidentiality

	Frequency	Percent	Valid Percent	Cumulative Percent
Decidedly Important	55	77.5	77.5	77.5
Important	14	19.7	19.7	97.2
Not an issue	2	2.8	2.8	100.0
Total	71	100.0	100.0	

- 97.2% of respondents indicated that they value confidentiality when looking for a Financial Planner
- 2.8% indicated that confidentiality is not an issue

Question D23: Would you say that you value professional advice on how you plan for your future financially?

This question was used to establish the participants' expectations of advice received from their Financial Planners.

		Frequency	Percent	Valid Percent	Cumulative Percent
	Strongly Agree	51	71.8	76.1	76.1
	Agree	10	14.1	14.9	91.0
	Neutral	4	5.6	6.0	97.0
	Strongly Disagree	2	2.8	3.0	100.0
	Total	67	94.4	100.0	
Missing	System	4	5.6		
Total		71	100.0		

- 91% of participants in this survey have expressed that they agree that they value professional advice on how they plan for their financial future
- 5.6 % remained neutral
- 2.8 % strongly disagreed

- 5.6 % were missing responses in which they did not answer towards above statement.

The result demonstrates that consumers do value advice on how they plan for their financial future.

Question D24: What value would you place on professional unbiased advice?

	Frequency	Percent	Valid Percent	Cumulative Percent
Extremely high	43	60.6	60.6	60.6
High	26	36.6	36.6	97.2
Neither high nor low	1	1.4	1.4	98.6
Low	1	1.4	1.4	100.0
Total	71	100.0	100.0	

- 97.2% of respondents indicated that they place high value of professional unbiased advice
- 1.4% placed a low value on unbiased advice
- And 1.4% remained neutral

This demonstrates that consumers place an extremely high value on unbiased advice.

QuestionD25: What do you think are the benefits to you in engaging the services of a professional planner?

This question was designed to establish what benefits the participants seek from having a Financial Planner. (Refer to table D25, Addendum 2)

Summary of Analysis:

Benefits of Engaging in the Services of a Professional Planner		%
1	Greater insight on financial planning and provisions	75.9
2	Professional expert who gives proper advice	74.4
3	Fully informed of current financial position	61.8
4	Reliability	47.8
5	Convenience	44.9
6	None of the above	1.4

- The participants ranked the Financial Planners greater insight on financial planning provisions as the highest in deriving a benefit by engaging the services of a Professional Planner (75.9%)

- This was closely followed by professional expert who gives proper advice (74.4%)
- 61.8% of respondents selected being fully informed of their current financial position which ranked as 3rd
- Reliability was ranked 4th at 47.8%
- With 44.9% of respondents finding it would be convenient in engaging the services of a professional Financial Planner.
- And convenience was ranked 5th (44.9%)
- 1.4% of the participants selected none of the above

It is clear that the expertise of a Financial Planner is rated highly as a benefit to consumers.

Question D26: Would it be more convenient if you could be offered ALL your financial planning from one source?

This question was designed to establish whether the participants will want all their services and planning from one point as a matter of convenience.

	Frequency	Percent	Valid Percent	Cumulative Percent
Very likely	31	43.7	43.7	43.7
Likely	29	40.8	40.8	84.5
Neither	4	5.6	5.6	90.1
Unlikely	6	8.5	8.5	98.6
Very unlikely	1	1.4	1.4	100.0
Total	71	100.0	100.0	

- 84.5% of respondents indicated that it would be more convenient to be offered all their financial planning from one source
- Whilst 9.9% indicated that it was unlikely

This demonstrates that consumers also seek convenience with their financial planning matters. This may be linked to time constraints and costs. And a one stop financial planning practice would be well received in this scenario.

Question D27: Your attitude toward Financial Planners

This question was designed to re-enforce the results of question D26

How do you feel about the following statement: "My Financial Planner should offer me comprehensive advice that covers all aspects of my tax; life assurance; home and car insurance; investment; retirement and medical insurance?"

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly agree	35	49.3	49.3	49.3
Agree	26	36.6	36.6	85.9
Neither agree nor disagree	3	4.2	4.2	90.1
Disagree	6	8.5	8.5	98.6
Strongly disagree	1	1.4	1.4	100.0
Total	71	100.0	100.0	

- 85.9% of participants agreed with the above statement
- Whilst 9.9% disagreed
- And 4.2% remained neutral

The high response rate by the respondents' in agreement with this statement can be compared to Question D26 on convenience and confirms that consumers want comprehensive advice covering all aspects of their financial planning from one source (Financial Planner).

Question D28: Will you pay a reasonable <u>monthly fee</u> to a professional Financial Planner for specific levels of comprehensive financial advice and services?

	Frequency	Percent	Valid Percent	Cumulative Percent
Very likely	18	25.4	25.4	25.4
Likely	40	56.3	56.3	81.7
Neither	3	4.2	4.2	85.9
Unlikely	7	9.9	9.9	95.8
Very unlikely	3	4.2	4.2	100.0
Total	71	100.0	100.0	

- 81.7% of respondents indicate that they were prepared to pay a reasonable monthly fee to a professional Financial Planner for specific levels of comprehensive financial advice

- 14.1% of respondents' said that it is unlikely that they would pay a reasonable monthly fee for specific levels of comprehensive financial advice and services.
- 4.2% were either neutral or undecided

From the age group comparison, it is evident that over 70% of all participants in each age group will likely and very likely pay a monthly fee. From the age group comparison stats (Addendum 2, Table D28) it is evident that all respondents over 50 will pay a monthly fee; 87.6% of age group 36-50 and 73.2% of age group 21-35 will also pay a monthly fee to a Professional Planner.

Question D29: Will you pay a reasonable <u>hourly fee</u> based on professional consultation and services rendered if it added real value to your financial goals?

	Frequency	Percent	Valid Percent	Cumulative Percent
Very likely	16	22.5	22.5	22.5
Likely	40	56.3	56.3	78.9
Neither	6	8.5	8.5	87.3
Unlikely	5	7.0	7.0	94.4
Very unlikely	4	5.6	5.6	100.0
Total	71	100.0	100.0	

- 78.9% of participants indicated that it is likely that they would pay a reasonable hourly fee for consultation and services
- 12.6% indicated that it is unlikely that they will pay an hourly fee
- Whilst 8.5% remained neutral

In age group comparison (Table D29, Addendum 2), this question had similar results as question D 28.

Question D30: Will you pay a reasonable commission based only on products sold to you?

	Frequency	Percent	Valid Percent	Cumulative Percent
Very likely	12	16.9	16.9	16.9
Likely	46	64.8	64.8	81.7
Neither	3	4.2	4.2	85.9
Unlikely	7	9.9	9.9	95.8
Very unlikely	3	4.2	4.2	100.0
Total	71	100.0	100.0	

- 16.9% respondents would very likely and 64.8% indicated that they will likely and pay a reasonable commission. Therefore a total of 81.7% of participants said they are willing to pay a reasonable commission based on products sold only
- 14.1% indicated that it is unlikely that they will pay a commission, whilst 4.2% remained neutral.

From age group comparison it is evident that the same pattern exists except for over 50 age group participants of whom only 49.6% said that they were likely to pay a commission. It is obvious from these results that the older consumer prefers fees to commission.

Question D31: Which one of the following methods of remunerating a professional planner, do you think will add value for professional unbiased advice on your financial plan?

This question was designed to prompt only one answer form the respondents after introducing them to the 3 questions of fees and commission above.

	Frequency	Percent	Valid Percent	Cumulative Percent
Ongoing Fee	18	25.4	25.4	25.4
Hourly Fee	24	33.8	33.8	59.2
Commissions	29	40.8	40.8	100.0
Total	71	100.0	100.0	

- 25.4 % indicated that they would pay a professional planner an ongoing fee
- 33.2% indicated that an hourly fee

- And 40.8% would prefer to pay a commission for financial planning services

When asked to select one of the 3 methods the participants would prefer when remunerating their Financial Planner, the following was evident from the age group cross tabulation:

- Age group 21-35 comprised 52.1% of the total responses. Of these 56.8% of them preferred to pay commissions, and 10.7% preferred an ongoing fee whilst 32.4% preferred an hourly fee. (Table D31, Addendum 2)
- Age group 36-50 comprised 33.8% of the total respondents and of these 37.6% of them preferred an ongoing fee; 33.4% preferred an hourly fee and 29.2% preferred commissions
- Age Group over 50 comprised 14.1% of the total respondents with 49.6% of them preferring an ongoing fee; 39.7% preferring an hourly fee and 9.9% preferring commissions

It is very clear from the above analysis that younger age groups between ages 21-35 year old prefer commissions to fees, the age group 36-50 year old prefer fees over commissions and over age 50's displayed a greater preference for paying of fees.

This can be attributed to the affordability of ongoing fees by older participants and therefore a higher preference to paying fees, whereas younger participants indicated that they would pay fees but prefer a non-committal relationship and would opt to pay commissions.

Question D32: Would you prefer to know the exact amount payable in Rand's and / percentages in fees / commissions?

	Frequency	Percent	Valid Percent	Cumulative Percent
Very likely	56	78.9	78.9	78.9
Likely	14	19.7	19.7	98.6
Neither	1	1.4	1.4	100.0
Total	71	100.0	100.0	

- 78.9% indicated that it is very likely that they want to know the exact amount payable to their Financial Planner
- 19.7% indicated that it is likely
- Whilst 1.4% remained neutral.

No respondents said it was unlikely hence the disclosure of commission is imperative.

Question D33: What other services would you suggest that should be integrated into your current financial planning?

Results and Analysis:

	Other services to be integrated into financial planning	%
1	Tax strategy	84.0
2	Life planning: all financial decisions	69.0
3	Basic Legal documents	55.0
4	Property purchase advice (not sales) and facilitation of negotiations	50.0
5	Banking and asset financing options advice	46.5
6	Educational planning and advice	31.0
7	Business strategy	25.5
8	IT strategy for business	9.0

- 84% of respondents ranked that tax strategy as another service they would like to see integrated into their current financial planning
- This was followed by 69% for life planning: all financial decisions
- Then 55% for basic legal documents

- 50% on property purchase advice (not sales)
- 46.5% on banking and asset financing options advice
- 31% on educational planning and advice
- 25.5% on business strategy
- 9% on IT strategy for business

4.5. Central Tendency Stats

A central tendency measure is used to provide an impression of those values for a variable that are common, middling or average (Saunders, 2002: 474). Here an impression of those values for selected variables (question) that are common, middling or average are analysed (Saunders, 2002: 474). Due to the extensive available from the analysis only a few variables will be selected and interpreted based on their level of relevance to the study objectives of this submission.

The mean, median and mode will be used to measure the central tendency. The standard deviation will be applied to establish the extent to which the data values differ from the mean. If the data values are all close to the mean, then the more typical they are than if the data values vary widely (Saunders 2002: 355).

4.5.1 Variable C19: Will you continue to use the service of your existing Financial Planner?

N	Valid	55
	Missing	16
Mean		2.00
Median		2.00
Mode		1
Std. Deviation		1.325

The above table results reveal central tendency results for study variable statements C19. The measurement scale code was interpreted as:

1 = Most Likely

2 = Likely

3 = Neither

4 = Unlikely

5 = Very unlikely

1) Mean: The C19 study variable has a mean value of 2.00 which reveals that the respondents who participated in this project have selected an average perception of *Likely* towards continuing to deal with their existing Financial Planner.

2) Median: The C19 study variable has median value is 2.00. This indicates *Likely* is the median perception of respondents towards the above study variable.

3) Mode: The C19 study variable has a mode value of 1.00, which indicates *Most Likely* is the mode perception of respondents in dealing with their Financial Planner.

4) The Standard Deviation: The C19 study variable has a standard deviation of 1.039, and it reveals that this variable has a difference in the respondents' perception on using their Financial Planner.

4.5.3. Variable D27: Your attitude towards Financial Planners (offer comprehensive advice)

N	Valid	71
	Missing	0
Mean		2.00
Median		2.00
Mode		1
Std. Deviation		.978

The above table results reveal central tendency results for study variable statements D27. The measurement scale code interpreted as:

1 = Strongly Agree

2 = Mildly Agree

3 = Neither

4 = Mildly Disagree

5 = Strongly Disagree

1) Mean: The D27 study variable has a mean value of 2.00. This reveals that the respondents who participated in this project have selected an average perception of *Mildly Agree* that their Financial Planner should offer them comprehensive advice which covers all aspects of their financial planning.

2) Median: The D27 study variable has median value is 2.00. This indicates *Mildly Agree* is the median perception of respondents towards the above study variable.

3) Mode: The D27 study variable has a mode value of 1.00. This indicates that *Strongly Agree* is the mode perception of respondents.

4) The Standard Deviation: The D27 study variable has a standard deviation of 0.978, and it reveals that this variable has a difference in the respondents' attitudes towards Financial Planners offering them comprehensive advice.

4.5.4 Variable D23: do you value professional financial advice?

N	Valid	67
	Missing	4
Mean		1.00
Median		1.00
Mode		1
Std. Deviation		.852

The above table results reveal central tendency statistic results for study variable statements D27. The measurement scale code interpreted as:

1 = Strongly Agree

2 = Mildly Agree

3 = Neither

4 = Mildly Disagree

5 = Strongly Disagree

1) Mean: The D23 study variable has a mean value of 1.00. This reveals that the respondents have selected an average perception of *Strongly Agree* that they value professional advice on how they plan for their financial future

2) Median: The D23 study variable has median value is 1.00. This indicates *Strongly Agree* is the median perception of respondents towards the above study variable.

3) Mode: The D23 study variable has a mode value of 1.00, which indicates that *Strongly Agree* is the mode perception of respondents.

4) The Standard Deviation: The D23 study variable has a standard deviation of 0.852, and it reveals that this variable has a difference in the respondents' perceptions towards the value of professional financial advice

4.5.5 Variable D24: value participants placed on professional unbiased advice

N	Valid	71
	Missing	0
Mean		1.00
Median		1.00
Mode		1
Std. Deviation		.603

The above table results reveal central tendency statistics results for study variable statements D27. The measurement scale code interpreted as:

1 = Extremely high

2 = High

3 = Neither

4 = Low

5 = Extremely low

1) Mean: The D24 study variable has a mean value of 1.00; this reveals that the respondents who participated in this survey have selected an average perception that they place extremely high value on professional unbiased advice.

2) Median: The D24 study variable has median value is 1.00, this indicates extremely high is the median perception of respondents towards the above study variable.

3) Mode: The D24 study variable has a mode value of 1.00; this indicates that extremely high is the mode perception of respondents.

4) The Standard Deviation: The D24 study variable has a standard deviation of 0.603, and it reveals that this variable has a difference in respondents' perceptions.

4.6 Inferential Statistics

Inferential analysis is used to test the likelihood of any difference between groups of the quantifiable data variables of three or more independent samples/ groups (Saunders 2002: 472).

The ANOVA test for age groups, marital status and ethnic groups are interpreted, followed by the Chi-Square test to establish if any significant relationships exist between variables. The results of selected variables ANOVA are presented hereunder.

4.6.1 ANOVA Test

The ANOVA test is a statistical test to determine the likelihood that the values of quantifiable data variable of three or more independent samples or groups are different. It tests the likelihood of any difference between these groups occurring by chance (Saunders 2002: 472)

Interpretation Rule:

- If p value is less than or equal $p \leq 0.05$, statistically there is significance difference between groups.
- If p value is greater than $p > 0.05$, statistically there is NO significance difference between groups.
- p indicates probability

Variables were selected for categories of Age groups, marital status and Ethnic groups and are interpreted below.

4.6.1.1 ANOVA Age groups

Table E1 (Addendum 3)

- The ANOVA test results form table E1 reveal there is a statistically significant difference in the perceptions of the different age groups of respondents towards the study statements B5.6, B5.7 because for these statement's *p* significance values (0.044, 0.004) are below 0.05. This means different age groups' respondents have significantly different perceptions and opinions of the statements of making their own financial decisions and seeking help with their finances.

- The ANOVA test results reveal there is no statistically significant difference in the perceptions of different age group respondents towards the study statements A14, B5.1, B5.2, B5.3, B5.4, B5.5, B5.8 because for these statements *p* significance values (0.069, 0.267, 0.788, 0.360, 0.343, 0.323, 0.259) are above 0.05. This means that different age group respondents have very similar perceptions and opinions of these statements and there is no huge difference in the groups responses to these statements, namely:

   1. Their investment strategy
   2. Worrying about debt
   3. Fretting about financial decisions
   4. Not confident in control over financial future
   5. Satisfied with financial decisions
   6. More knowledgeable than others
   7. Would rather leave planning to an expert.

Table E 2 (Addendum 3)

- The ANOVA test results form table E2 reveals there is a statistically significant difference in perceptions of different age groups respondents towards the study statements C17 and C19 because for these statements the *p* significance values (0.044; 0.000) are below 0.05. This means that different age groups' respondents have significantly different perceptions and opinions of these statements, which are:
  1. C17 is how highly the respondents rated the advice of their current Financial Planner and
  2. C19 asks respondents whether they will continue to use the eservice of their existing Financial Planner.

- The ANOVA test results reveal there is no statistically significant difference in perceptions of different age groups' respondents towards the study statements C18 and C20 because for these statements' p significance values (0.096 and 0, 075) are above 0.05. This means that different age groups' respondents have similar perceptions of these statements and there is no huge difference in different groups' respondents opinions towards these study statements:
  1. Rating the abilities of their Financial Planner and
  2. Respondents' service experience with their Financial Planner.

Table E3 (Addendum 3)

- The ANOVA test results reveal there is no statistically significant difference in the perceptions of different age groups' respondents towards the study statements because for these statements' p significance values are above 0.05

- This result means that different age groups' respondents have similar perceptions of these statements and there is no huge difference in different groups' respondents' opinions towards these study statements. The statements relate to code of ethics, professional standards, certification exams, practical experience and confidentiality. These statements are:

1. Trustworthy
2. Someone who listens
3. More interested in meeting needs than selling products
4. Good reputation
5. Expert in area
6. High level of professionalism and reasonable cost

Table E 4 (Addendum 3)

- The ANOVA test results in table E4 reveal there is statistically significant difference in the perceptions of different age groups' respondents towards the study statements D23, D26, D29, D30 because these statements' *p* significance values are below 0.05. This analysis means that different age groups respondents have significantly different perceptions and opinions towards these statements:
  1. Value participants placed on professional advice
  2. Convenience to acquire all financial planning from one source
  3. Paying of a reasonable hourly fee
  4. And payment of a commission

- The ANOVA test results reveal there is no statistically significant difference in perceptions of different age groups' respondents towards the study statements D24, D27, D28, D32 because these statements' p significance values are above 0.05. This means that different age groups' respondents have similar perceptions of these statements and there is no huge difference in different group respondents' opinions towards these study statements which deal with value placed on professional unbiased advice; attitude towards Financial Planners; paying a reasonable monthly fee; and knowing the exact amount of fees.

4.6.1.2 ANOVA Marital Status

Table E5 (Addendum 3)

- The ANOVA test results reveal there is no statistically significant difference in the perceptions of different marital status respondents towards the study statements because for these statements *p* significance values are above 0.05
- This means that different marital group respondents have similar perceptions of these statements and there is no huge difference in different groups' respondents' opinions of these study statements which are:
    1. Relate to investment strategy
    2. Worrying about debt
    3. Confidence
    4. Knowledge
    5. Financial decisions
    6. Seek professional help and leaving planning to an expert

Table E6 (Addendum 3)

- The ANOVA test results reveal there is no statistically significant difference in the perceptions of different marital group respondents towards the study statements because for these statements *p* significance values are above 0.05.
- This means that different marital group respondents have almost similar perceptions and opinions towards these statements:
    1. Risk assurance: life, disability, medical aid
    2. Retirement Funds: pension, provident, retirement
    3. Investment: savings, unit trusts, endowments, private investments
    4. Stock markets: JSE, FTSE, NYSE
    5. Property: residential, commercial

Table E7 (Addendum 3)

- The ANOVA test results reveal there is no statistically significant difference in the perceptions of different marital group respondents towards the study statements below because for these statements *p* significance values are above 0.05
- This means different marital groups respondents have almost similar perceptions towards these statements and there is no huge difference in different group respondents opinions towards these study statements which relate to:
    1. How highly they rate the advice of their current Financial Planner
    2. Their planners abilities
    3. The service and
    4. Continuing to use the service of the planner

Table E 8 (Addendum 3)

- The ANOVA test results in Table E8 reveal there is statistically significant difference in the perceptions of different marital status group respondents towards the study statements D28 and D29 because these statements *p* significance values are below 0.05. This means that different marital group respondents have significantly different perceptions and opinions about the statements on :
    1. Paying a reasonable fee and
    2. Paying an hourly fee to a professional Financial Planner

- The ANOVA test results reveal there is no statistically significance difference in perceptions of different marital group respondents towards the study statements D24, D26, D27, D30 because for these statements *p* significance values are above 0.05. These deal with:
    1. Value placed on professional unbiased advice
    2. Attitude towards Financial Planners
    3. Paying a reasonable monthly fee; and
    4. Knowing the exact amount of fees

4.6.1.3 ANOVA Ethnic Group

Table E9 (Addendum 3)

- The ANOVA test results in table E9 reveal there is statistically significant difference in the perceptions of different ethnic group respondents towards the study statements B5.2 and B5.3 because for these statements *p* significance values are below 0.05
- This means different ethnic group respondents have significantly different perceptions and opinions towards these statements:
  - Making own financial decisions and
  - Not confident in their control over their financial future

Table E 10 (Addendum 3)

- The ANOVA test results reveal there is no statistically significant difference in the perceptions of different ethnic groups respondents towards the study statements below because these statements *p* significance values are above 0.05. This means that different ethnic group respondents have almost similar perceptions and opinions towards these statements which relate to:
  - Rating their Financial Planners advice; and
  - Rating the abilities of their planner and services

Table E 11 (Addendum 3)

- The ANOVA test results in table E11 reveal there is statistically significant difference in perceptions of different age group respondents towards the study statements D28 and D 29 because for these statements *p* significance values are below 0.05. This means different ethnic groups respondents have significantly different perceptions and opinions towards these statements:
  - Paying monthly fee and
  - Paying an hourly fee

4.6.2 Chi Square test

The Chi Square test is used to establish significance between two study variables. The following interpretation rule is applied:

1. If p value is less than or equal $p \leq 0.05$, there is a statistically significant relationship.
2. If p value is greater than $p > 0.05$, there is no statistically significant relationship.

1) Variable B6 vs B9

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	3.727	2	.155
Likelihood Ratio	4.020	2	.134
Linear-by-Linear Association	1.934	1	.164
N of Valid Cases	67		

The above Chi-square (χ) test result indicates p value is 0.155, which is above 0.05. This result reveals there is no statistically significant relationship between statement B6 and statement B9. These two variables are therefore not associated and independent of each other:

1. B6: If a Financial Planner was used; and
2. B9: Do you have a recent written plan

2) Variable A10 (time spent on financial matters) vs D31 (Which method of remunerating the Financial Planner: ongoing fee; hourly fee; commissions)

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	7.942	8	.439
Likelihood Ratio	8.909	8	.350
Linear-by-Linear Association	.717	1	.397
N of Valid Cases	71		

The above Chi-square (χ) test result indicates that the p value is 0.439, which is greater than 0.05. This result reveals there is no statistically significant relationship between statement A10 and statement D31. These two variables are not associated and are independent of each other.

3) A10 (Time spent on financial matters) vs. B12 (Use internet for financial planning decisions)

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	25.109	12	.014
Likelihood Ratio	28.551	12	.005
Linear-by-Linear Association	6.193	1	.013
N of Valid Cases	71		

The above Chi-square (χ) test result indicates that the p value is 0.014, which is below 0.05. This result reveals there is a statistically significant relationship between statement A10 and statement B12. These two variables are therefore associated with and dependent on each other.

4) A10 (Time spent on financial matters) vs B13 (Use internet for financial planning purchases.)

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	21.667	12	.041
Likelihood Ratio	25.892	12	.011
Linear-by-Linear Association	3.687	1	.055
N of Valid Cases	71		

The above Chi-square (χ) test result indicates p value is 0.041, which is below 0.05. This result reveals there is a statistically significant relationship between statement A10 and statement B13. These two variables are therefore associated and dependent on each other.

15) A10 (Time spent on financial matters?) vs B14 (Did you use a professional qualified planner?)

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	5.508	8	.702
Likelihood Ratio	5.592	8	.693
Linear-by-Linear Association	.272	1	.602
N of Valid Cases	71		

The above Chi-square (χ) test result indicates p value is 0.702, which is above 0.05. This result reveals there is no statistically significant relationship between statement A10 and statement B14. These two variables are therefore not associated and are independent of each other.

4. 7. Cronbach Alpha Test (Reliability Test)

Reliability :

Cronbach Alpha's	N of Items
.766	56

Reliability analysis for the questionnaires continuous variables reveal Cronbach Alpha's value is 0.766. With this being above 0.7, it indicates that the research instrument's (Questionnaire) continuous study variables have internal consistency and reliability.

4.8. Conclusion

In this chapter an analysis of the results of the structured questionnaire that was administered to a set of 71 respondents from the medical, dental, accounting, management and other fields of employment, was presented. The analysis was structured in the same sequence as the questions were presented in the research instrument and presented graphically in the form of data analysis tables and summary tables.
The mean, median and mode were used to measure the central tendency of selected variables and the standard deviation was applied to establish the extent to which the data values differ from the mean.

Inferential analysis was used on selected data to test the likelihood of any differences between groups of the quantifiable data variables of three or more independent samples/ groups (Saunders, Lewis and Thornhill, 2002: 472). The ANOVA test for age groups, marital status and ethnic groups was interpreted followed by the Chi-Square test to establish if any significant relationships exist between selected variables.

Finally the Cronbach Alpha test was performed which established that the research instrument's continuous study variables have internal consistency and reliability.

The presentation of the results in this chapter has allowed a cross-tabulation of results pertinent to the objectives of this study, and has identified significant differences between variables. In the last chapter (Chapter 5) the main findings of the statistical data and literature review will be described.

CHAPTER 5

Findings, Conclusion, Recommendations and Limitations

5.1. Introduction

The discussion in this chapter responds to the critical questions of the study, viz. what are the consumer's experiences, expectations and perceptions of Financial Planners; how will the transformation of the South African life insurance industry, changing needs and demands of consumer's impact upon the role of the Financial Planner in the financial planning industry, and what must Financial Planners and their representative bodies do in order to ensure the continuity and independence of the role of the Financial Planner in the distribution of professional financial planning advice?

To determine this a quantitative survey based on a pre-reselected sample of 71 employed and self-employed individuals from varying occupations, mainly professional with a proportionate age, gender and ethnic dispersion all earning between R120, 000 to over R1million per annum, was conducted. Almost 83% of the participants were salaried and 16% were self employed individuals. Over 70% of these respondents earned less than R350, 000 per annum. 52% of the participants were between ages 21-35 years. These participants are judged to represent a comprehensive sample of the South African consumer of financial planning.

5.2. Findings

In this chapter the findings are summarized in relation to the three critical questions stated in this study. Using the four main categories that the questionnaire was divided into, viz. the participants, respondents' reasons for and experience in financial planning, respondents' experience with a financial planner, and respondents' expectation of a financial planner, the data relevant to each critical question is extracted and discussed. I also draw particular conclusions, make recommendations and describe the limits of the study.

5.2.1. Critical Question 1: The Consumer's Experiences, Expectations and Perceptions of Financial Planners

- **Consumerism in Financial Planning**

Although consumerism has been identified as a strategic driver of change in the PWC survey (2006), the literature reviewed as well as experience in the field revealed that most insurers have not yet done a survey to establish the level of consumerism by examining what the consumer needs and expects.

Life Planning is currently a popular concept into which Financial Planners businesses have evolved into in the USA. Both Veres (2003) and Rowland (2004) advocate that Financial Planners have to link money with emotions, and develop a holistic approach to financial planning. Do the South Africa consumers have similar needs and expectations? The answer to this question was clearly evident from the participants' responses in the results of the survey.

- **Why Consumers Started Financial Planning**

In section B of the questionnaire, the respondents' reasons for and experience in financial planning were sought. Fourteen questions were designed to establish why and when consumers begin financial planning, their focus areas and their concerns in financial planning matters. Their own capabilities and/ inabilities on aspects of financial planning were also established.

Over 96% of participants had already begun their financial planning with retirement being their main concern for starting their planning. 44.9% indicated they begin financial planning when they begin their first job, which reflects that South African consumers do consider some sort of financial planning when they start to work. The reason for financial planning is summarized in Table 5.1 below.

Table 5.1: Top 12 Reasons People Begin Financial Planning		%
1	Retirement concerns	68.7
2	Began a first job	44.9
3	Family provisions and concern for their future	37.8
4	Children	30.8
5	Investment	30.8
6	Married	22.4
7	Increase in salary/income	21.0
8	Property purchase	15.4
9	New car	12.6
10	Health and associated risk concerns	4.2
11	Inheritance	2.8
12	Death in family	1.4

- **When Will Consumers Start Their Financial Planning**

The 4% who hadn't started their planning indicated that they would do so when they have children, begin their first job or when their salary increases. Most respondents indicated that the planner contacted them or that they were referred to the Financial Planner. This also contributes to the Planner initiating contact and a reason why consumers begin their financial planning.

- **Engaging a Financial Planner**

More than 83% of the respondents indicated that they have used a Financial Planner, 62% of the respondents used a professional qualified Financial Planner and 62% indicated that they will continue to us the existing services of their Financial Planner. This again indicates that the Financial Planner may have initiated contact with the consumer and that the consumer prefers to entrust a Financial Planner with their financial decision making.

- **Time Spent on Financial Planning**

A total of 52% of the respondents spend only 1-2 hours per month on financial planning. This is a concern as it is insufficient in terms of proper personal financial management, budgeting and debt reduction and future strategic wealth creation and management.

- **Main Financial Planning Concerns at Present**

Although 52% of the respondents were under age 35 it would seem that for South African consumers, the main focus areas of planning are retirement, followed by debt reduction and accumulating wealth. Consumers are therefore forward thinkers and have a strong need to build wealth, reduce debt and plan for the next phase of their lives which is retirement. The following table indicates the main financial planning focus of the respondents.

Table 5.2: Main Financial Planning focus		%
1	Retirement planning	77.1
2	Manage/ reduce debt	56.0
3	Accumulate capital	46.2
4	Generate income	32.2
5	Reduce tax	26.2
6	Build an emergency fund	25.2
7	Save for home purchase	15.4
8	Provide for future medical aid fund	12.6

- **Consumers Debt**

The consumer is conscious of the impact of debt and 42% of participants worry about debt.

- **Consumers Inabilities and Capabilities**

Of the total respondents, 32% lack confidence in their financial future and 45% are satisfied with their decisions. Less than 22% of the participants indicated that they are fully capable of understanding financial products and almost an equal number find they are more knowledgeable and less knowledgeable than others. Only 44% make their own financial decisions and 49% seek help with their finances. Almost 60% of the respondents would rather leave their financial planning to an expert and 26% fret about making financial decisions.

It is evident that due to the consumers' inabilities they have a strong need for a professional expert to manage their financial planning.

- **The Consumers Priorities**

The consumer's priorities are to accumulate capital (97%). With the results of their poor self-rating on knowledge and capabilities, an expert is required. Over 95% indicated that retirement is their highest priority, 89% wants to reduce debt and may be incapable of doing so independently. Other priorities are:

- Reducing tax (78%)
- Medical needs (67%)
- Build an emergency Fund (61%)
- Estate Planning (59%)
- Save for a home purchase (47%)
- Build a university fund (43%)
- Vacation/ Travel (42%)

A Financial Planning business can offer all the above advice from one office.

- **The Consumers Written Financial Plan**

40% of participants have a written plan in which retirement, debt reduction, property, and children's education were highlighted. Timeframes were selected by only 12.8% of participants which indicates inadequacy with the financial plan if no proper timeframes to achieve the objectives are documented. 39% of respondents had their plans drafted in the last two years and 82% of participants indicated that they deal with a Financial Planner and of this 62% uses a qualified planner. The response on the recent written plan and date drafted reflects that these plans may not be a holistic financial plan. The plan may be a generic plan structured around the products of life insurers which presents huge gaps in comprehensive (holistic) financial planning.

- **Consumers Reliance on Technology**

Less than 13% of participants use the internet for financial planning decisions and purchases. The survey indicated that the respondents used the internet mainly for internet banking. This indicates that the Financial Planner is responsible for the financial planning of most of the respondents.

In section C of the questionnaire, the respondents' experience with a Financial Planner was sought. 6 questions were designed to identify how a consumer selects a Financial Planner, the perception the consumer places on advice received and their service experience with a Financial Planner.

- **Consumers Experience with Financial Planners**

Almost 71% of the respondents indicated that they presently deal with a Financial Planner. In 39% of the responses the Financial Planner contacted them and 27% was based on referrals. Over 59% of respondents rated their Financial Planners advice as very good and 35% rated it as average/poor. A total of 55% rated the abilities as very good/exceptional and 39% as average and poor. Although a high number of respondents deal with Financial Planners not all are confident in the abilities and services they presently experience. This may be the result of the present distribution model which focuses on sales of products, and it may also indicate a lack of professionalism.

- **Client service**

A total of 58% of the respondents rated service experience as very good and exceptional. 36% rated service as average or poor. This can be attributed the existing remuneration methods being on the sale of insurer products. With no specific remuneration for services rendered which does not generate income, so Financial Planners may feel that if they are not being paid they cannot spend time offering advice for free.\

In section D of the questionnaire the respondents' expectations of their Professional Financial Planner was sought. Here thirteen questions were used to establish what value and standards the participants seek from Financial Planners, their attitudes towards financial matters, their willingness to pay for valuable advice and the method they feel most comfortable using to remunerate the Financial Planner for advice. It also measures other services consumers require.

- **Consumers Checklist in Seeking a Professional Planner**

All (100%) of participants indicated that they will select their Financial Planner based on trust. They also indicated that they want someone who listens, preferably an expert, with high level of professionalism, and who is competent.

Just over 99% would choose someone who is more interested in meeting their needs than selling products. 97% indicated that professional accreditation would motivate them to select a planner and 94% indicted that a good reputation is critical in selecting a Financial Planner. Almost 90% of the respondents will select a Planner based on establishing a lifelong relationship and 89% want to have control over the decisions when selecting the planner. Over 70% of the participants indicated that a reasonable cost will influence their decision on selecting a planner.

All these qualities are an inherent need in any human relationship. Humans have an emotional attachment to money which explains the critical role the Financial Planner plays in providing the client with holistic unbiased advice. The qualities the consumer seeks in a Financial Planner as indicated above can be promoted through education and Client Relationship Management principles within the industry.

In responding to the first critical question, what are the consumer's experiences, expectations and perceptions of Financial Planners, a voluminous amount of data was elicited from the quantitative survey conducted. From the statistical analysis in Chapter 4, 100% of respondents want someone who listens (section D: question D21.2); 97% of the respondents want an expert in the area (section D: question D21.5) and 90% of the respondents want a lifelong relationship with their Financial Planner (section D: question D21.11). Over 69% of the respondents want Life planning: all financial decisions (Section D: Question D33), and 84% of respondents indicated that it would be more convenient to be offered *all* their financial planning from one source (Question D26). 85% of respondents indicated that their Financial Planner should offer them comprehensive advice that covers all aspects of their tax, life insurance, home and car insurance, investment, retirement and medical insurance. This confirms that consumers desire to relinquish the responsibility of their personal and financial goals and activities into the hands of someone they can trust and who has the requisite ability to advise them effectively.

It is evident from the results of the survey that the consumer wants more than just to buy policies. They want their planners to engage in broader conversations which offer them holistic life planning. Therefore the life insurers' distribution model will require a complete transformation to adapt the offering away from just life and investment policies.

5.2.2. Critical Question Two: The Transformation of The South African Life Insurance Industry, Changing Needs And Demands Of Consumers' and Its Impact Upon The Role Of The Financial Planner In The Financial Planning Industry,

From the literature review in Chapter 2 it is evident that a number of industry-related pressures will impact upon the role of the Financial Planner, namely:

- **Impact of Regulation**

International Life insurers were forced to reduce costs and as a result, the Financial Planners commissions were cut to scale. Distribution channels were adapted to accommodate salaried Financial Planners and sales were outsourced.

South Africa is presently at the centre of this trend which may have a similar impact once Treasury tables the new commission dispensation in Parliament. The PWC survey (2006) found that South African CEO's indicated that they are reviewing their business models and considering new distribution channels and that pricing pressures are forcing them to do so. They are also now searching for ways to build up a data base of customers. Outsourcing will be utilised to lower margins. This could mean outsourcing client services or even outsourcing sales. Technology is also being harnessed to facilitate product distribution.

As the South African industry transforms as a result of price cutting and regulatory pressures the Financial Planners' role will have to be redefined to address a more holistic based financial planning due to a substantial reduction in their existing earnings from product sales. Professional Financial Planners will have these choices:

- Exit the industry
- Work as salaried Financial Planners for life insurers
- Seek an alternative business model which professionalises their practices

With commissions being the only source of remuneration for Financial Planners in the present distribution model becomes almost obsolete if this is reduced. Financial Planners will have to consider alternative means of charging their clients for advice which was until now been given away for free (Sullivan, 2004).

- **Competition**

The International IFA businesses flourished due to favourable economic factors. However, the lower inflationary environment has resulted in further pressures on fees as larger firms with more capital to compete, entered the industry. This resulted in a downward pressure on fees and impacted on the models which had AUM.

In the USA smaller Financial Planner business models are quite successful, but these also face pressure from larger competitions. The Undiscovered Managers survey (2005) predicted that only niche players and large firms will survive.

In South Africa there is presently no model for a Financial Planner business and Financial Planners are remunerated by commissions. The only competitors are the life insurers' present distribution model.

- **The Standards Consumers Seek in a Financial Planner**

A total 100% of the respondents said that an adherence to a code of ethics and professional practice standards is what they seek. This was followed by the following standards that consumers seek in a Financial Planner:

- 98% indicated that practical experience over time is a motivating factor
- 97% indicated that confidentiality is an essential quality
- 96% indicate that ongoing education is a standard they seek in a planner
- 93% indicated that completion of a curriculum specific to financial planning
- 92% on completion of certification exams

- **Valued Advice**

A total of 91% of the respondents agreed that they value professional advice on how they plan for their future and 97% of them placed high value on unbiased advice.

- **The Benefits of Engaging the Services of a Financial Planner**

Over 86% of the respondents re-iterated that their Financial Planner should offer them comprehensive advice which covers all areas of financial planning and 85% of the respondents said that the benefit is in the convenience. 84% of them indicated that it would be convenient to access all financial planning from one source and 76% of the participants indicated that the benefit in engaging a Financial Planner is due to the planners' greater insight on financial planning. 74% of the respondents indicated that Financial Planners are professional experts who provide proper advice.

These results indicate the level of trust and dependence and the consumers need to rely on a professional Financial Planner.

- **On Remunerating a Financial Planner**

Over 82% of the respondents indicated that they would prefer to pay a monthly fee for specific levels of advice. 80% indicated they will pay an hourly fee for consultation and 82% are also willing to pay a commission.

On a more specific question 25% of these respondents indicated that they will pay an ongoing fee, 34% will pay hourly fees and 40% will pay commissions. On further comparisons between the age groups it was found that the majority of the younger group preferred to pay commission, the middle age group selections averaged over all 3 categories of payment and the over 50 age group preferred to pay fees. They also indicated that they would like to know the exact Rand amount payable as fees and commission.

This indicates that consumer's are open to the possibility of paying for the services and advice of a Financial Planner. From National Treasury's intention, it is clear that commissions will be reduced in the very near future. The alternatives available are clear. Should Financial Planners select to continue as professional practices then consumers will have to pay a fee for advice.

- **Other Services a Financial Planner Should Offer Consumers**

Other services consumers want besides the traditional advice on risk, retirement and savings are:

- Integrate tax strategy into their financial planning (84%)
- Life planning for all financial decisions (69%)
- Basic legal documents (55%)
- Property purchase guidance and negotiations, not sales (50%)
- Banking and asset financing options (46%)
- Business strategy (25%)

Thus the transformation of the South African Life Insurance Industry, and the consumers' changing needs and demands impact upon the role of the Financial Planner in proliferate ways and the Financial Planner and financial planning industry will have to develop or adopt alternate models to remain feasible.

5.2.3. Critical Question 3: What Must Financial Planners And Their Representative Bodies Do In Order To Ensure The Continuity And Independence Of The Role Of The Financial Planner In The Distribution Of Professional Financial Planning Advice?

The middle market is not paying fees for advice in the UK and, with increasing competition, fees on Assets Under Management (AUM) are decreasing. The proposed reduction of commission in the Discussion Paper (2006) almost makes the role of the Financial Planner obsolete.

Life insurers' key strategy is distributing products to the market. Due to competition they will achieve successful distribution with lower costs by cutting margins and "commoditisation". This will impact on the role of Financial Planners when commissions are reduced (Sullivan, 2005). Enhanced technology may enable easier purchasing by the consumer. However the results of the survey indicate that South African consumers will continue to use the services of a Financial Planner due to convenience, a need for an expert and the holistic need for life planning.

South African Treasury has proposed the disintermediation of independent Financial Planners from the Life insurers' business model with no link whatsoever, or the Financial Planner being titled as Insurer Agents if tied to the insurer.

Consumers will always have a need and that need is becoming more complex over time. By adopting/adapting any of the four business models introduced by Veres (2003) Financial Planners can rethink their role to offer consumers comprehensive financial planning with total solutions.

- **Emerging Issues**

The Financial Planner's role and need is highly valued by majority of the participants. The results presented in this study on what the consumer wants provides sufficient information for Financial Planners on how to rethink their existing business models, and as a result of this survey, rethinking financial planning.

- **Financial Planner Business Models**

Of the Financial Planner models presented in *The Cutting Edge* (Veres, 2003) and by the options presented by Undiscovered Managers (2005), the Niche business model comprising a team of experts is an attractive alternatives to a commission based model. The following models may be adapted to suit the general or specific consumer segments in the South African market:

1. **The Doctors' Model** (Garret Planning Network, Veres: 2003): the advantage of this model is that it can be adapted to a general market and to specific consumer segments. This model further provides access to financial planning to all consumer segments. In this model, a simple business with outsourcing can be an initial structure with the opportunity to expand into a large Financial Planners business. The consumer can select specific areas of their financial planning and pay fees based on specific needs addressed, thus allowing a flexible offering. Life planning can be introduced to serve consumer needs. The fee structure can be an hourly fee, monthly fee and commissions, and a retainer maybe appropriate for certain niche groups.

2. **The Firm (A Partnership)** combined with either the virtual outsourcing of back office functions or a support structure of administration staff and financial planning interns can also provide a lucrative business model for the Financial Planners business in South Africa. Here the client deals with a firm and not one specific person. The branding focus is on the firm. This builds credibility on branding and continuity for succession planning. The danger here is that all individuals communicating with the client must have equal ability to engage the consumer to a level whereby trust is re-established at every interaction. The firm's objectives must be integrated throughout each individual and team.

3. **The Niche** player as recommended by Mark Hurley of Undiscovered Managers (2005) with a group of team specialists is an option to be further explored. This

presents a more professional practice where a specific niche consumer segment deals with different experts depending on which aspects of the financial plan is being reviewed and analysed. Specific segments concentrate on professional practices like doctors and lawyers and more unique segments focus on single parents, divorced women, students and so forth. The niche practice offering for life planning will be defined by the problems of the niche market segments it serves. Success here will be guaranteed if the practice can constantly meet the changing needs of the niche market. Institutionalisation and branding the business is the key to its success. The ability to anticipate the consumers' needs are critical to a sustainable competitive advantage. The role and responsibilities of each team of experts are specific to certain areas of the clients' financial planning needs. The financial planning services must be unique and serve the needs of the consumers

Mary Rowland (2004) in *The Search for the Perfect Model,* writes that *"life planning is the key to financial planning, that there's no point in trying to help someone with financial issues unless you uncover the obstacles he has to dealing with money and help him find the life of his dreams".*

Financial Planners have to link money to emotions. This requires a holistic insight. The business model best used to serve the 360 degree need of the client must be free of the chains which the traditional life insurer model offers. A business model with a real focus on comprehensive financial planning which also incorporates life planning is going to better serve the needs of the consumer of financial planning.

5.3 Recommendations: Proposed Business Model

In response to the various models examined in this study I propose an original business model illustrated in figure 5.1 to be used in the general market or niche market. It can be adapted to a flat structure by outsourcing or a large firm using administration staff and financial planning interns (CFP students) as support structures.

Proposed Structure of a business model for the financial planning business:

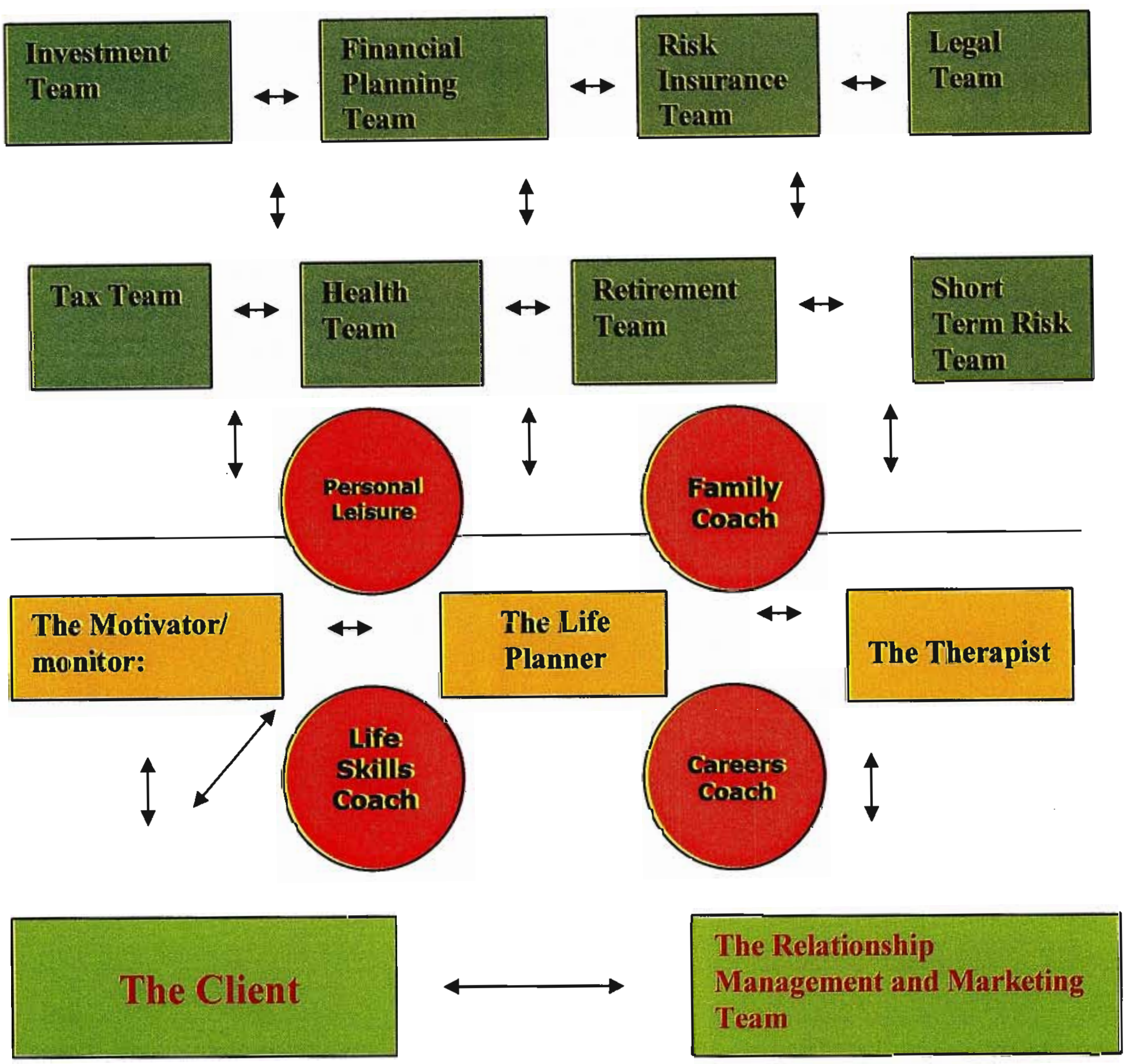

Figure 5.1. A Typical Financial Planners Business integrating Holistic Life Planning (Source: Vimlesh Rajbansi, 2005)

In essence individual Financial Planners have always filled the role of all the experts introduced in the above model. However, with consumerism and greater demand from consumers for more than just ordinary financial planning, there is a need to professionalise this service and holistically serve the consumers need. The teams' key performance areas include:

- The marketing manager's role will be to establish new accounts and manage the overall marketing of the business
- The relationship managers' role will be to deal with the internal employee relationships and develop the relationships between the business and its clients
- The therapist fills the role of establishing the clients' financial profile and characteristics which will assist in any recommendations to be made. This expert can also be used as a therapist should a need for life planning arise in the clients personal life. This may include personal leisure and travel, family coach, life skills coach and a careers coach. Interns can assist where necessary. The therapist can also play a role of life implementer
- The Life Planner will head the team of life planning and supported by interns.
- The Monitor will oversee the fact that the clients are keeping to there timeframes targets
- Financial Planning interns will serve time within each department to fully understand the business structure and each aspect of its operations

The specialised teams will be led by an expert consultant who will be supported by financial planning interns who are in CFP training. Specialised teams will include each of the following:

- Legal expert must have minimum qualification LLB, CFP with ongoing education on speciality
- Risk assurance expert and Retirement specialist: minimum qualification CFP with ongoing education on speciality
- Investment specialist: minimum qualification CFP and advanced investment with ongoing education on speciality
- Financial Planning specialist: minimum qualification CFP with ongoing education on speciality
- Health specialist: minimum qualification CFP with ongoing education on speciality

- Short Term specialist: minimum qualification CFP with ongoing education on speciality
- Tax specialist: minimum qualification CA, CFP with ongoing education on speciality

The above model is applied to the clients' financial planning process as follows:

Session 1: Initial interview which establishes the relationship.

- Parties: Relationship manager and marketing manager. Other team experts may be used if necessary depending on the clients need
- At this meeting the firm's services and fee structures will be proposed
- If the client agrees to proceed then session 2 can begin immediately

Session 2: Information gathering and establishing goals

- Parties: relationship manager, life planner and intern
- The information can be gathered by the intern
- The life planner consults with the client to establish his/ her specific/ holistic need
- Personal and financial goals are established and timeframes are agreed upon
- The information gathered here is then transferred to the financial planning team

Session 3: Analyses and evaluation

- The financial planning team completes the basic analyses and reports are then forwarded to the relevant team of experts for conducting the specific comprehensive analyses
- Each team collaborates on their results
- The Life Planner and therapist are briefed if required.
- Timeframes are revisited for reasonableness
- An intern completes the final report for presenting to the client

Session 4: Recommendations

- Team experts meet the client with the relationship manager. The intern must be present to record the meeting
- Meetings can be split depending on the planning required
- Solutions are presented and fully brainstormed with the client and other experts
- The client may agree to the recommendations and implement plans based on timeframes agreed
- The intern completes the necessary transactions and responsibilities are explained.
- The respective teams and marketing manager receive a brief of the outcome of the meeting

Session 5: Implementation

- Here an intern is designated to the client and handles the processing. He/she also communicates directly with the client on outstanding information and progress.

Session 6: Monitoring

- Once all aspects of the financial and personal plan are implemented the relevant experts will monitor the plan based on timeframes agreed upon
- The Life Planner may play a more active role in establishing personal goals in conjunction with the therapist. This will assist by providing insight on the client's life and changing events which will impact upon the financial plan

The operating systems to support the above model:

Technology has made the entire business operations process easier. The above sessions can be fully documented and captured on a software programme which all teams have access to via password. This will allow sharing of information and communicating between all team members and team leaders can easily monitor the work done by interns.

- Users and changes must be tracked and saved allowing only the person who saved such file to access it for changes to protect confidential data
- The information must be backed up to a server for security and data storage

- The software program must allow for active documents to be live on the system with reminders to the relevant teams who are involved in preparing the work
- All data must be linked to the website via which the client can login by password to view all documents and progress reports

5.4. Conclusion

The results of the survey in Chapter 4 focused on the consumers' experiences, attitudes and expectations of financial planning. The research findings provide sufficient evidence on the consumers' perspective on the role and benefits of engaging a Financial Planner for advice and services. As Sullivan (2005) predicts the motivating factor when a consumer chooses to enter into and maintain a relationship with the Financial Planner is the Financial Planner's intellectual property. This is what the consumer ultimately buys together with other standards of trust, professionalism, expertise and ethics. These holistic needs of the consumer are presently underserved in the existing Life insurers' business model.

It is evident from the literature reviewed that the trends and experience from the UK and USA markets will have a similar impact in South Africa on the Financial Planners' future in the life insurance business model. The research and discussions by authors like Veres (2003), Sullivan (2004) and Hurley (2005) advocate that Financial Planners must adopt a holistic expanded business model offering Life Planning. This provides the South African Financial Planner with an alternative to remaining in the present business model. The traditional model for life insurance is not sustainable for the Financial Planner.

The FPSB on financial planning reports that *"Personal financial planning provides direction and meaning to clients financial decisions. It allows them to understand how each financial decision they make affects other areas of their finances. By viewing each financial decision as part of a whole, Financial Planners can consider its short and long-term effects on their life goals"*. Thus The Financial Planners business model proposed in figure 5.1 will address this holistic view.

The results of the consumer survey confirm that such important planning requires the interaction of trust, confidentiality, someone who listens, someone reliable, and someone with greater insight, an expert, someone who is qualified and with someone whom the consumer can build a lifelong relationship.

The consumer survey revealed that consumers attach a high value to the intellectual abilities and the role the Financial Planner has in providing them with professional financial advice. It is evident that without the Financial Planner, life insurance companies will have no real link to the consumers of life insurance products because the consumer is dependent upon the Financial Planner for professional financial advice.

In summary, the main findings of this study confirm the following:

1. International and South African evidence that the traditional method of financial planning via the life insurance distribution model is no longer sustainable for the Financial Planner
2. Financial Planning consumers attach significant value to the advice they receive from their Financial Planners
3. Consumers prefer to deal with a Financial Planner who is trustworthy, ethical and a qualified professional and who is more interested in meeting their needs than in selling products
4. Consumers are willing to pay Financial Planners by means of commission and/or fees for the advice the Financial Planner renders
5. Consumerism trends now demands holistic planning to meet consumers' personal and financial objectives
6. Consumers display a demand for unbiased, comprehensive, intimate lifelong professional relationships with their Financial Planners

This study confirms that Financial Planners have a key competitive advantage to control their future roles in the distribution of professional financial advice. This positions them with a real opportunity to rethink financial planning and provides them with alternative business models rather than only life insurance and investment products. This is the key to the sustainable future of the Financial Planner's role in the financial planning industry in South Africa.

APENDICES

Questionnaire

Professional Financial Planning Survey

You have been selected to participate in an anonymous survey to establish **your experience, attitude** and **expectations in financial planning. It should take approximately 10 minutes of your time. You are free to withdraw from the survey at anytime.**

We are interested in the advice given to clients and your perception of your ideal relationship with your Financial Planner.

The result of this survey will establish the ideal business model in the distribution of financial planning and the type of products that benefit you directly.

It is therefore requested that you **answer these questions as accurately** as possible in order for the **results** of this survey to be used to create **a more professional financial planning industry that places your best interest at the core of any decision making.**

Researcher name: Ms Vimlesh Rajbansi **Tel**: 031-3000317
Supervisor name: Prof. W.E. Geach **Tel**: 031-570 2754
Name of University: GSB UKZN, Westville

Permission to use my responses for academic research
I herby give permission that my responses may be used for research purposes provided that my identity is not revealed in the published records of the research.
Initials and surname:______________________________
Signature:____________________

Kindly indicate your most appropriate response by marking your selection with a cross X.

Section A: My Personal Details are

Kindly mark the appropriate box with an X

I am:

Between 21-35	1	Bet 36-50	2	+51	3

My gender is:

Male	1	Female	2

My Marital status is:

Single	1	Married	2	divorced	3	widow/widower	4

No of children living with me:

One	1	Two	2	three	3	Other? How many	4	None	5

My ethnicity is:

Black	1	Colored	2	Indian	3	White	4

My Gross Annual Income range: Kindly mark X in the appropriate box

Between: R120 000 – R 200 000	1	Bet: R200 000 – R350 000	2
Bet: R350 000 – R 600 000	3	Bet: R600 000 – R1 million	4
+R1million	5		

My Liabilities (debt) range: (Home loans, motor vehicle financing, overdraft etc):

Between: R100 000 – R 200 000	1	Bet: R200 000 – R400 000	2
Bet: R400 000 – R 600 000	3	Bet: R600 000 – R1 million	4

+R1million	5

My Assets range (Property; investment; cash; bank deposits; shares; savings):

Between: R100 000 – R 200 000	1	Bet: R200 000 – R400 000	2
Bet: R400 000 – R 600 000	3	Bet: R600 000 – R1 million	4
+R1million	5	No assets	6
Have not calculated	7		

These assets are distributed in the following risk categories?

High risk	1	Moderate risk	2	low risk	3

How much of time do you spend on financial matters per month?

1-2 hours	1	2-3 hours	2	3-4 hrs	3	4-5hrs	4	none	5

Kindly mark **all the appropriate** (1 or more) boxes that indicate **your type of/ main source of income:**

Self employed professional	1
Salaried full time non-professional	2
Salaried full time professional	3
Self employed non-professional	4

My Occupation is:

Medical doctor	1	Specialized doctor	2	Dentist	3
Pharmacist	4	Manager	5	Accountant	6
Company director/executive	7	Other Specify			

Education: Mark your **highest educational qualification**

Matric /grade 12	1	3 year degree	2	Honours	3
Technikon	4	Doctorate	5	Postgraduate	6
Masters	7				

Would you say that your investment strategy is generally?

Aggressive: high risk	1	Moderately aggressive	2	Neither	3	Moderately cautious	4	Cautious Low risk	5

How would you profile yourself in one sentence?:

____

____

Section B: My reasons for and experience in financial planning

1. Have you begun any financial planning?

Yes	1	No	2

If you answered yes kindly proceed to **question 2** and **skip only question 3**

If no – skip only question 2 and proceed to question 3 onwards.

2. Reasons **why you began your financial planning**?

Mark any (1or more) appropriate boxes

Began a first job	1
Increase in salary/income	2
Married	3
Inheritance	4
Children	5
Family provisions and concern for their future	6
New car	7
Retirement concerns	8
Investment	9
Property purchase	10
Death in family	11
Health and associated risk concerns	12

3. If you **have not started your financial planning** – when you do, **will you begin your financial planning because you?**

Mark 1 or more of the most appropriate choice at this stage in your life

Began a first job	1
Increase in salary/income	2
Married	3
Inheritance	4
Children	5
Family provisions and concern for their future	6
New car	7
Retirement concerns	8
Investment	9
Property purchase	10
Death in family	11
Health and associated	12
Risk concerns	13

Would you use a Financial Planner when you do begin your planning?

Yes	1	No	2

4. **At this stage in your life what is your main financial planning focus?**

*Mark the most important selections **(1 or more)** that you feel is relevant /important to you at this stage in your life*

Manage/ reduce debt	1
Build an emergency fund	2
Save for home purchase	3
Reduce tax	4
Accumulate capital	5
Retirement planning	6
Provide for future medical aid fund	7
Generate income	8

5. **Mark the appropriate for each category relevant to you with an X**

EXAMPLE	Very often	Often	Neutral	Sometimes	Never
I cook my own curry	1	2	3	X 4	5

	Very often	Often	Neutral	Sometimes	Never
I worry about debt	1	2	3	4	5
I Fret about financial decisions If yes: What decisions?	1	2	3	4	5
Not confident in my control over my financial future	1	2	3	4	5
Satisfied with your financial decisions	1	2	3	4	5
Are more knowledgeable than others on financial planning issues	1	2	3	4	5
Make own financial decisions	1	2	3	4	5
I seek professional help with my finances	1	2	3	4	5
I would rather leave my financial planning to an expert	1	2	3	4	5

6. **Did you use a Financial Planner/planner in your planning, and if you have not begun your planning will you?**

Yes	1	No	2

Why?____

7. **What are your priorities for your financial goals?**

Mark an X with only one selection per category as indicated in the example below:

EXAMPLE	Decidedly important	Important	Neutral	Unimportant	Decidedly unimportant
To win the lottery	X 1	2	3	4	5

	Decidedly important	**Important**	**Neutral**	**Unimportant**	**Decidedly unimportant**
Manage/ reduce debt	1	2	3	4	5
Build a university/college fund	1	2	3	4	5
Provide for Retirement	1	2	3	4	5
Reduce tax payable	1	2	3	4	5
Accumulate capital/wealth	1	2	3	4	5
Will	1	2	3	4	5
Estate planning	1	2	3	4	5
Build emergency fund	1	2	3	4	5
Save for home purchase	1	2	3	4	5
Vacation/travel	1	2	3	4	5
Finance a college fund	1	2	3	4	5
Provide for medical needs	1	2	3	4	5

8. How would you rate **your financial knowledge and capabilities?**

	Fully capable	**Slightly capable**	**Average**	**incapable**	**Completely incapable**
Risk assurance: life, disability, medical aid	1	2	3	4	5
Retirement funds: pension, provident, retirement annuities	1	2	3	4	5
Investment: Savings, unit trusts, endowments, private investments	1	2	3	4	5
Stock markets: JSE, FTSE, NYSE	1	2	3	4	5
Property: residential, commercial	1	2	3	4	5

9. **Do you have a recent written plan?**

Yes	1	No	2	Uncertain	3

10. If you answered yes in Q.9 when did you draft your plan?

2005	1	2004	2	2003	3	2002	4	2001	5
2000	6	1999	7	1998	8	Cannot recall	9	N/A	10

11. Please indicate by marking with an X what *events/goals* your financial plan includes:

Mark 1 or more relevant categories:

Debt reduction goals	1
Cash goals	2
Retirement goals	3
Children educational goals	4
Own educational goals	5
Property goals	6
Business goals	7
Timeframe for achievement	8
Estate Liquidity	9
I do not have specific timeframes for the above goals	10

Other: please specify	11

12. Do you **use the internet for financial planning decision** and purchases?

Yes	1	No	2	N/A	3	Only internet banking	4

13. Do you use the **internet** for financial planning **purchases?**

Yes	1	No	2	N/A	3	Only internet banking	4

14. Did you use **a professional qualified Financial Planner/ planner?**

Yes	1	No	2	Unknown	3

Section C: My experience with a Financial Planner

Only complete this section if you have already began your financial planning.

*If you have **not begun any planning**, kindly skip this section & **proceed to Section D on page 10***

15. **Do you currently deal with a Financial Planner?**

Yes	1	No	2

If yes: is it just one?	If no: why don't you?

16. **How did you choose the planner/(s)?**

Indicate in which way you chose a planner? Mark X the appropriate answer

Planner contacted you	1
You contacted the planner	2
Referred by another person	3
Bank	4
N/A	5

Another – How?____

17. How **highly do your rate the advice of your current** or last Planner?

Mark only 1 response:

Exceptional	1	Very Good	2	Average	3	Below average	4	Poor	5

18. How would you rate the **abilities** of your planner or planners used in the past?

Exceptional	1	Very Good	2	Average	3	Below average	4	Poor	5

Why is that so?____

19. Will you continue to use the service of your existing Financial Planner?

Most likely	1	Likely	2	Neither likely nor unlikely	3	Unlikely	4	Very unlikely	5

Why?____

____

20. What is your **Service Experience** with a planner?

Mark one choice only

Exceptional	1	Very Good	2	Average	3	Below average	4	Poor	4

Why?____

Could it improve and what suggestions do you

have?____

____

____

Section D: My expectation of my Professional Financial Planner

21. Rank for each characteristic by ticking one choice per category on what will make you select a Financial Planner?

Mark an X with only one selection per category

	Decidedly important	Important	Not an issue	Unimportant	Decidedly unimportant
Trustworthy	1	2	3	4	5
Someone who listens	1	2	3	4	5
More interested in meeting needs than selling products	1	2	3	4	5
Good reputation	1	2	3	4	5
Expert in area	1	2	3	4	5
High level of professionalism	1	2	3	4	5
Reasonable cost	1	2	3	4	5
Client chooses degree of control in decision	1	2	3	4	5
Competent	1	2	3	4	5
Professional accreditation	1	2	3	4	5
Lifelong professional relationship	1	2	3	4	5

22. What standards would you seek in a professional Financial Planner?

Mark an X with only one selection per category

	Decidedly important	Important	Not an issue	Unimportant	Decidedly unimportant
Adherence to professional codes of ethics	1	2	3	4	5
Adherence to professional practice standards	1	2	3	4	5
Successful completion of certification exam	1	2	3	4	5
Successful completion of a curriculum specific to fin planning	1	2	3	4	5
Ongoing continuing education requirement	1	2	3	4	5
Practical experience over a length of time	1	2	3	4	5
Confidentiality	1	2	3	4	5

23. As you **value your professional capabilities** to earn your income that provides for the short term needs of you and your dependents, **would you** say that **you value professional advice** on how you plan for your future financially?

Mark **only 1** appropriate response:

Strongly agree	1
Mildly agree	2
Neither agree nor disagree	3
Mildly disagree	4
Strongly disagree	5

24. What **value** would you place on **professional unbiased advice**?

Mark only 1 appropriate choice:

Extremely high	1	High	2	Neither high nor low	3	Low	4	Extremely low	5

25. What do you think are the **benefits to you in engaging the services of a professional planner?**

Select any (1 or more) relevant responses:

Reliability	1
Convenience	2
Greater insight on financial planning and provisions	3
Fully informed of current financial position	4
Professional expert who gives proper advice	5
None of the above	6

26. Would it be **more convenient** if you could be offered ALL your financial planning from one source (person/company)?

Very Likely	1	Likely	2	Neither	3	Unlikely	4	Very unlikely	5

Why?____

27. Your Attitude toward Financial Planners

How do you **feel** about the following statement?

'My Financial Planner should **offer me comprehensive advice** that covers all aspects of my tax; life assurance; home and car insurance; investment; retirement and medical insurance'.

Mark only one of the appropriate answer:

Strongly agree	1	Mildly agree	2	Neither agree nor disagree	3	Mildly disagree	4	Strongly Disagree	5

28. Will you pay a **reasonable monthly fee** to a professional Financial Planner for specific levels of comprehensive financial advice and services **if it added real value to your financial goals?**

Very Likely	1	Likely	2	Neither	3	Unlikely	4	Very unlikely	5

29. Will you pay a reasonable **hourly fee** based on professional consultation and services rendered **if it added real value to your financial goals?**

Very Likely	1	Likely	2	Neither	3	Unlikely	4	Very unlikely	5

30. Will you pay a reasonable **commission** based only on products sold to you?

Very Likely	1	Likely	2	Neither	3	Unlikely	4	Very unlikely	5

31. Which **one** of the following **methods of remunerating a professional planner,** do you think will add value for professional unbiased advice on YOUR financial plan?

Mark only 1 selection:

Ongoing Fee (monthly by debit order for specific levels of comprehensive services) for ongoing planning with no obligation to 'buy' products of a company	1
Hourly fee on consultation: as and when consulted by professional	2
Commissions (deducted and dependent on your monthly investment/premium)	3

Why?____

____

32. Would you prefer to know the exact amount payable in Rand's and / percentages in Fees /commissions?

Very Likely	1	Likely	2	Neither	3	Unlikely	4	Very unlikely	5

33. What **other services** would you suggest that should be integrated into your current financial planning:?

Mark any (1 or more)

Basic Legal documents	
Property purchase advice (not sales) and facilitation of negotiations	
Banking and asset financing options advice	
Life planning: all financial decisions	
Educational planning and advice	
Tax strategy	
Business strategy	
IT strategy for business	

Are there any other suggestions/ recommendations that you would like to add to this survey to improve the distribution of professional financial advice?:

____

____

____

.......................................*End of questionnaire*...................................

We thank you for your time. Your participation in this survey will contribute tremendously in developing a professional financial planning industry which is valuable to all.

Should you wish for the results of this survey to be emailed to you kindly provide us with your email address: ____________________@____________________

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ADDENDUM 1

Table A1 Question A1: Respondent Age group

	Frequency	Percent	Valid Percent	Cumulative Percent
21 - 35 years	37	52.1	52.1	52.1
36 - 50 years	24	33.8	33.8	85.9
Above 50 years	10	14.1	14.1	100.0
Total	71	100.0	100.0	

Table A 2 Question A2 : Respondent Gender group

	Frequency	Percent	Valid Percent	Cumulative Percent
Male	40	56.3	56.3	56.3
Female	31	43.7	43.7	100.0
Total	71	100.0	100.0	

Table A 3 Question A3 : Respondent Marital Status

	Frequency	Percent	Valid Percent	Cumulative Percent
Single	19	26.8	26.8	26.8
Married	47	66.2	66.2	93.0
Divorced	5	7.0	7.0	100.0
Total	71	100.0	100.0	

Table A4 Question A4 : The Number of children living with you

	Frequency	Percent	Valid Percent	Cumulative Percent
1 child	15	21.1	21.1	21.1
2 childrens	17	23.9	23.9	45.1
3 childrens	7	9.9	9.9	54.9
None	32	45.1	45.1	100.0
Total	71	100.0	100.0	

Table A 5 Question A5 : Respondent Ethnic group

	Frequency	Percent	Valid Percent	Cumulative Percent
Black	9	12.7	12.7	12.7
Coloured	4	5.6	5.6	18.3
Indian	29	40.8	40.8	59.2
White	29	40.8	40.8	100.0
Total	71	100.0	100.0	

Table A6 Question A6 : Respondent Annual Income range

	Frequency	Percent	Valid Percent	Cumulative Percent
R 120 000 - R 200 000	28	39.4	39.4	39.4
R 200 001 - R 350 000	21	29.6	29.6	69.0
R 350 001 - R 600 000	13	18.3	18.3	87.3
R 600 001 - R 1 Million	6	8.5	8.5	95.8
Above 1 Million	3	4.2	4.2	100.0
Total	71	100.0	100.0	

Table A7 Question A7 : Respondent Liabilities (debt) range

	Frequency	Percent	Valid Percent	Cumulative Percent
R 100 000 - R 200 000	33	46.5	46.5	46.5
R 200 001 - R 400 000	16	22.5	22.5	69.0
R 400 001 - R 600 000	7	9.9	9.9	78.9
R 600 001 to R 1 Million	6	8.5	8.5	87.3
Above 1 Million	4	5.6	5.6	93.0
Not applicable	3	4.2	4.2	97.2
Nil	2	2.8	2.8	100.0
Total	71	100.0	100.0	

Table A 8 Question A8 : Your Assets (Home, Property, Investment, Cash, Bank deposits, Shares) range

	Frequency	Percent	Valid Percent	Cumulative Percent
R 100 000 – R 200 000	14	19.7	19.7	19.7
R 200 001 – R 400 000	7	9.9	9.9	29.6
R 400 001 – R 600 000	3	4.2	4.2	33.8
R 600 001 to R 1 Million	6	8.5	8.5	42.3
Above 1 Million	28	39.4	39.4	81.7
No Assets	6	8.5	8.5	90.1
Have not Calculated	7	9.9	9.9	100.0
Total	71	100.0	100.0	

Table A 9 Question A9 : These assets are distributed in the following risk categories

		Frequency	Percent	Valid Percent	Cumulative Percent
	Moderate risk	24	33.8	35.8	35.8
	Low risk	41	57.7	61.2	97.0
	Not applicable	2	2.8	3.0	100.0
	Total	67	94.4	100.0	
Missing	System	4	5.6		
Total		71	100.0		

Table A10 Question A 10 : How much of time do you spend on financial matters per month

	Frequency	Percent	Valid Percent	Cumulative Percent
1 - 2 hrs	37	52.1	52.1	52.1
2.1 – 3 hrs	9	12.7	12.7	64.8
3.1 – 4 hrs	6	8.5	8.5	73.2
4.1 – 5 hrs	6	8.5	8.5	81.7
None	13	18.3	18.3	100.0
Total	71	100.0	100.0	

Table A11 Question A11 : Your type of main source of income

	Frequency	Percent	Valid Percent	Cumulative Percent
Self employed professional	9	12.7	12.7	12.7
Salaried full time non -professional	14	19.7	19.7	32.4
Salaried full time professional	45	63.4	63.4	95.8
Self employed non professional	2	2.8	2.8	98.6
1&3	1	1.4	1.4	100.0
Total	71	100.0	100.0	

Table A12 Question A12 : Your Occupation

	Frequency	Percent	Valid Percent	Cumulative Percent
Medical doctor	18	25.4	25.4	25.4
Specialized doctor	11	15.5	15.5	40.8
Dentist	1	1.4	1.4	42.3
Manager	8	11.3	11.3	53.5
Accountant	7	9.9	9.9	63.4
Other	26	36.6	36.6	100.0
Total	71	100.0	100.0	

Table A 13 Question A13 : Your highest educational qualification

	Frequency	Percent	Valid Percent	Cumulative Percent
Matric	9	12.7	12.7	12.7
Degree	11	15.5	15.5	28.2
Honours	8	11.3	11.3	39.4
Technikon	5	7.0	7.0	46.5
Masters	23	32.4	32.4	78.9
Doctorate	2	2.8	2.8	81.7
Post graduation	13	18.3	18.3	100.0
Total	71	100.0	100.0	

Table A14 Question A14: Would you say that your investment strategy is generally

	Frequency	Percent	Valid Percent	Cumulative Percent
Moderately Aggressive	18	25.4	25.4	25.4
Neither	14	19.7	19.7	45.1
Moderately Cautious	28	39.4	39.4	84.5
Cautious Low risk	11	15.5	15.5	100.0
Total	71	100.0	100.0	

Comparison Stats

B5.4: Satisfied with your financial decisions * A2 : Respondent Gender group Cross tabulation

% of Total

		A2 : Respondent Gender group		
		Male	Female	Total
B5.4: Satisfied with your financial decisions	Very often	2.8%	4.2%	7.0%
	Often	22.5%	15.5%	38.0%
	Neutral	11.3%	8.5%	19.7%
	Sometimes	16.9%	12.7%	29.6%
	Never	2.8%	2.8%	5.6%
Total		56.3%	43.7%	100.0%

Table B5.6: Make own financial decisions * A1: Respondent Age group Crosstabulation

% of Total

		A1: Respondent Age group			
		21 - 35 years	36 - 50 years	Above 50 years	Total
B5.6: Make own financial decisions	Very often	7.4%	4.4%	5.9%	17.6%
	Often	13.2%	10.3%	2.9%	26.5%
	Neutral	8.8%	5.9%	4.4%	19.1%
	Sometimes	23.5%	10.3%		33.8%
	Never	1.5%	1.5%		2.9%
Total		54.4%	32.4%	13.2%	100.0%

Table B5.7: I seek professional help with my finances * A1: Respondent Age group Crosstabulation

% of Total

		A1: Respondent Age group			
		21 - 35 years	36 - 50 years	Above 50 years	Total
B5.7: I seek professional help with my finances	Very often	7.0%	2.8%	1.4%	11.3%
	Often	15.5%	22.5%		38.0%
	Neutral	7.0%	4.2%	1.4%	12.7%
	Sometimes	16.9%	2.8%	8.5%	28.2%
	Never	5.6%	1.4%	2.8%	9.9%
Total		52.1%	33.8%	14.1%	100.0%

Table B6: Did you use a financial Financial Planner/planner in your planning, and if you have not begun your planning will you * A2 : Respondent Gender group Crosstabulation

% of Total

		A2 : Respondent Gender group		
		Male	Female	Total
B6: Did you use a financial Financial Planner/planner in your planning, and if you have not begun your planning will you	Yes	46.3%	35.8%	82.1%
	No	11.9%	6.0%	17.9%
Total		58.2%	41.8%	100.0%

Table B7.1: Manage/ reduce debt * A2 : Respondent Gender group Crosstabulation

% of Total

		A2 : Respondent Gender group		
		Male	Female	Total
B7.1: Manage/ reduce debt	Decidedly Important	31.3%	11.9%	43.3%
	Important	20.9%	25.4%	46.3%
	Neutral	1.5%		1.5%
	Unimportant		4.5%	4.5%
	Decidedly Unimportant	4.5%		4.5%
Total		58.2%	41.8%	100.0%

Table B7.9 Save for home purchase * A1: Respondent <u>Age group</u> Crosstabulation

% of Total

		A1: Respondent Age group			
		21 - 35 years	36 - 50 years	Above 50 years	Total
B7.9: Save for home purchase	Decidedly Important	13.6%	1.7%	1.7%	16.9%
	Important	25.4%	5.1%		30.5%
	Neutral	15.3%	15.3%		30.5%
	Unimportant	1.7%	5.1%	6.8%	13.6%
	Decidedly Unimportant	1.7%	3.4%	3.4%	8.5%
Total		57.6%	30.5%	11.9%	100.0%

Table B.9 : Do you have a recent written plan * A1: Respondent Age group Crosstabulation

% of Total

		A1: Respondent Age group			Total
		21 - 35 years	36 - 50 years	Above 50 years	
B9: Do you have a recent written plan	Yes	18.3%	19.7%	2.8%	40.8%
	No	28.2%	11.3%	11.3%	50.7%
	Uncertain	5.6%	2.8%		8.5%
Total		52.1%	33.8%	14.1%	100.0%

Younger participants do not have a written plan.

Table C15: Do you currently deal with a financial Financial Planner * A1: Respondent Age group Crosstabulation

% of Total

		A1: Respondent Age group			Total
		21 – 35 years	36 - 50 years	Above 50 years	
C15: Do you currently deal with a financial Financial Planner	Yes	40.6%	28.1%	3.1%	71.9%
	No	9.4%	4.7%	9.4%	23.4%
	Not applicable	3.1%	1.6%		4.7%
Total		53.1%	34.4%	12.5%	100.0%

Table D28: Will you pay a reasonable monthly fee to a professional Financial Planner for specific levels of comprehensive financial advice and services * A1: Respondent Age group Crosstabulation

% of Total

		A1: Respondent Age group			Total
		21 - 35 years	36 - 50 years	Above 50 years	
D28: Will you pay a reasonable monthly fee to a professional Financial Planner for specific levels of comprehensive financial advice and services	Very likely	12.7%	8.5%	4.2%	25.4%
	Likely	25.4%	21.1%	9.9%	56.3%
	Neither	1.4%	2.8%		4.2%
	Unlikely	8.5%	1.4%		9.9%
	Very unlikely	4.2%			4.2%
Total		52.1%	33.8%	14.1%	100.0%

Table D29: Will you pay a reasonable hourly fee based on professional consultation and services

rendered if it added real value to your financial goals * A1: Respondent Age group Crosstabulation

% of Total

		A1: Respondent Age group			Total
		21 - 35 years	36 - 50 years	Above 50 years	
D29: Will you pay a reasonable hourly fee based on professional consultation and services rendered if it added real value to your financial goals	Very likely	11.3%	8.5%	2.8%	22.5%
	Likely	22.5%	22.5%	11.3%	56.3%
	Neither	7.0%	1.4%		8.5%
	Unlikely	5.6%	1.4%		7.0%
	Very unlikely	5.6%			5.6%
Total		52.1%	33.8%	14.1%	100.0%

Table D30: Will you pay a reasonable commission based only on products sold to you * A1: Respondent Age group Crosstabulation

% of Total

		A1: Respondent Age group			Total
		21 – 35 years	36 - 50 years	Above 50 years	
D30: Will you pay a reasonable commission based only on products sold to you	Very likely	9.9%	7.0%		16.9%
	Likely	32.4%	25.4%	7.0%	64.8%
	Neither	2.8%		1.4%	4.2%
	Unlikely	5.6%	1.4%	2.8%	9.9%
	Very unlikely	1.4%		2.8%	4.2%
Total		52.1%	33.8%	14.1%	100.0%

Table D31: Which one of the following methods of remunerating a professional planner, do you think will add value for professional unbiased advice on your financial plan * A1: Respondent Age group Crosstabulation

% of Total

		A1: Respondent Age group			Total
		21 - 35 years	36 - 50 years	Above 50 years	
D31: Which one of the following methods of remunerating a professional planner, do you think will add value for professional unbiased advice on your financial plan	Ongoing Fee	5.6%	12.7%	7.0%	25.4%
	Hourly Fee	16.9%	11.3%	5.6%	33.8%
	Commissions	29.6%	9.9%	1.4%	40.8%
Total		52.1%	33.8%	14.1%	100.0%

ADDENDUM 2: ANNOVA TESTS

ANOVA STATISTICS AGE GROUPS:

Table E 1

ANOVA

		Sum of Squares	df	Mean Square	Sig.
A14	Between Groups	5.709	2	2.855	.069
	Within Groups	69.868	68	1.027	
	Total	75.577	70		
B5.1	Between Groups	4.092	2	2.046	.267
	Within Groups	103.401	68	1.521	
	Total	107.493	70		
B5.2	Between Groups	.680	2	.340	.788
	Within Groups	96.869	68	1.425	
	Total	97.549	70		
B5.3	Between Groups	3.639	2	1.820	.360
	Within Groups	113.890	65	1.752	
	Total	117.529	67		
B5.4	Between Groups	2.574	2	1.287	.343
	Within Groups	80.525	68	1.184	
	Total	83.099	70		
B5.5	Between Groups	3.196	2	1.598	.323
	Within Groups	94.663	68	1.392	
	Total	97.859	70		
B5.6	Between Groups	8.557	2	4.278	.044
	Within Groups	85.135	65	1.310	
	Total	93.691	67		
B5.7	Between Groups	15.953	2	7.976	.004
	Within Groups	89.906	68	1.322	
	Total	105.859	70		
B5.8	Between Groups	3.388	2	1.694	.259
	Within Groups	83.541	68	1.229	
	Total	86.930	70		

Table E 2

ANOVA

		Sum of Squares	df	Mean Square	Sig.
C17	Between Groups	4.717	2	2.358	.044
	Within Groups	37.783	53	.713	
	Total	42.500	55		
C18	Between Groups	3.865	2	1.933	.096
	Within Groups	39.267	50	.785	
	Total	43.132	52		
C19	Between Groups	25.013	2	12.506	.000
	Within Groups	69.824	52	1.343	
	Total	94.836	54		
C20	Between Groups	5.513	2	2.756	.075
	Within Groups	54.803	54	1.015	
	Total	60.316	56		

Table E 3

ANOVA

		Sum of Squares	df	Mean Square	Sig.
D22.1	Between Groups	.444	2	.222	.234
	Within Groups	10.176	68	.150	
	Total	10.620	70		
D22.2	Between Groups	.469	2	.235	.235
	Within Groups	10.770	68	.158	
	Total	11.239	70		
D22.3	Between Groups	.223	2	.111	.774
	Within Groups	29.439	68	.433	
	Total	29.662	70		
D22.4	Between Groups	1.105	2	.552	.250
	Within Groups	26.557	68	.391	
	Total	27.662	70		
D22.5	Between Groups	.126	2	.063	.835
	Within Groups	22.639	65	.348	
	Total	22.765	67		
D22.6	Between Groups	.557	2	.278	.344
	Within Groups	16.664	65	.256	
	Total	17.221	67		
D22.7	Between Groups	.026	2	.013	.951
	Within Groups	17.411	68	.256	
	Total	17.437	70		

Table E 4

ANOVA

		Sum of Squares	df	Mean Square	Sig.
D23	Between Groups	8.231	2	4.116	.002
	Within Groups	39.679	64	.620	
	Total	47.910	66		
D24	Between Groups	1.599	2	.800	.110
	Within Groups	23.866	68	.351	
	Total	25.465	70		
D26	Between Groups	6.791	2	3.395	.025
	Within Groups	59.181	68	.870	
	Total	65.972	70		
D27	Between Groups	3.915	2	1.958	.129
	Within Groups	63.014	68	.927	
	Total	66.930	70		
D28	Between Groups	4.733	2	2.366	.109
	Within Groups	70.366	68	1.035	
	Total	75.099	70		
D29	Between Groups	6.558	2	3.279	.046
	Within Groups	69.414	68	1.021	
	Total	75.972	70		
D30	Between Groups	10.687	2	5.344	.003
	Within Groups	56.552	68	.832	
	Total	67.239	70		
D32	Between Groups	.184	2	.092	.646
	Within Groups	14.211	68	.209	
	Total	14.394	70		

ANOVA MARITAL STATUS

Table E 5

ANOVA

		Sum of Squares	df	Mean Square	Sig.
A14	Between Groups	2.234	2	1.117	.361
	Within Groups	73.343	68	1.079	
	Total	75.577	70		
B5.1	Between Groups	5.088	2	2.544	.192
	Within Groups	102.405	68	1.506	
	Total	107.493	70		
B5.2	Between Groups	.112	2	.056	.962
	Within Groups	97.437	68	1.433	
	Total	97.549	70		
B5.3	Between Groups	4.265	2	2.132	.301
	Within Groups	113.265	65	1.743	
	Total	117.529	67		
B5.4	Between Groups	.341	2	.171	.869
	Within Groups	82.757	68	1.217	
	Total	83.099	70		
B5.5	Between Groups	.667	2	.334	.792
	Within Groups	97.192	68	1.429	
	Total	97.859	70		
B5.6	Between Groups	.222	2	.111	.926
	Within Groups	93.469	65	1.438	
	Total	93.691	67		
B5.7	Between Groups	1.397	2	.699	.636
	Within Groups	104.462	68	1.536	
	Total	105.859	70		
B5.8	Between Groups	.020	2	.010	.992
	Within Groups	86.910	68	1.278	
	Total	86.930	70		

Table E 6

ANOVA

		Sum of Squares	df	Mean Square	Sig.
B8.1	Between Groups	3.874	2	1.937	.244
	Within Groups	91.449	68	1.345	
	Total	95.324	70		
B8.2	Between Groups	2.666	2	1.333	.380
	Within Groups	92.292	68	1.357	
	Total	94.958	70		
B8.3	Between Groups	4.168	2	2.084	.202
	Within Groups	86.564	68	1.273	
	Total	90.732	70		
B8.4	Between Groups	3.091	2	1.546	.311
	Within Groups	88.571	68	1.303	
	Total	91.662	70		
B8.5	Between Groups	4.802	2	2.401	.100
	Within Groups	68.662	68	1.010	
	Total	73.465	70		

Table E 7

ANOVA

		Sum of Squares	df	Mean Square	Sig.
C17	Between Groups	.369	2	.185	.794
	Within Groups	42.131	53	.795	
	Total	42.500	55		
C18	Between Groups	.175	2	.087	.904
	Within Groups	42.958	50	.859	
	Total	43.132	52		
C19	Between Groups	.626	2	.313	.842
	Within Groups	94.211	52	1.812	
	Total	94.836	54		
C20	Between Groups	.316	2	.158	.868
	Within Groups	60.000	54	1.111	
	Total	60.316	56		

Table E 8

ANOVA

		Sum of Squares	df	Mean Square	Sig.
D23	Between Groups	1.016	2	.508	.504
	Within Groups	46.894	64	.733	
	Total	47.910	66		
D24	Between Groups	.016	2	.008	.979
	Within Groups	25.449	68	.374	
	Total	25.465	70		
D26	Between Groups	2.028	2	1.014	.346
	Within Groups	63.944	68	.940	
	Total	65.972	70		
D27	Between Groups	3.863	2	1.932	.132
	Within Groups	63.067	68	.927	
	Total	66.930	70		
D28	Between Groups	14.496	2	7.248	.001
	Within Groups	60.603	68	.891	
	Total	75.099	70		
D29	Between Groups	12.331	2	6.165	.002
	Within Groups	63.641	68	.936	
	Total	75.972	70		
D30	Between Groups	1.121	2	.561	.565
	Within Groups	66.118	68	.972	
	Total	67.239	70		
D32	Between Groups	.285	2	.142	.507
	Within Groups	14.110	68	.207	
	Total	14.394	70		

Table E 9

ANOVA

		Sum of Squares	df	Mean Square	Sig.
A14	Between Groups	.605	3	.202	.909
	Within Groups	74.972	67	1.119	
	Total	75.577	70		
B5.1	Between Groups	2.743	3	.914	.627
	Within Groups	104.750	67	1.563	
	Total	107.493	70		
B5.2	Between Groups	11.913	3	3.971	.032
	Within Groups	85.636	67	1.278	
	Total	97.549	70		
B5.3	Between Groups	13.470	3	4.490	.049
	Within Groups	104.060	64	1.626	
	Total	117.529	67		
B5.4	Between Groups	2.034	3	.678	.643
	Within Groups	81.064	67	1.210	
	Total	83.099	70		
B5.5	Between Groups	6.832	3	2.277	.180
	Within Groups	91.027	67	1.359	
	Total	97.859	70		
B5.6	Between Groups	6.632	3	2.211	.192
	Within Groups	87.060	64	1.360	
	Total	93.691	67		
B5.7	Between Groups	7.944	3	2.648	.153
	Within Groups	97.915	67	1.461	
	Total	105.859	70		
B5.8	Between Groups	8.042	3	2.681	.088
	Within Groups	78.888	67	1.177	
	Total	86.930	70		

Table E 10

ANOVA

		Sum of Squares	df	Mean Square	Sig.
C17	Between Groups	4.524	3	1.508	.116
	Within Groups	37.976	52	.730	
	Total	42.500	55		
C18	Between Groups	4.855	3	1.618	.116
	Within Groups	38.277	49	.781	
	Total	43.132	52		
C19	Between Groups	4.735	3	1.578	.451
	Within Groups	90.101	51	1.767	
	Total	94.836	54		
C20	Between Groups	6.442	3	2.147	.110
	Within Groups	53.873	53	1.016	
	Total	60.316	56		

ETHICAL CLEARANCE

UNIVERSITY OF KWAZULU-NATAL

RESEARCH OFFICE (GOVAN MBEKI CENTRE)
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22 NOVEMBER 2006

MS. V RAJBANSI (202526751)
MANAGEMENT STUDIES

Dear Ms. Rajbansi

ETHICAL CLEARANCE APPROVAL NUMBER: HSS/06730A

I wish to confirm that ethical clearance has been granted for the following project:

> **"To assess the changing role of the financial planner within the financial planning industry and based on a research study of consumers experience, expectation and perceptions combined with transformation to make recommendations on the future role of such financial planners."**

Yours faithfully

MS. PHUMELELE XIMBA
RESEARCH OFFICE

cc. Faculty Office (Christel Terblanche)
cc. Supervisor (Marc Salence)