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# FINANCIAL PLANNING RESEARCH JOURNAL

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## Aims and objectives

With an increasing emphasis on individual capability in personal financial management as well as an increased focus on consumer protection and professionalism in financial services, growing the research base for financial planning has never been more important.

The financial planning profession needs an academic platform for discourse on the issues of individual personal financial planning and wealth management, where issues of practice and policy can be debated with rigour, independence and evidence. Prior to the *Financial Planning Research Journal* (FPRJ), no journals fitted into this niche to provide a forum for dissemination of research in the specific area of personal finance and investments in the Australian context.

The context of personal finance and investments for Australia is different from the rest of the developed economies because of the presence of mandatory superannuation, a large managed funds pool, unique characteristics of Australia's investment environment as well as our demographic profile, and a strong, but increasingly pressured, social security system. Because of these factors international journals in the area of personal finance and/or investments may not suit an Australian audience. In addition, the rapid developments in regulatory and professional standards within the context of personal finance suggest there should be some interest in, and need for, independent, peer-reviewed research in this area.

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Authors should submit complete papers that do not exceed 5,000 words not including the title page, abstract, tables, figures, charts, footnotes and reference list. The word count must be stated on the title page. Papers should be original works that are not published or under review at another journal.

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Other submission requirements include:

- The title page should include a concise and informative title; the names and affiliations of all authors; the name, mailing address, telephone number, fax number, and email address of the author (or corresponding author, if more than one author); word count; and any acknowledgments to those who assisted the authors, in a footnote asterisked to the title.
- The second page should repeat the title so that papers may be refereed anonymously. This page should also include an abstract and up to five keywords. The text of the article should begin on the third page.
- The abstract (not more than 100 words) should highlight the paper's relevance to the area of financial planning.
- Manuscripts should be submitted in Microsoft Word format, use 1.5 spacing, A4 paper size, 11 point Arial font, 2.5 cm margins on all sides, and be left-aligned (not justified). Number all pages consecutively beginning with the title page.
- Non-English words, such as et al., ex-post, ad hoc, per capita, Zeitgeist, or au fait, should be italicised.
- Full stops and question marks should be followed by a single space.
- Tables and figures should be located at the end of the article. Make it clear where tables are to be inserted in the text, for example, (Table 1 here).
- The preferred referencing style is based on the 'AGPS Harvard referencing system'.

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### In-text citations

Ideas and work referenced from other sources are indicated by placing the author's surname and the date of publication in brackets. If possible, you should also give the page number. When an author has published more than one cited document in the same year, these are distinguished by adding lower case letters (a, b, c, etc.) to the year. For example, Jones (2010a) discussed the subject…

- Single author examples:
  Teachers help each student with their individual interpretation of understanding (Fetherston 2007, p. 61).

  Fetherston (2007, p. 61) claims that teachers 'suggest ways of looking at the new material'.
- Two or three authors examples:
  The advantages of using proxy mode… (Kakadia & DiMambro 2004, p. 80).
  Douglas, Papadopoulos and Boutelle (2009, p. 11) dispute the claim…
- More than three authors examples:
  Industry best practice (Beer et al. 2012, p. 54) suggests that
  Beer et al. (2012, p. 54) when discussing industry best practice…

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Place the reference list on a new page at the end of your paper and centre the heading of "References". List references alphabetically A-Z by first author's surname. List works with no author under the first significant word of the title and list multiple works by the same author from oldest to newest by date. Add a lower case letter immediately after the year for multiple works by the same author in the same year, for example, (2000a, 2000b, 2000c).

Examples:

- Book—print: Fetherston, T 2007, Becoming an effective teacher, Thomson Learning, South Melbourne.
- Book chapter—print: Sherren, K 2006, 'Pillars of society: the historical context for sustainability and higher education in Australia', in W Filho & D Carpenter (eds), Sustainability in the Australasian university context, Peter Lang, Frankfurt, pp. 11-32.
- Journal article—print: Leonard, V & LeBrasseur, R 2008, 'Individual assignments and academic dishonesty: exploring the conundrum', The Australian Educational Researcher, vol. 35, no. 1, pp. 37-56.
- Web page: National Library of Australia 2010, About the National Library, National Library of Australia, viewed 30 March 2010, <http://www.nla.gov.au>.

## From the editors

First, we hope you're well. Since the last edition in mid-2020, the global pandemic has raged on and been joined with fires, floods, war and a change of Government in Australia. The impact of this has been significant personally and professionally, economically, and socially for all. As we draft this editorial inflation is rising with interest rates following, and the consequent correction in the equity and property markets. The unprecedented comes to mind, but it is worth noting that many familiar things are again in the mix. Another advice review is underway, new adviser 'associations' have emerged, re-regulation is on the books for some areas as we await the outcomes of consultation processes, and lobbyists clamour for audience with the new Ministers. As Tahn Sharpe (Professional Planner) argued in the weekend summary article (19 June), it is time to move to a 'collaborative age' with the industry to become 'less divisive and more united'. Interestingly the very next day the three lead articles (20 June) covered (1) the FPA's view that there is no simple metric for the value of advice, warning against simple checklists (think BID) in the quest to simplify advice regulation; (2) the SIAA calling for RG146 style regulatory segregation of types of advisers; and (3) the AFA calling for consumer protection to vary with the risk of the advice. A united voice and vision for the future advice profession still seems far away.

Yet, talking to advisers most tell a story of business never being better with high advice demand, increasing client satisfaction, more referrals than can be accommodated, increasing professionalism on the ground (where it counts) and thus significant opportunities for growth. This has also led to the restarting of a rush for talent across all role types. Some have said – 'it has never been better'.

It is certainly a crazy world right now.

With this backdrop, we deliver the next edition of FPRJ, the research journal of the Financial Planning Association of Australia. This edition contains four papers covering topics such as theoretical frameworks and practical tools from the management literature of use for advice professionals, the role of communication and technology in advice relationships, psychological reactions to the pandemic and impact of this on planning for the future financially, and the role of advice in a crisis – all related one way or another to the last few years of COVID-19.

In the first article, William Kline and colleagues explore frameworks and tools from the management literature that should be of use to financial advice practitioners. This aims to provide the necessary understanding of these analytical tools such that it can be utilised in a range of advice areas including portfolio management and practice management.

The second paper, by Nat Daley and Katherine Hunt, empirically explore the impact of technology on advice, in the context of the global pandemic, by surveying clients and advisers. They find some divergence of views between clients and planners with planners underestimating client confidence and the importance placed on both communication and investment returns, relative to other factors such as relationship quality.

The third article by Kym Irving, explores the impact of the pandemic on individuals and generations in terms of factors such as financial stress, mental distress, and risk tolerance. The paper explores if the pandemic has induced a 'turning point' that has altered underlying values, perceptions and behaviours of individuals which could impact on client goal setting and risk tolerance (for example).

The final article, by Ellana Loy and colleagues, explores the literature on crises and the potential role of advice during such times (including the pandemic) and how the value of advice may change during such periods. Drawing inferences from the literature, they argue that a more sophisticated approach to client-professional relationships is needed due to the positive impact of advice on client wellbeing during such times.

We hope you enjoy reading this edition of the FPRJ. Our thanks to the new FPRJ Editorial Board, our colleagues at the FPA, our editorial and design team, and the various other contributors to this edition. We look forward to bringing you the next edition later this year and thank you for your advocacy in spreading the good word about the journal!

*Professor Mark Brimble and Dr Michelle Cull*

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# MANAGEMENT FRAMEWORKS AND METHODS: PERSPECTIVES AND TOOLS FOR FINANCIAL SERVICE PROFESSIONALS

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## ABSTRACT

In this paper, we highlight theoretical frameworks and practical tools in the management literature, which offer valuable perspectives for financial service professionals. More specifically, we review the core logic related to the creation of competitive advantage, as well as the necessary foundations for the application of readily-available analytical tools such as data envelopment analysis (DEA). We then integrate these foundations with the financial services landscape so that financial service professionals can leverage their understanding in areas of stock selection, portfolio management, data analytics, and practice management.

## Introduction

Competitive advantage stems from a firm's ability to create a unique value proposition for a specific customer segment (Porter, 1985). In order to create uniqueness, firm decision-makers generally allocate company resources to market-based activities such as research, marketing, and customer service (Ghemawat *et al.*, 1998). If done optimally, firms turn these activities into an insight or experience that creates unique value, which customers reward with a one-time purchase or ongoing relationship, thus providing a return on investment (ROI) and advantage versus industry rivals. However, in the hyper-competitive financial services marketplace, sustainable differentiation of services, which generally consist of some form of technical advice (e.g., tax, legal, insurance), report (e.g., valuation, economic damages), or transaction execution (e.g., stock purchase/sale, insurance contract) is quite difficult. It is against this backdrop that this paper integrates theoretical management foundations and tools with the financial services landscape. An understanding in these areas will help financial service professionals (FSPs) evaluate investment alternatives for clients while also offering valuable insights for practice management.

The contributions in this paper are four-fold. First, core management principles and tools that apply to FSPs when providing services to their clients are discussed. For example, by understanding the core drivers of competitive advantage, FSPs will be better equipped to identify undervalued individual stocks. In short, if FSPs recommend investment in firms with current or future sustainable competitive advantage for client portfolios it should theoretically lead to superior client stock returns. This knowledge can also be applied in a host of other areas beyond individual stock selection, such as asset allocation with sector rotation tactics, hedge fund selection, or private equity investment. Second, this article contributes to the dialogue on financial services practice management. Applying principles about competitive advantage to FSP practices should help to shape investment decision-making of firm partners or principals. More specifically, being able to identify drivers of uniqueness in the marketplace should guide specific firm-level investment in employee training programs, marketing, and branding initiatives, research techniques, and customer service procedures. Third, the theories and tools discussed in this paper are generally ignored in the financial services space. This lack of attention is likely due to the fact these topics are not typically covered in finance programs at universities or in industry-standard education. As such, this paper attempts to fill a critical knowledge gap in the financial services industry. Fourth, and perhaps most importantly, data envelopment analysis (DEA), the main analytical tool in this paper, allows advisors to incorporate complementary measures, financial and non-financial (i.e., environment, social responsibility, and governance (ESG) into custom portfolios reflecting client desires and needs.

The rest of the paper is organized as follows. The paper begins with brief reviews of the literature on competitive advantage and data envelopment analysis, followed by discussions about how to apply management logic and DEA in the financial services space, respectively. Finally, a general discussion and conclusion are provided.

## An Introduction to Theories of Competitive Advantage

The Resource-Based View (RBV) is rooted in the seminal work of Edith Penrose (1959), which asserts that firm resources such as internal teams, processes, and assets drive firm success. According to Wernerfelt (1984), Barney (1991), Peteraf (1993) and others, resources are firm-controlled tangible and intangible assets, which include physical resources (i.e., plant and equipment, raw materials)

(Williamson, 1975), human capital resources (i.e., insight, training processes) (Becker, 1964), and organizational capital resources (i.e., structure, corporate controls, culture) (Tomer, 1987). These resources, therefore, are the foundation for competition in the marketplace. Accordingly, the goal of the management team is to develop its resource portfolio in a way that creates a unique value proposition. This resource development occurs through either acquisition, internal development, or partnership with outside entities.

Wernerfelt (1984) and Barney (1991) helped to popularize RBV by effectively articulating the fundamental assumptions in the RBV framework, which posits that firm resource differences are potentially a source of superior firm performance. The RBV explains how firms can extract "rent" and develop sustainable competitive advantage through the development of firm resources which are valuable (i.e., create value that customers will pay for), rare (i.e., not readily available), inimitable (i.e., duplication is not possible), and non-substitutable (i.e., an alternative is not available), collectively forming the VRIN framework (Barney, 1991). In other words, firms should seek to develop resources that enable the formation of "resource position barriers" which are analogous to entry barriers (Wernerfelt, 1984). Resources with position barriers provide some protection from industry forces while contributing to a firm's strategic intent (Brown, 2015; Brown & Kline, 2020). Not surprisingly, human capital resources and organizational capital resources have arguably interested scholars the most. This interest stems from research suggesting that off-the-shelf components should not yield a competitive advantage, but rather that intangible assets, which require internal development (i.e., training practices and cultural development) are more significant value generators (Conner, 1991).

Extending this theme, management theorists have developed a related theory about competitive advantage called the Knowledge-Based View (KBV). KBV theorists posit that knowledge is the preeminent productive resource (Grant, 1997). Knowledge-based resources are often critical intangible resources that contribute to competitive advantage as firms invest in practices that encourage creativity, innovation, and systematic knowledge dissemination (Curado and Bontis, 2006; Winter and Szulanski, 1999).

Researchers argue that individuals and firms utilize knowledge, explicit (i.e., things that are codifiable), and tacit (i.e., know-how created through our experiences), in order to compete effectively. Explicit knowledge can be written down and easily transferred. As an example, consider a simple set of steps to follow in a recipe for making pasta. This information can be transferred and successfully utilized by most members of our society without much effort or error. Now consider a world-renowned chef cooking a signature dish. To explain how to replicate the signature dish, the chef will need to write down the necessary steps (i.e., order and measurement of ingredients) and a series of if-then statements based on his/her experience. As dishes increase in complexity, it becomes less likely that the chef will capture all factors that could cause variation in the finished product. In real-time, the expert chef adjusts based on "gut instincts" that resulted from thousands of other dishes prepared over time. The integration of facts (i.e., the base recipe) and experience captures the inherent nature of the task and provides a basis for advantage for the chef. Simply put, the knowledge in the chef's mind is difficult to copy. Consistent with this theme, KBV theorists assert that a competitive advantage rests in the ability to create and disseminate codifiable and tacit knowledge, at various levels of the organization, as well as the firm's ability to appropriate the value generated from it (Coff, 1999).

## Why Should FSPs Embrace RBV and KBV?

There are two primary reasons why FSPs should embrace RBV and KBV (collectively, theories about competitive advantage). First, the theoretical foundations provide a blueprint for practitioners to follow in their quest for competitive advantage. Resources that are hard to copy lead to firm advantages that drive market share, cash flow, and valuation. Understanding the source of advantage contributes to the analysis of firms in the marketplace. By using this logic, asset managers will be in a better position to identify firms with resource positions that are defendable, thus providing substantial long-term investment opportunities for their client portfolios. Second, RBV and KBV logic contributes to the practice management dialogue and helps managers formulate competitive moves (Zane & Kline, 2017). The central tenets of these theories help management teams to build the optimal firm infrastructure for competition. As experts in their industry, top management teams (TMTs) identify unique resource positions and create asset allocation plans for the development of such resources.

## How Can FSPs Apply Theory in Practice?

In order to develop competitive advantage in practice, managers must first embrace the following perspective: a firm is a portfolio of assets. As FSPs embrace this view, they will more likely see and isolate the core resources that underly the way investible firms can compete. Recent work on firm-level performance by Andonova and Ruiz-Pava (2016) showed that measures of intangible assets like brands, patents, and know-how were positively correlated with firm performance (i.e., return on assets and return on sales) and advantage. While research like this supports competitive advantage theory in general, readers should note that the assets driving advantage are likely industry-specific and can vary significantly over time due to environmental factors such as government regulation, technological changes, and changing consumer preferences. This foundation allows for the second phase in developing competitive advantage, which consists of a systematic quantitative and qualitative screening approach once essential competitive resources are identified and ranked. Once a revised investible universe is created, it should flow into client asset allocation consistent with current suitability and fiduciary industry standards.

The foundations of competitive advantages can also be applied to drive practice management decision-making in the financial services industry. Intuitively, building a competitive advantage with a service orientation, focuses on "softer" assets as opposed to tangible plant, property, and equipment (PP&E). It is unlikely that FSPs will develop advantage with some form of unique office space, technology (i.e., IT infrastructure), or other physical assets. Rather, the dominant management logic suggests that advantage will stem from unique research insights (i.e., tacit firm knowledge) embedded in individuals or the institution, organizational culture, and institutional procedures for hiring and training at all levels of the firm. Solidifying the "portfolio" perspective will help decision-makers foster resource commitment (both time and money) to critical policies/procedures that have not traditionally been viewed as assets.

## Data Envelopment Analysis Foundations

Production functions are mathematical equations that estimate the quantity of production inputs (i.e., land and labor) necessary to produce a certain quantity of output (i.e., finished goods). Functions determine the maximum output for a given set of inputs or the minimum inputs for a given level of output. DEA utilizes a process that is similar to the linear programming optimization techniques, which produces single to multiple input/output efficiency measures (Banker *et al.*, 1984; Cook and Seiford, 2008).

DEA provides a new perspective of data that is not evident from other statistical methods. While traditional statistical methods like least-squares regression produce a line of best fit around the mean, DEA output provides efficiency scores of Decision-Making Units (DMU), relative to top performers in a sample (Charnes *et al.*, 1978). DEA reflects variation between DMUs, which measures the efficiency of individual branches, cost centers, divisions, firms, or industries. In the example that follows, individual firms are the DMUs, but there is a wide range of applications in which FSPs can consider alternative units of analysis (Sherman and Zhu, 2013).

FSPs compute relative efficiency scores across firms through return on assets (ROA) or return on equity (ROE) measures. ROA, for example, measures how efficiently a management team utilizes its assets to produce net income (an input/output measure: assets are the input and net income is the output). The commonly used Sharpe ratio also measures asset efficiency by standardizing returns over and above the risk-free rate with standard deviation (i.e., asset return less the risk-free rate divided by standard deviation), yielding a risk-adjusted excess return efficiency measure (Sharpe, 1964, 1966). Similarly, DEA produces output enabling plots of input/output ratios that illustrate efficiency scores across DMUs. DEA offers considerable flexibility in that it can build on this simple logic and accommodate multiple input and output measures simultaneously (Cook and Zhu, 2013).

To illustrate the output from DEA, consider a simple example drawing from 46 firms in the transportation industry in 2013. Table 1 shows the output from a slightly more complicated input/output model, which incorporates two inputs: 1) Total assets, 2) Invested capital (i.e., Debt and equity capital), and one output: Earnings before interest and taxes (EBIT). DEA uses a linear programming technique to produce theta scores that represent the optimal performers (i.e., firms with optimal EBIT) given the two inputs. In this example, Spirit and American Airlines have theta scores of one representing a tie in efficiency. All other firms are less than optimal in output and therefore have theta scores less than one. Analysts can then use these data in asset allocation models.

**Table 1 – Transportation Industry Efficiency Scores ***

| Ticker | Firm Name | Rank | Theta | EBIT | Total Assets | Invested Capital |
|---|---|---|---|---|---|---|
| SAVE | Spirit Airlines Inc | 1 | 1.00 | $ 283 | $ 1,181 | $ 771 |
| AMR1 | American Airlines Inc | 1 | 1.00 | $ 1,785 | $ 25,612 | $ 192 |
| CDHPF | Hnz Group Inc | 3 | 0.74 | $ 62 | $ 347 | $ 277 |
| ALGT | Allegiant Travel Co | 4 | 0.73 | $ 160 | $ 930 | $ 591 |
| SKAS | Saker Aviation Services Inc | 5 | 0.64 | $ 1 | $ 7 | $ 4 |
| ASR | Grupo Aeroportuario Sureste | 6 | 0.63 | $ 249 | $ 1,635 | $ 1,457 |
| CHRVF | Chorus Aviation Inc | 7 | 0.63 | $ 134 | $ 977 | $ 560 |
| CPA | Copa Holdings Sa | 8 | 0.58 | $ 549 | $ 3,953 | $ 2,815 |
| ALK | Alaska Air Group Inc | 9 | 0.57 | $ 646 | $ 5,838 | $ 2,783 |
| VA | Virgin America Inc | 10 | 0.54 | $ 81 | $ 701 | $ 385 |
| WJAFF | Westjet Airlines Ltd | 11 | 0.46 | $ 408 | $ 4,143 | $ 2,279 |
| FDX | Fedex Corp | 12 | 0.46 | $ 3,446 | $ 33,070 | $ 20,013 |
| OMAB | Grupo Aeroportuario Del Cent | 13 | 0.44 | $ 89 | $ 841 | $ 715 |
| DAL | Delta Air Lines Inc | 14 | 0.41 | $ 3,802 | $ 52,252 | $ 21,438 |
| AIRM | Air Methods Corp | 15 | 0.40 | $ 121 | $ 1,253 | $ 984 |
| PAC | Grupo Aeroportuario Del Paci | 16 | 0.39 | $ 181 | $ 1,927 | $ 1,789 |
| PHIIK | Phi Inc | 17 | 0.37 | $ 105 | $ 1,173 | $ 939 |
| LUV | Southwest Airlines | 18 | 0.36 | $ 1,364 | $ 19,345 | $ 9,527 |
| AVH | Avianca Holdings Sa | 19 | 0.33 | $ 385 | $ 5,179 | $ 3,166 |
| AAL | American Airlines Group Inc | 20 | 0.31 | $ 1,935 | $ 42,278 | $ 12,622 |
| RYAAY | Ryanair Holdings Plc | 21 | 0.31 | $ 906 | $ 12,140 | $ 8,130 |
| HA | Hawaiian Holdings Inc | 22 | 0.30 | $ 134 | $ 2,164 | $ 1,141 |
| AIRT | Air T Inc | 23 | 0.29 | $ 3 | $ 37 | $ 27 |
| FDX1 | Federal Express Corp | 24 | 0.29 | $ 1,143 | $ 19,964 | $ 9,726 |
| UAL | United Continental Hldgs Inc | 25 | 0.29 | $ 1,769 | $ 36,812 | $ 13,908 |
| AIDEF | Air Canada | 26 | 0.27 | $ 359 | $ 9,470 | $ 2,562 |
| RJET | Republic Airways Hldgs Inc | 27 | 0.27 | $ 212 | $ 3,271 | $ 2,441 |
| ATSG | Air Transport Services Group | 28 | 0.27 | $ 66 | $ 1,033 | $ 730 |
| JBLU | Jetblue Airways Corp | 29 | 0.27 | $ 428 | $ 7,350 | $ 4,250 |
| GLUX | Great Lakes Aviation Ltd | 30 | 0.24 | $ 4 | $ 78 | $ 39 |
| CGJTF | Cargojet Inc | 31 | 0.24 | $ 7 | $ 116 | $ 90 |
| BRS | Bristow Group Inc | 32 | 0.24 | $ 191 | $ 3,398 | $ 2,606 |
| AAWW | Atlas Air Worldwide Hldg Inc | 33 | 0.23 | $ 206 | $ 3,718 | $ 2,861 |
| ICAGY | Intl Consol Airlines Group | 34 | 0.19 | $ 980 | $ 28,629 | $ 12,058 |
| SKYW | Skywest Inc | 35 | 0.15 | $ 153 | $ 4,233 | $ 2,728 |
| VLRS | Controladora Vuela Compania | 36 | 0.15 | $ 20 | $ 640 | $ 325 |
| EIFZF | Exchange Income Corp | 37 | 0.14 | $ 32 | $ 961 | $ 740 |
| LFL | Latam Airlines Group Sa | 38 | 0.14 | $ 678 | $ 22,631 | $ 13,130 |
| ERA | Era Group Inc | 39 | 0.13 | $ 30 | $ 959 | $ 715 |
| GOL | Gol Linhas Aereas Inteligent | 40 | 0.12 | $ 119 | $ 4,506 | $ 2,697 |
| DLAKY | Deutsche Lufthansa Ag | 41 | 0.11 | $ 712 | $ 40,075 | $ 15,062 |
| HELI | Chc Group Ltd | 42 | 0.09 | $ 65 | $ 3,104 | $ 2,175 |
| MIC | Macquarie Infrastructure Cp | 43 | 0.09 | $ 52 | $ 2,501 | $ 1,986 |
| DCVRF | Discovery Air Inc | 44 | 0.05 | $ 4 | $ 300 | $ 230 |
| AFLYY | Air France - Klm | 45 | 0.03 | $ 179 | $ 35,030 | $ 15,000 |
| ZNH | China Southern Airlines | 46 | 0.02 | $ 133 | $ 27,290 | $ 18,347 |

* Theta scores based on DEA modeling in STATA range from 0 to 1.

## Why Should FSPs Embrace DEA?

DEA is a valuable tool for a number of reasons. First, it is an approach that is theoretically and statistically aligned with RBV and KBV logic, in that it highlights the top-performing firms on the efficient frontier, as opposed to regression analysis, which reflects central tendencies (Richard, *et al.* 2009). Second, DEA is an established methodology. DEA has a forty-year track record and "has emerged as a preeminent methodology for assessing the relative efficiency of decision-making units." (Fizel and D'Itri, 1999, p. 570) resulting in wide acceptance in fields such as tourism, supply-chain and logistics, and finance. Scholars have written thousands of articles utilizing DEA methodology (Cook and Seiford, 2008) covering wide-ranging topics from marketing benchmarking (Donthu, Hershberger, and Osmonbekov, 2005), to sports management (Howard and Miller, 1993), to education (Mayston, 2003). Third, as mentioned previously, the input/output orientation of DEA is aligned with conventional analysis techniques already performed by FSPs. Managers and practitioners are already performing simplified ratios analysis consistent with the fundamental principles in DEA. Fourth, DEA is a readily-available tool. There are DEA applications in popular platforms like STATA, while there are DEA add-ins in Microsoft Excel through its solver applications as well. In addition, there is guidance that covers the nuances of running DEA models, as well as "how-to" instructions in popular texts frequently with accompanying CDs with datasets and code for running DEA applications. Finally, and perhaps most importantly, DEA offers an alternative to traditional performance measures such as the Sharpe ratio and Jensen's alpha, which is measured as portfolio return less market returns captured by the Capital Asset Pricing Model (CAPM) formula (Jensen, 1967). There is an extensive literature noting that Jensen's alpha suffers from benchmarking bias, while the Sharpe ratio omits transaction costs and fees (For a more detailed review of the limitations of the Sharpe ratio and Jensen's alpha see Murthi *et al.*, 1997). In short, DEA offers a complementary perspective, which helps advisors build customized portfolios reflecting idiosyncratic client objectives related to risk, return, or non-financial factors such as environment, social responsibility, and governance preferences (Abate *et al.*, 2021).

## How Can FSPs Apply DEA in Practice?

In addition to using DEA for individual stock selection, FSPs can utilize DEA during their evaluation of active mutual fund managers, hedge fund managers, and commodity trading advisors (CTAs), among others (Gregoriou and Zhu, 2005). While the application is consistent with the coding and graphing steps for individual stock analysis or firm-specific DMU examination, investment management efficiency analysis differs in its variable selection. As an example, consider applying DEA analysis to diligence efforts for hedge fund manager selection. In this case, managers do not have control of the underlying resource stocks at the company level but do control asset allocation decisions at the hedge fund portfolio level. As such, the variables in this type of application will be more aggregate measures such as monthly or yearly returns and fund standard deviation (i.e., risk). Nonetheless, the technique and analysis remain the same.

The input/output flexibility of DEA analysis contributes to a more nuanced understanding of an investment's performance (Murthi *et al.* 1997). Aggregate measures of performance like the Sharpe ratio and Jensen's alpha constrain the ability to examine additional factors that investors potentially value. For example, Basso and Funari (2001 showed that mutual fund rankings incorporating fund subscription costs and redemption fees, were different from traditional measures of performance like the Sharpe ratio. Since clients care most about performance, net of fees, analysis with additional inputs/outputs is significant. Other non-financial performance measures such as ESG are also relevant to investors (Bengo *et al.*, 2022). Abate *et al.* (2021) used DEA to rank mutual fund performance, complementing existing results utilizing alternative measures. In tangential research related to hedge funds, Kumar *et al.* (2010) demonstrated that hedge fund performance measured with DEA have a low correlation with performance measures like the Sharpe ratio, for example. Analysis with DEA rankings was "quite contradictory to the results given by the Sharpe ratio" (Kumar *et al.*, 2010: page 1753), because DEA allows for multiple input measures simultaneously. Since hedge fund managers have the freedom to use short-selling techniques, leverage, and derivatives (Nguyen-Thi-

Thanh, 2006) hedge funds can exhibit non-normal distributions, which aren't effectively captured in the Sharpe ratio. As such, these results suggest that applying DEA is complementary to other traditional measures of performance in the financial services industry.

Complementarity of measures in the financial services industry is paramount since alternative measures capture a broad range of factors that investors consider while making asset allocation decisions. While DEA analysis is not better or worse than traditional analytical tools, it does provide advisors with a framework for customizing client portfolios to incorporate specific client desires. As mentioned previously, DEA helps to elucidate the technical statistical differences between hedge funds and traditional long-only investments. The benefit of such analysis is not likely apparent to the average investor, but it does provide analytical support for complex asset allocation decisions of high net-worth individuals. DEA also contributes to the customization of client portfolios based on non-financial measures captured in the literature highlighting investor trends supporting ESG principles.

## Conclusion and Reflection

FSPs find themselves in a hypercompetitive environment reflecting the increasing sophistication of clients and competitors, as well as pressure from trading algorithms based on artificial intelligence applications. To compete more effectively, FSQs should seek to leverage fundamentally sound perspectives and tools from tangential fields such as management. Given the limited coverage of RBV, KBV, and DEA in the financial services literature, an opportunity exists for forward-thinking FSPs to apply management logic and DEA for asset selection and practice management. Success in this regard may stem from the first objective of this paper, which was that conceptualizing a firm as a portfolio of assets helps to focus attention on policies, procedures, and resources at the center of competitive advantage for individual firms. Success may also flow from this paper's second objective to promote the usage of DEA in the financial service industry. At a minimum, given the value of the presented management theory and DEA, FSPs should have a working knowledge of the fundamental logic, underlying assumptions, and potential uses in their respective domains. At a maximum, asset managers can conduct client specific DEA analysis to build customized client portfolios reflecting specifics client needs.

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# TECHNOLOGY WILL SAVE FINANCIAL ADVICE

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## ABSTRACT

Advice provided by financial planners has the potential to impact the financial and emotional well-being of clients and is particularly important in a world struggling to deal with COVID-19. Despite the outcomes of quality financial planning relationships, there is little direct evidence to support the importance of technology in the financial planning setting. Previous research has emphasised the importance of technology in other fields, although not in relation to financial planning. This research investigates the impact of technology on financial advice value, measured in a survey of clients and financial planners regarding factors of technology, communication, trust, and investment returns. A questionnaire was developed based on previously validated scales. Ratings for the factors were compared between clients and financial planners, with financial planners found to underestimate their client's confidence in their process, and also underestimate the importance of communication to clients. The results indicate that clients value investment returns above the financial planning relationship, and that financial planners value the relationship above investment returns. This research contributes to the financial planning and technology literature, provides a foundation for future research, and provides support for the importance of communication and technology in professional relationships such as in financial planning.

## Introduction

The technology uptake across all sectors in the COVID-19 context illustrates the power of technology to potentially save the financial advice sector by allowing cost efficiencies to be passed on to clients. In the COVID-19 era it seems that technology has finally been utilised to streamline the sectors and professions it was designed for (Galanakis, Rizou, Aldawoud, Ucak, & Rowan, 2021). The timing is perfect, as with the increased compliance cost burden of recently strengthened financial advice regulation, technology has the potential to ensure advice affordability and accessibility in a post-COVID-19 world. This paper seeks to understand the similarities and differences in financial advisers and clients perspectives towards the role of technology in financial advice.

Robo Advice has unquestionably increased in recent years, but is still at a relatively low level, even with households with high levels of income and net worth (He & Liu, 2021).

The financial advice sector has moved steadily towards formal regulatory systems to support increasing professionalism. Given the value of financial advice to the community, ensuring professional standards for financial advisers provides long term positive community outcomes (Bruhn & Asher, 2021). In June 2017, under the Corporations Act 2001, FASEA was declared as the formal standards body of the financial planning profession (Financial Adviser Standards and Ethics Authority Ltd 2019). FASEA was charged with implementing the changes first raised by the Future of Financial Advice Reforms (FoFA), and include increases to the education standards of financial advisers as the primary change. Additional changes overseen by FASEA include the requirement for financial advisers to adhere to one code of ethics, be on one central register, for advisers to undertake a supervised professional year, and an increase in the Continuing Professional Development requirements by more than 10 hours per year (Corps Amendment Act, 2017). The role of FASEA has shifted to Treasury as of January 2022. These changes mean that while the standards of professionalism will increase in the financial planning profession, so will the cost of providing quality advice (Westermann, Niblock, Harrison, & Kortt, 2020). The backdrop of an increasing cost to provide advice alongside falling consumer sentiment since the Royal Commission of 2018 means that the alignment between clients and advisers on what is delivered and what is considered of value is more important now than ever before.

Financial advisers are increasingly concerned that the cost of running their financial planning practices is on the rise, and as a result access to financial planning services is getting more and more unaffordable (Westermann et al., 2020). As discussed, this increase in cost will continue to rise. This study aims to look into the role technology plays in improving the access to financial planning services and considers this topic by evaluating the perspectives of clients and financial advisers towards services offered by the financial planner that may or may not be of value.

Modern day financial advisers are becoming more aware of the fact that personality, demographic and socioeconomic factors, household characteristics, cognitive and emotional biases, and even religion can affect financial decisions (Hunt, 2016). Financial advisers need to understand investor psychology, as facts and figures alone are no match for human emotions (Courtenay, Taffler, & Baeckström, 2021).

By being able to potentially provide the whole financial planning service through an online platform substantially reduces personnel and asset costs while a number of clients can be served (Jung et al

2018). Despite financial planning being an increasingly important topic for research, the empirical studies supporting the profession are in relatively short supply, and even more so when it comes to technology in financial planning. Notable exceptions include the research undertaken by Stich (2019) and Hohenberger, Lee, and Coughlin (2019) who discuss the increasingly important role of technology in access to financial advice.

Researchers have started to explore this question with an increasing body of literature developing around online trust (Kim & Peterson, 2017). Taking into consideration the complexity of advisory, there is a strong need of extensive information technology (IT) support for improving advisory services, making the whole process more effective and efficient (Stich, 2019).

Robo-advising has been put forward as one of the many viable solutions to this growing problem and has been found to make financial advice much more readily accessible and at a lower cost. Robo-advice is 'the delivery and execution of financial advice through automated algorithms on digital platforms'. Aside from the cost savings that robo advice affords, robo-advice can improve on human advice for several reasons. First, they utilise replicable algorithms based on financial theory, not deeply held beliefs and biases that human advisers are subject to. The technology can also simplify and speed up communication with clients, greatly adding to the efficiency of advice (D'Acunto, Prabhala, & Rossi, 2019).

The growth of investment robo-advisers and automated personal financial management services creates both massive opportunity and huge new risks that regulators cannot even assess as yet, let alone address. Due to the scale that automation affords, these services have the potential to provide higher quality and more transparent financial advice to more people at a lower cost than human financial advisers. The emergence of robo-advice does not discount the importance people place in the industry. People will always be needed to design, model, implement and market these services (Baker & Dellaert 2017).

There has been a lot of focus placed of fintech in recent years. The peak advocacy group for the fintech sector in Australia, Fintech Australia, reports there are more than 400 fintech businesses in the country and the sector growth is strong. Fintech represents roughly 20% of the startup industry and now impacts the whole financial services value chain. From front-office to back-office, wealth management and superannuation, to retail banking and credit (Tsen & Forrest 2019). The biggest threat to Financial Advisers out there today, who are practicing traditional advice, is that these financial planning services are allegedly more collaborative, personal and comprehensive than ever before. If their progress remains constant, it is only a matter of time before these fintech companies rival the face to face propositions of the traditional financial planning business (Marshall, 2017).

This study builds on previous research in financial planning and applies it to technology in the financial planning context. A review of the previous research from the components of financial planning with respect to technology will be documented in the literature review section of this paper. Technology and the future of financial planning will be explored and then further broken down into eleven components. These components include risk profiling, cash flow management, investment management, retirement planning, consumers, sophisticated investors, financial literacy, trust, communications and conflicts of interest.

## Theoretical Foundation

This section provides an overview of previously published research that relates to technology and financial planning in Australia. Financial planning has been studied across the globe for decades, and this analysis will focus on the core elements of financial planning, but in particular we will examine what role technology increasingly plays in the financial planning process.

The first section examines the literature that establishes the foundations of financial planning, and explores the origin and genesis of financial planning, especially in the Australian context. In this section we will discuss risk profiling, cash flow management, investment management and retirement planning in detail.

The remainder of the section then looks at the literature that supports the ancillary components of financial planning. This part of the review will look into the consumer and the current state of their financial literacy, trust and communications in the client-adviser relationship, and that relationship in general.

### *Financial planning*

Financial advisers see themselves as responsible for creating financial roadmaps for their clients, combining the cognitive talents of the traditional financial planner and the emotional skills of a counsellor (Hunt, Brimble, & Freudenberg, 2011). They view themselves as financial guides, who are responsible for leading clients where they want to go (Gerrans & Hershey, 2017).

Families have an incredibly critical decision to make in terms of who they appoint and entrust with the financial resources needed for current and future generations. This is not entirely a rational financial decision either, it is also about who can best take personal care of the family and not just oversee their money (Grubman & Jaffe, 2010). Openly discussing personal financial assets, personal life goals, and articulating plans for achieving those goals relies on trust, and a client's willingness to be vulnerable (Dubofsky & Sussman 2009).

The previous literature here is undeniably limited, and while financial planning technology has been touched on in the past (Barber & Odean 2001, Heinrich et al 2014, Baker & Dellaert 2017), we cannot find evidence of empirical research in the Australian context.

### *Risk profiling*

One of the core historical components of the financial advice profess that has effectively utilized technology is risk profiling. One only needs to look at Advantra Wealth and Advice Intelligence to understand existing technology utilization in the risk profiling space.

A financial adviser is required to measure their client's risk preferences, such that an appropriate asset allocation can be recommended. In doing so, financial advisers have been found to add value in two ways. First, they can add value to their client's lives as their agent, specifically carrying out their wishes. The majority of clients simply do not have the time or the proper tools to manage a portfolio by themselves, so the job is thus delegated to an adviser. To do this, the financial adviser must understand their client's risk preferences. Second, they aim to help their clients make smarter decisions with their money. Through the financial adviser's knowledge and by ideally restricting emotion, advisers have been found to enhance client's portfolio choices (Dong et al 2015; Hunt, 2016).

A financial adviser must recommend investments that are not only appropriate for the client's goals or risk required, but also be suitable for their risk capacity and tolerance. To achieve this, there must be sound processes and tools available to financial advisers. This has been proposed to be equal parts art and science. The tools that the adviser uses are the science and the art lies in their ability to use these tools effectively to guide the investment decision making process (Davey & Resnick 2012).

Trade-offs are a key component of financial planning. One of the classic trade-offs for a client when making investment decisions has to do with three key points – risk required, risk capacity and risk tolerance. The risk required is what risk does the client need to take to achieve to the return required to achieve their goals. Risk capacity is simply the client's ability to take risk. If something goes wrong, what can the client handle before they have to alter their plan. Risk tolerance is all about the client's attitude toward risk. It is ultimately another trade-off, where a balance has to be found in making the most of their time and capital, yet not putting their financial well-being at risk (Schulaka 2012).

The Australian financial services industry has been the focus of disgruntled clients and regulators over a long period of time. A recurring theme is becoming more apparent as time goes on. Poor outcomes as a result of financial advice are being repeatedly reported due to a failure to properly consider clients' risk attitudes. One may reasonably expect that since these events should have led to significant remedial action across the profession. However, a review of current regulatory guidance suggests that this is not the case (Hartnett & Mella 2015). This paper attempts to help bridge the gap in the previous literature by building on the link between risk profiling and technology. There have been numerous empirical studies (Van de Venter, Michayluk & Davey 2012, Schulaka 2012, Davey & Resnick 2012, Dong et al 2015) on such technology and techniques and this research builds on this.

## *Cash flow management*

An issue faced by many families is pin pointing where their money goes and what their cost of living is. But those who make the time and develop plans for managing their income and expenses tend to find themselves in a healthy financial position, with more control and have much more confidence in how the future looks (Graham 2019; Lee, Park & Montalto 2000; Xiao & Noring 1994).

At a point in time, the individual is assumed to be a farsighted planner, and a myopic doer. The conflict then arises which is similar to the agency conflict between the owners and managers of a business (Kennickell, Starr-McCluer & Sunden 1997). Self-control as a concept has been incorporated into a theory of individual intertemporal choice by modelling the individual as an organization (Thaler & Shefrin, 1981). Research has shown that through practicing small acts of self-control, it can lead to a greater self-control capacity. Hence, it is possible to strengthen the self-control muscle through exercise, leading to better outcomes (Muraven 2010). Galperti (2019) suggests that spending caps are unlike minimum-savings rules, they can help to curb overspending because they halt consumption that lowers returns from under saving.

## *Investment management*

In 1952 an article titled "Portfolio Selection" published in The Journal of Finance, authored by Harry Markowitz, Modern Portfolio Theory (MPT) was introduced. The concept originally generated relatively little interest, but the financial community progressively adopted the thesis. Today, all these years later, the most widely used applications in the areas of asset allocation, portfolio management, and portfolio construction. It appears probable that MPT will occupy a permanent place in the theory and practice of finance (Fabozzi, Gupta & Markowitz 2002). Modern portfolio theory (MPT) is used to determine the optimal portfolio of multi-assets which achieves the highest level of return for a given level of risk. It is then described as "efficient", implying a rational investor would choose this portfolio above other options (Byrne & Lee, 1995).

Managed funds have gained traction over the last few years. However, their performance has proved to be an issue that has been well documented in the finance literature (Lakonishok, Shleifer & Vishny 1992, Ippolito 1993, Shukla & Trzcinka 1994, Elton & Gruber 1996, Wermers 2000, Guercio & Reuter 2011) over the last few decades. Academics have been forever debating the issue of whether active managers add value above and beyond their respective benchmarks after fees since the seminal paper of Jensen (1968) (Holmes & Faff, 2004). Despite some controversy still out there, the majority of studies now conclude that actively managed funds underperform their passively managed counterparts on average over the long term (Elton, Gruber, & de Souza, 2019; Fahling, Steurer, & Sauer, 2019). There are clearly many ways technology is already improving client outcomes, as both active and passively managed funds leverage technology to streamline trading efficiencies.

## *Consumers of financial advice*

Recent studies have found that the relationship between consumers of financial advice and financial advisers are complicated and hard to understand. There are both theoretical and empirical studies to support this, which show consumers need to carefully select and monitor their advisers (Agnew et al 2016). Making a decision around how to allocate savings across risky asset classes commands an understanding of investment horizon, risk preferences, asset returns and human capital. To help this decision, many households seek financial advice. Although the use of financial advisers is widespread, relatively little is understood about how advisers shape client investment portfolios (Foerster et al 2017).

Behaviours and habits are incredibly important in economic environments. When people exhibit habit formation, it has been shown that people exaggerate the degree to which their future tastes will resemble their current tastes. This leads them to consume too much early in life, and make decisions as time passes to consume more and save less than originally planned (Loewenstein, O'Donaghue & Rabin 2003). Beshears et al (2015) found that consumers who were exposed to information about the actions of their peers that were positive, in their study it was high savings rates, can actually have negative reactions. Their results revealed an interesting drawback when highlighting the actions of peers. Peer information usually contains social comparison, and those with a lower socio-economic status may react negatively to positive peer behaviours.

In Australia, it has been shown that people holding superannuation funds for retirement savings purposes consider themselves as consumers, not investors. How fund information is presented has also been found to be of little help to the members as consumers. Simplifying product packaging, labelling and marketing to relate product information to consumers retirement needs and objectives could lead to overall enhanced engagement in the sector (Delpachitra & Rafizadeh 2014).

## *Financial literacy*

The Organization for Economic Cooperation and Development (OECD, 2005) defines financial education as 'the process by which consumers improve their understanding of financial products and concepts and, through information, instruction, and/or objective advice, develop the skills and confidence to become more aware of financial risks and opportunities to make informed choices, to know where to go for help…'. Research shows that financial illiteracy will not be 'cured' easily. Not by a one-time benefit, or a detailed step by step plan of what actions to take. Education alone may not be enough. It is integral that consumers be given the tools to change their behaviours, rather than delivering financial education. It has been shown that consumers would rather personalized ways to learn how to manage money rather than attend educational seminars (Lusardi & Mitchell, 2009, 2011, 2014).

Financial decisions are getting more complicated, and financial literacy is not keeping pace. Unsophisticated individuals are now left with the problems that come with more responsibility and less understanding (Lusardi & Mitchell, 2011). Regulators and academics are relentlessly and continually searching for ways to improve the financial choices of the ordinary person (Agnew 2005). Consumers are increasingly confused as to which adviser or advice to trust (ASIC 2012). Research shows that the everyday investor has issues doing basic calculations, and they struggle with basic financial concepts such as diversification, how markets work and how to price assets. Lack of financial literacy has been shown to be a key cause in the lack of retirement planning (Lusardi & Mitchell 2017).

## *Trust*

Client trust in financial planning services is of paramount importance, especially when considering factoring in increased use of technology in the process. The impact communication has on client commitment and trust has come from the marketing research predominantly, not the financial planning profession. Key papers which have examined trust in the financial advice context are Cull & Sloane (2016) and Hunt, Brimble, Freudenberg (2011). Due to the highly technical and customized nature of financial planning services, it is hard for clients to assess service quality, even after purchase and use (Sharpe et al, 2007). In 2014, the then Australian Securities and Investment Commission (ASIC) Chairman Greg Medcraft stated 'Australians want advice they can trust, it's absolutely appalling ... and it's heartbreaking to see people who have been advised to go into products that are completely inappropriate and they have no idea what they're invested in' (Hartnett & Mella 2015).

Sharma and Patterson (1999) looked into the impact of effective communication and perception of technical and functional quality of financial planning services on client trust and commitment. They first made a distinction between technical and functional quality. Technical quality was "what" the financial adviser gave to the client. Whereas functional quality was "how" they delivered the technical service. Through their analysis, it was found that although technical quality was important, how the financial adviser delivered this was by far more important in impacting client commitment and trust.

Agnew et al. (2016) also found that advice quality, credentials and experience are likely to be correlated, but it is very hard to make distinctions to separate their effects on what advice to trust. Their study found that clients trust and prefer advice from financial advisers who had credentials, regardless of the quality of the advice they gave or their personal characteristics. They found that advisers lacking credentials were rated less trustworthy, and their advice was less likely to be followed. However, direct face-to-face communication is quickly becoming an expensive rarity in a world that is increasingly saturated with technology in delivering services. So credentials aside, humans are facing new problems in an increasingly automated world. When humans interact with systems alone, their ability to assess, accumulate and evaluate trust in other humans through direct interpersonal communications is significantly impaired (Cofta & Crane, 2003). Hence, there is a gap in the previous literature.

### *Communications*

Authors have found that in the context of the financial advice sector, disclosure is not effective (Richards & Safari, 2021).

Decision-making research suggests that consumers tend to reduce the amount of effort they expend when decisions become overly complex. If investors lack the capacity to compare the available investment alternatives, the process becomes much more intimidating (Agnew & Szykman 2005).

If a decision-making environment is overly complex, it has been found that the user cannot make decisions on technical properties alone. If they are presented with too much information, they will be confused. Yet conversely, too little information leaves the user with the feeling of being restricted by the machine (Cofta & Crane, 2003).

### *Conclusion*

Technology impacts businesses across the world in many ways, virtually changing more or less every industry and profession in existence today. This is even more so in the COVID-19 context. There is no question that the impacts are irreversible. In the interests of having a more robust understanding of technology and the future of financial planning in Australia, prior literature in relation to the components that technology will impact have been examined. Technology and the future of financial planning has been explored and then further broken down into eleven components. These components include risk profiling, cash flow management, investment management, retirement planning, consumers, sophisticated investors, financial literacy, trust, communications, conflicts of interest. The following sections draw on this analysis when considering the experiences of clients and financial advisers surveyed and the potentialities are for the financial planning profession.

## Methodology

The purpose of this research is to explore the role technology will play in ensuring financial advice can be provided to more Australians in an increasing regulatory cost environment. The technology referred to is in terms of practice, communications, education, technology, service costs, trust, and the client-adviser relationship. To do this, a research design has been employed which examines how technology is currently utilised from both the financial advisers' and clients' perspectives. This research has been designed to enable the comparison between financial advisers and clients on the key value drivers and inhibitors and provides a deeper layer of analysis. This section will describe the methodology employed. Descriptive statistics will be analysed regarding clients, financial advisers, and the sample.

The study adopts a survey methodology with questionnaires developed and supported by a logical, structured and systematic approach (Rattray and Jones 2007). Two questionnaires were created, one for the financial advisers to complete, and one for clients to complete. In terms of the question content, they are based on the previous literature and were customized in terms of wording slightly to whether the respondent was a financial adviser or a client. These sources published their survey items and have been adapted to the financial planning setting for the current research. Thus, the survey development process followed empirical survey development methodology. Demographics were measured, specifically gender, age, and current financial planner relationship length.

**Table 1: Sources used for the survey development**

| Component – Attitude towards | Items | Source |
|---|---|---|
| Communications | 6 | Graham (2003)<br>Kaufmann, Weber & Haisley (2012) |
| Cash Flow Management | 11 | Lea, Webley, Walker (1995)<br>Galperti (2019)<br>Thaler & Shefrin (1981)<br>Muraven (2010) |
| Trust | 3 | Sharpe, Martin, and Roth (2011) |
| Investment management | 7 | Roszkowski and Grable (2009)<br>Weber, Siebenmorgen, and Weber (2005) |
| Financial Literacy | 12 | Stoughton, Wu & Zechner (2011)<br>Bianchi (2018)<br>Lusardi & Mitchell (2011)<br>Lusardi & Mitchell (2017)<br>Lusardi (2007)<br>Bae & Sandager (1997) |
| Risk Profiling | 8 | Van de Venter, Michayluk & Davey (2012)<br>Fehr-Duda et al (2010) |
| Retirement Planning | 1 | Kemp, Rosenthal & Denton (2005) |
| Financial Planning in Practice | 3 | Stawski, Hershey, Jacobs-Lawson (2007) |
| Coaching | 2 | Dubofsky & Sussman (2009) |

Prior to launching the surveys to both financial advisers and clients, the surveys were pilot tested by six financial advisers and five clients in terms of the wording and respective interpretations of each question, survey design, and deletion of repetitive or inappropriate items. The survey was reviewed and restructured to ensure ease of completion for both financial advisers and clients to improve the robustness and validity of the research.

This study comprised two samples, consisting of financial advisers and their clients. Each sample was provided with an internet-based survey, which they were free to complete in their own time. The financial planner sample was targeted through the researchers' professional network, The Financial Planning Association (FPA) 'Find a Financial Planner' web page, and also the 'XY Adviser' closed group on Facebook. The client sample consisted of the clients of the financial advisers who agreed to participate.

All surveys were anonymous. No further information was used or kept. Ethical approvals were received by Griffith University.

The study comprised of 155 participants (111 males, 44 females). To analyse multiple perspectives, the study included both financial advisers (n=90) and clients of advisers (n=65). The majority of participants were within the age brackets of 26-35 (n=59) and 36-50 (n=57). Subsequently, responses were less in age 51-65 bracket (n=31), the 65+ bracket (n=4) and the <25 bracket (n=4). The participant's responses and data are examined in the following sections.

Data on respondents gender was collected. The survey displayed no significant difference in responses based on gender of the client. Finally, responses from financial advisers were primarily from male participants similar to the gender demographic of the industry overall. For both clients and financial advisers, age was measured.

**Table 2: Participants in terms of age**

| Age | <25 | 25-35 | 36-50 | 51-65 | >65 |
|---|---|---|---|---|---|
| Adviser | 3 (3.33%) | 37 (41.11%) | 36 (40.00%) | 13 (14.44% | 1 (1.11%) |
| Client | 1 (1.54%) | 22 (33.85%) | 21 (32.31%) | 18 (27.69%) | 3 (4.62%) |
| Combined | 4 | 59 | 57 | 31 | 4 |
| Percentage based on Responses (155) | 2.58% | 38.06% | 36.77% | 20.00% | 2.58% |

**Table 3: Participants in terms of gender**

| Gender | Male | Female |
|---|---|---|
| Adviser | 76 (84%) | 14 (16%) |
| Client | 35 (54%) | 30 (46%) |
| Combined | 111 | 44 |
| Percentage based on Responses (155) | 71.61% | 28.39% |

Client responses indicate that their client-adviser relationship is less than 5 years (83.08%) with a majority having a 1-3 year duration (33.85%). On the contrary, most advisers reported their clients have been with them for over 7 years (24.44%) followed closely by 3-5 years (23.33%). This difference may be attributed to the differing perspectives, as advisers are considering their client base overall.

Tests for robustness and normality were also conducted. Normality was examined through variance and distributions or responses, as indicated by Shapiro-Wilk's normality test and then Box-Cox test (Looney 1995), and also visual analysis of histograms.

## Results

How value is perceived in the financial planning process, in terms of practice, communications, education, technology, service costs, trust and the client-adviser relationship will be reviewed, critiqued and discussed. Further, they will be looked at from the perspectives of both the financial adviser, and the client. The findings and their associated implications will finally be explored, and the limitations and shortcomings of the survey procedure will be full disclosed. Finally, recommendations will be made to hopefully contribute to ensuring the potential for these errors to happen again are mitigated in future studies.

Figures 1 and 2 contain the gender outcomes of both surveys. As shown in the figures, responses from financial advisers were primarily from male participants similar to the gender demographic of the industry overall.

**Figure 1: Client survey responses in terms of gender**

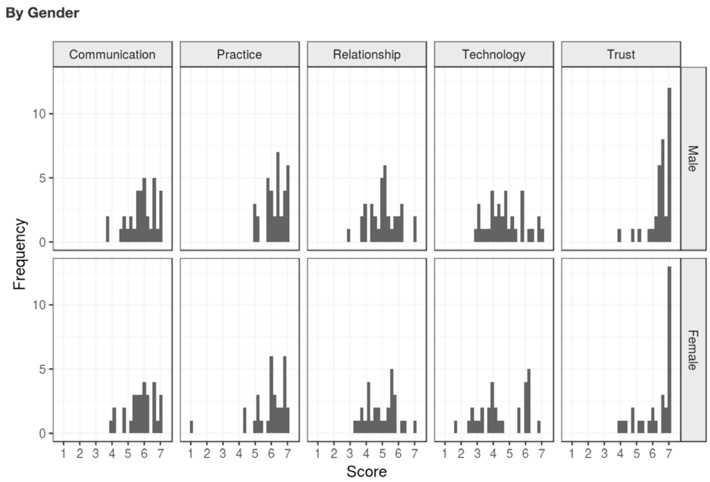
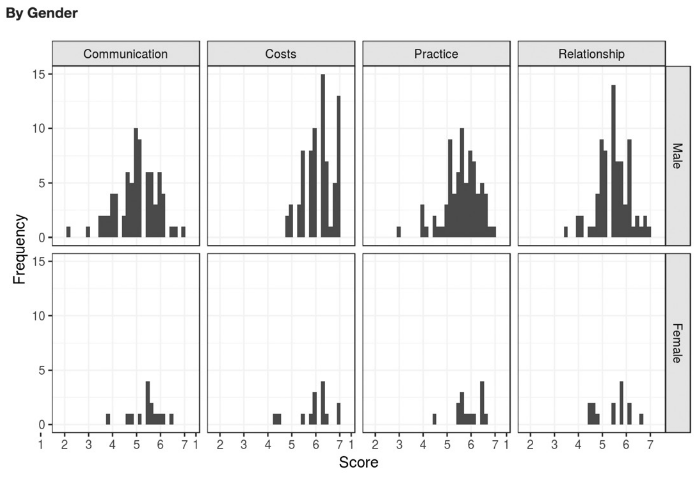



**Figure 2: Financial adviser survey responses in terms of gender**



The first item for financial planning in practice suggests both clients (M = 6.45, SD = 1.02) and financial planners (M = 6.32, SD = 0.93) have confidence in the planning that goes into their finances. An interesting observation in the data was that financial advisers (M = 6.06, SD = 1.02), $t(90) = 3.78$, $p < 0.002$ underestimated how much confidence clients attribute (M = 6.27, SD = 1.02) in terms of how their financial advice is developed. This could indicate that advisers are far more critical on their own work as they know it intimately, especially in relation to how clients view it. Whereas clients have much more confidence their adviser is very proficient.

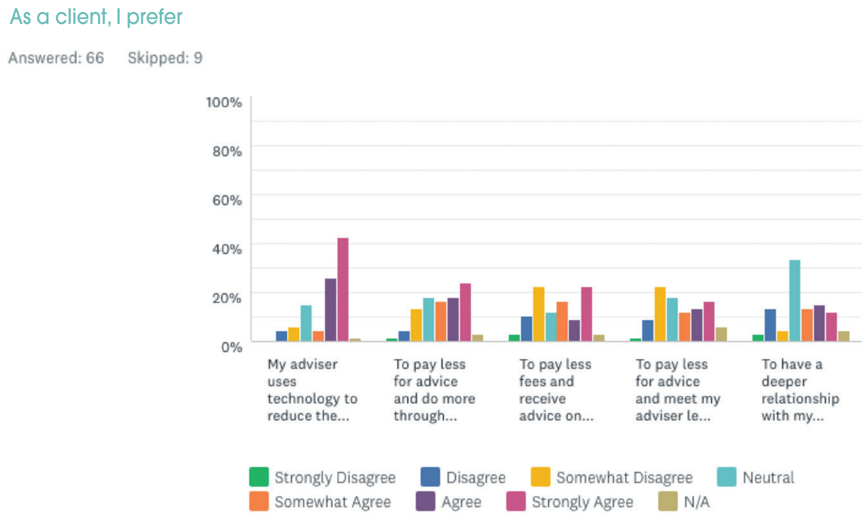
This observation from the analysis goes against the grain of previous literature suggesting financial advisers are overly confident in their services, and this could be due to a number of things not to mention the increased regulatory pressures financial advisers in Australia are currently facing. Advisers seem to disagree with their clients in terms of the perceived value in having budgets. This could represent the fact that advisers overlook this vitally important part of financial advice. Understanding the profession and the various methods of remuneration this could infer that there is not much money to be made hence why the advisers may tend to undervalue it, and hence overlook it in practice. Conversely, this could suggest clients are really yearning for this kind of service and given the results of sound cashflow advice is felt by clients effectively immediately, this could potentially represent a gap in the practice of financial planning and could explain why there is an emerging practice in the 'financial coaching' space.

To summarise the results from analysing the financial planning in practice survey responses from both financial advisers and clients, it is evident there is a large and significant disconnect in client and adviser perceptions. Contrary to prior literature, clients appear to value the capabilities of their financial adviser far more than the financial advisers give them credit for and undervalue the importance of having a budget. This suggests that the financial adviser community could significantly benefit from surveying their clients regularly to ensure they are in tune with the changing consumer needs.

Communication has been identified as a key component of the financial planning process, and the relationship between communication and trust will be analysed in the following sections. The first item in understanding the value of communication in the financial planning process suggests both clients (M = 6.35, SD = 0.88) and financial planners (M = 5.89, SD = 0.1.19) value the visual presentation of their advice. One important point to note from analysing the data was that financial advisers (M = 4.2, SD = 1.48), $t(90) = 5.55$, $p < 0.002$ underestimated how clients value (M = 5.55, SD = 1.35) market and economic commentary.

Technology has been identified as an increasingly vital component of the financial planning process, and the relationship between technology and financial planning in practice was analysed. How important technology is in the financial planning process was explored, the results show that clients (M = 5.71, SD = 1.52) have confidence that their adviser uses technology to reduce the costs of delivering advice. This could indicate that the jury is still out for clients, as to whether or not they would prefer to do more through technology or meet with their adviser to reduce the fees.

**Figure 3: Individual client survey responses for technology**




Financial planning costs has been identified as an integral component of the financial planning process, and the relationship between financial planning in practice and the cost of financial planning services will be analysed in the following sections. To first explore how important costs are is in the financial planning process, the results show that advisers have confidence that their clients are better off from advice (M = 6.3, SD = 0.71) and that their advice is free from conflict (M = 6.25, SD = 1.01).

**Figure 4: Individual financial adviser responses for the costs of financial planning**


Financial planning costs are also a significant positive predictor of a successful practice ($\beta$ = .0936, p > 0.05). Finally, an important point to last note is that the cost of financial planning on the practice of financial planning accounted for 21.59% of the variance in practice of financial planning (Adj R2 = 0.2159), but this is no surprise given the breadth and depth of the dependent variable being analysed.

Trust has been identified as a key component of the financial planning process, and the relationship between communications and trust has been analysed in the previous sections. To first explore how important trust is in the financial planning process, the results show that clients (M = 6.78, SD = 0.49) value the personal relationship they have built up with their adviser. The client-adviser relationship has been identified as a key component of the financial planning process. The first piece to understanding the value of this relationship in the financial planning process suggests both clients (M = 6.46, SD = 0.91) and financial planners (M = 6.78, SD = 0.49) value the relationship they have mutually built.

**Figure 5: Individual client responses for trust**

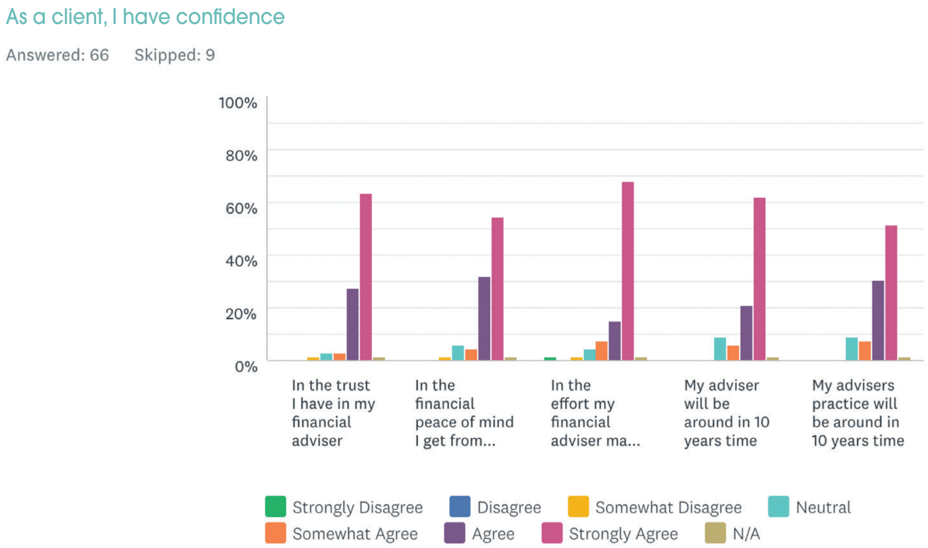



**Figure 6: Correlations per client question categories (regression variables)**

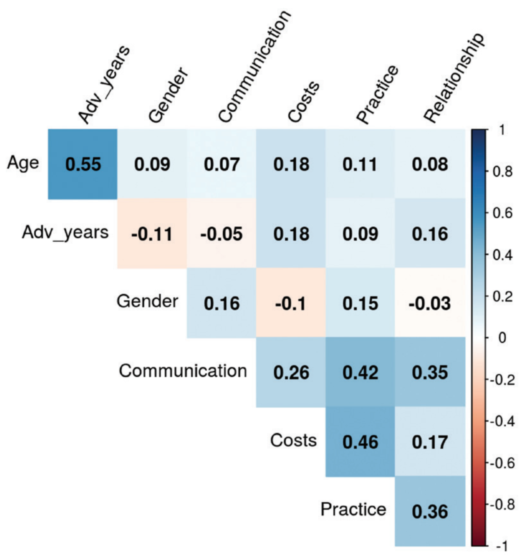
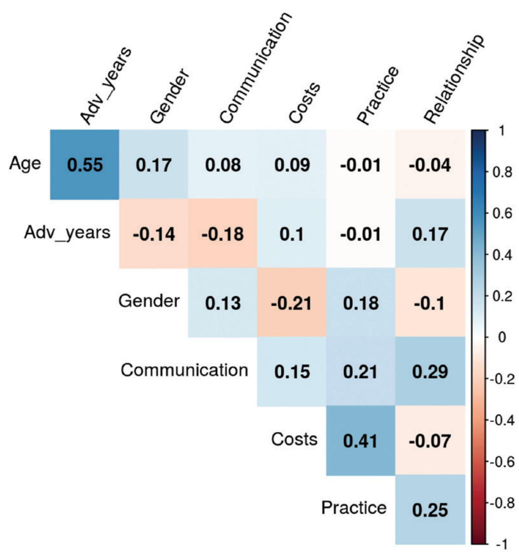



**Figure 7: Partial correlations per client question categories (regression variables)**



Financial advisers (M = 5.48, SD = 1.37), $t(90) = 0.15$, $p > 0.2$ overestimated the point that their clients (M = 3.71, SD = 1.7) value the client-adviser relationship over investment returns.

The only questions in this section where the client and the financial adviser did somewhat agree were about how they valued the personal relationship they had mutually built, and that the clients have a preference for their adviser over their practice. This is consistent with the previous research on both fronts. Finally, advisers seem to also disagree with their clients in terms of their preference for the coordination of all of their financial affairs. This could infer that the client does not actually what a central control point (i.e. the financial adviser) and they wish to maintain ultimate control over their financial affairs. To summarise the results from analysing the relationship survey responses from both financial advisers and clients, it is evident there is a large and significant disconnect in client and adviser values. These once again suggests that the financial adviser community could significantly benefit from investing in technology checking in with their clients from time to time to ensure they are in tune with improved access to information and investment reporting, the changing consumer needs and relationship dynamics.

## Discussion

The financial planning sector is going through unprecedented change with education reforms, increasing client demands for service, increasing cost of advice, and increasing competition from robo-advice meaning that it is more important than ever for there to be alignment between the offerings of financial advisers, and what clients actually value. This study comes at a critical time in the evolution of financial advice, because it is a time when the research in the sector is building, allowing for research-based policy, and research-based practice. It is anticipated that the results of this research, once published in an academic journal of high regard, will influence both policy makers and practices. This research followed an empirical survey methodology to ascertain the value placed on various components of financial planning by both financial planners themselves, and their clients. The design of this methodology was a result of the key research question, which seeks to explore differences in value between financial planners and their clients.

In terms of the research conducted technology was found to be positively associated with the client's and adviser's perceived practice of financial planning. This was supported through the use of univariate and multiple regression, with a significant amount of the variance in practice of financial planning accounted for by technology in both models. Further, analysis of individual items indicated that both financial advisers, and their clients are still adjusting to utilising technology in the financial planning process but have strong confidence it its utility moving forward. This finding is supported in the research, which has emphasized the importance of technology in the financial planning process.

The literature review suggests that how well the advisory conversation is managed is positively and significantly correlated to trust (Sharpe et al 2007). Direct face-to-face communication is quickly becoming an expensive rarity in a world that is increasingly saturated with technology in delivering services. When humans interact with systems alone, their ability to assess, accumulate and evaluate trust in other humans through direct interpersonal communications is significantly impaired (Cofta & Crane, 2003).

Communications had a positive association with trust in the financial planning process. This research has shown that clients value communication from their advisers much more than is perceived by advisers. This result indicates that the communications survey responses from both financial advisers and clients, it is evident there is a large and significant disconnect in client and adviser values.

There is a growing divide between the need and cost for higher complexity and lower complexity service. Results are forecast to suggest that there is a relationship between the practice of financial planning and the cost of acquiring those services. It was found through the research that financial planning in practice is positively associated with the cost of acquiring financial planning services.

The future of financial planning in Australia was always going to be a rocky path, as this research has confirmed. This research has indicated that technology is likely to have an increasing role to play in financial advice relationships going forward. The differences in what financial advisers' value and what clients of financial planning services is only going to get worse as supply constraints increase and the demand for financial planning services in Australia, and around the world increase exponentially over time. These pressures, further worsened by an ageing financial adviser base and raising professional standards increasing the barriers to entry will provide real supply constraints here domestically and abroad, especially in the short term. Technology will need to come to the rescue to ensure that Australians continue to receive high quality, affordable and professional financial advice in an increasingly complex decision-making environment.

This research has implications for policy makers, practice, and academia. The implication of this research for policy makers is that there is going to be a new wave of technology in the financial planning profession that will command a completely new method of compliance, oversight and monitoring. The implication of this research for practice is that the financial advice profession needs to keep up with technology and the ever-changing consumer, where consumption habits of the client of financial planning services now, and especially into the future will continue to change. The implication for academia is that now a foundational study has been provided on the interplay between technology and communication on financial planning practice. This will allow future researchers to build on this research and develop a body of knowledge on financial planning and technology which will continue to contribute to discussion in this space.

This research followed empirical research methodology and has several limitations. One of the limitations is that convenience sampling was used, which impacts the representativeness of unobservable traits of the responders. This research indicates scope for future research to consider: the impact of specific communication approaches with clients; client appetite to complete personality and preference surveys which would inform communication and advice; client appetite for reduced model advice which focused on investment returns..

This study sought to address a key issue in financial services at the current time: the impact of technology on the future of financial advice in Australia. In order to examine this topic, this research used empirical survey methodology to design a survey which leveraged off previously validated survey items. This research compared responses between clients and financial advisers to determine the different value placed on components of the financial advice relationship. The key result from this research was that there is a growing disconnect between what financial advisers place value on, and what the people they exist to serve value.

This growing disconnect needs to be addressed as soon as practically possible before technology makes this task impossibly harder. The differences in what financial advisers value and what clients of financial planning services is only going to get worse as supply constraints increase and the demand for financial planning services in Australia, and around the world increase exponentially over time. These pressures, further worsened by an ageing financial adviser base and raising professional standards increasing the barriers to entry will provide real supply constraints here domestically and abroad, especially in the short term. It is crystal clear that technology will need to come to the rescue to ensure that Australians continue to receive high quality, affordable and professional financial advice in an increasingly complex decision-making environment. The implications of this research will range from policy makers, practice, and academia.

The current study has limitations in regard to the sample, the sample size, the design of the research, survey design, and the scope of the research. Despite the survey being distributed nationwide, we cannot ascertain where the participants are from geographically as a result of research ethical protocols to ensure the anonymity of respondents. Hence there may be a cluster of respondents which bias the results, and which are unable to be seen through the demographic assessments. Other unknown details about the sample such as net wealth, marital status, and other professional relationships may also have an undue influence on the results, which could be worsened by the small sample size. Additionally, the scope of the research did not include a range of financial planning components which may have been overlooked in the literature review, such as life insurance, estate planning and tax. Therefore, although these limitations provide further scope for future research, they highlight we must interpret results with caution in terms of generalizability. However, the limitations do provide further scope for future research.

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# FINANCIAL AND PSYCHOLOGICAL REVERBERATIONS DURING COVID-19: EVIDENCE FOR INDIVIDUAL AND GENERATIONAL TURNING POINTS?

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*Key words:*

COVID-19, psychological reactions, financial stress, financial risk, financial planning

## ABSTRACT

This paper provides an overview of the financial and psychological reverberations being felt by sections of the Australian population during the COVID-19 pandemic. It considers the interplay between economic forces, financial resources and psychological reactions during the pandemic and whether the outcomes will manifest in ongoing changes to how individuals and generational cohorts consider and plan for their financial futures. In particular, financial stress, mental distress, financial risk attitudes and risk tolerance are considered in the light of lasting changes resulting from past financial and socio-historical events.

## Introduction

The COVID-19 pandemic has been identified as a cataclysmic event impacting the psyche of nations, communities, families and individuals (Kulkarni, 2020). Its influence is far-reaching resulting in shocks to physical and mental health (Ahrendt et al., 2021; Gruber et al., 2020), wealth, income and household finances (Hanspal et al., 2020; Zabai, 2020), labour markets (Botha et al., 2021), careers (Akkermans et al., 2020), education and training (Hurley, 2020; Heffernan et al., 2021; Thatcher et al., 2020), and to political and public institutions (Greer et al., 2020). According to Kaufmann (2020, p. 2), the socio-economic shock being felt worldwide is 'unlikely to be temporary, with scores of millions falling back into poverty, a shrinking middle class, and growing social tensions.'

Australian research shows that, while many sectors of society have been touched by the pandemic, the effect has been uneven with certain groups and individuals more vulnerable to its impact (Australian Bureau of Statistics, 2021a, 2021b). These include individuals working on casual and short-term contracts, employees and business owners in the tourism and retail sectors, the self-employed and young people. Speculation has arisen as to whether particular cohorts, such as the 'COVID generation' (e.g., Zwanka & Buff, 2020), are likely to experience ongoing aftershocks to their life trajectories because of lasting financial and psychological effects.

This paper discusses a number of the financial and psychological reverberations being felt by different segments of the Australian population during COVID-19. Consideration is given to the extent to which the pandemic has induced a 'generational turning point' that alters underlying values, perceptions and behaviours associated with life choices and goals, and to whether ongoing changes are likely to manifest in how individuals consider risk and plan for their financial futures. Such changes are associated with psychological and financial well-being (Irving, 2012; Netemeyer et al., 2018; Newton et al., 2015) and have important implications for financial planning which, along with discerning individual client goals and risk profiles, incorporates generational-cohort and life course views of clients in provisions of advice.

## Generational and Lifespan Effects

As with past pandemics, epidemics and wars, there are both theoretical and empirical dialogues around whether and how cataclysmic events produce ongoing change in individuals and generational cohorts experiencing the same historical periods and events. Debevec et al. (2013) argue that cataclysmic events create shifts in society with identifiable changes in societal values. Research shows that lasting impacts often fall on those of 'impressionable age', young adults in their late teens to mid-twenties (Eichengreen et al., 2021), due to the 'increased exposure and sensitivity to larger national and world events' that accompanies the transition through adolescence and into early adulthood (Corning & Schuman, 2015, p. 176). Large-scale life-changing events experienced during these years can lead to 'collective memories' of the life phase that influence the cohort's ongoing values and behaviours (Schuman & Scott, 1989). These are not all negative, however, with research showing long-term positive psychological development of individuals who were teenagers during the Great Depression in terms of increased initiative, responsibility and cooperation (Elder, 1994).

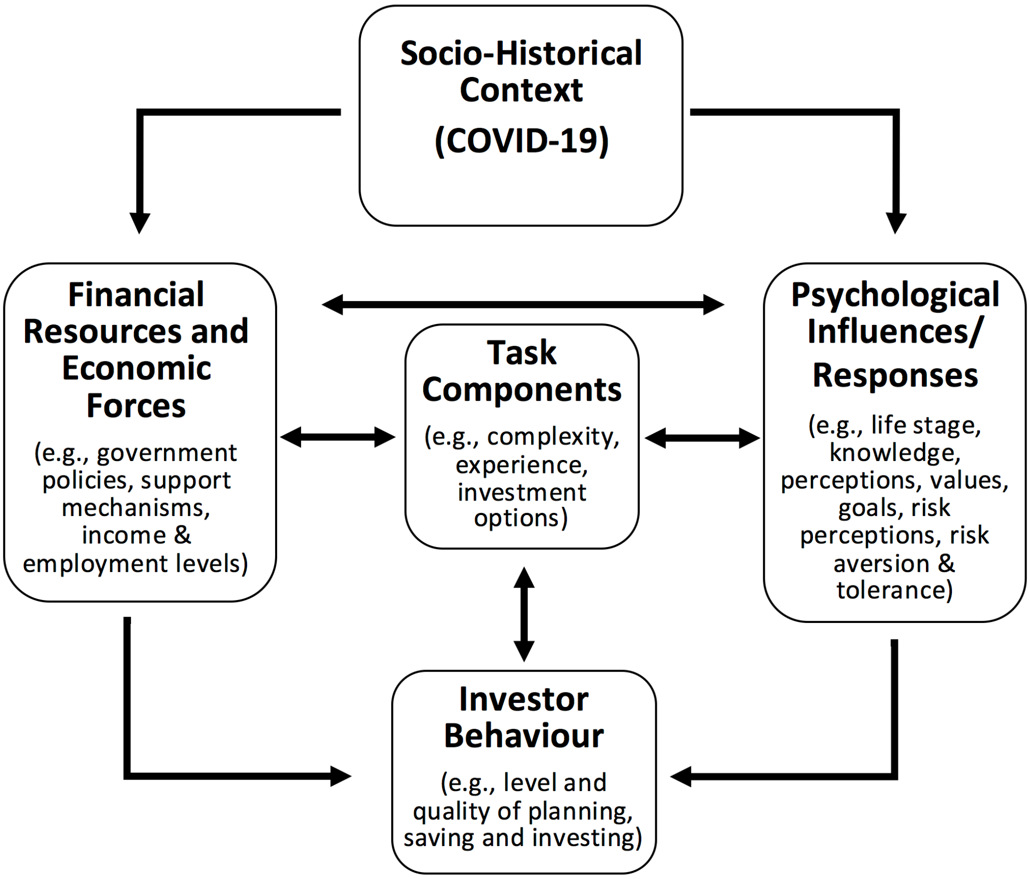
However, the fallout of negative socio-economic events can also lead to ongoing negative outcomes for generational cohorts. Longitudinal studies tracing the effects of previous recessions reveal long-term outcomes for youth experiencing difficult school to work transitions. These outcomes include lower earnings and poorer levels of employment across their first decade in the labour market, reduced long-term life satisfaction and optimism levels for the future, and higher risk of social exclusion and psychological distress (Bell & Blanchflower, 2011; Clarke, 2019; Mann et al., 2020). Analyses of previous epidemics suggest that when government policy responses are lacking or ineffective, young people lose trust and confidence in governments, institutions (including health systems) and political leaders, and may choose to avoid electoral participation in the future (Eichengreen et al., 2021).

Speculation has arisen regarding the lasting effects on under 25-year-olds who have been dubbed the 'COVID-19 generation' and are forecast to bear the scars of the pandemic psychologically, educationally and socioeconomically (Major & Machin, 2020; Mann et al., 2020). While the immediate effects of the COVID-19 pandemic on young people are now well-documented, Rudolph and Zacher (2020) warn against the use of the term 'Covid-19 generation' because it may lead to generalisations about differences between segments of the population and draw attention to assumed rather than real generational differences. They draw attention to the problem of generationalism which refers to 'the espoused belief that members of any generation possess specific defining characteristics that distinguish them from members of other generations'(p. 4). The authors argue that generationalism ignores individual differences within cohorts and may lead to age-based discrimination as well as self-fulfilling prophecies for members of a generational cohort in terms of their attitudes, values and behaviours. For them, lifespan perspectives identify the differential impact of COVID-19 on the developmental paths of individuals without having to resort to generations as an explanatory tool.

However, as Bühler and Nikitin (2020) propose, socio-historical contexts can exert strong influences on adult value development particularly when events are stressful and severe (e.g. Depression, World War). For these researchers, the notion of a generational cohort is worthwhile as individuals aligned to different socio-historical contexts may experience different opportunities and resources and be confronted with distinct challenges and obstacles that transcend the individual's immediate milieu. Hence it would appear advantageous to consider how both individuals and generational cohorts have been affected by the COVID-19 pandemic in analyses of both contemporaneous and lasting effects.

Hershey's (2004) model of investor behaviour in retirement planning identified 'cultural ethos' (societal, family and peer norms) as a significant contextual variable influencing both investor psychology and 'financial resources and economic forces' (see Hershey et al., 2007). The socio-historical context of COVID-19 can be theorised to have a similar effect as illustrated in Figure 1 which is adapted from Hershey (2004, reproduced in Hershey et al., 2007). While Hershey's model did not identify a link between 'financial resources and economic forces' and psychological factors, increased understanding of the relationship between the two sets of variables over the last decade indicates that this is an important consideration (e.g., Friedline et al., 2020; Sturgeon et al., 2016). Emerging literature across the pandemic suggests that for many Australians reduced financial resources are associated with financial stress and psychological distress. The following section identifies examples of the financial and psychological experiences of Australians arising from policy decisions and economic forces during the pandemic in order to encourage dialogue around how these variables may interact and impact the financial planning needs of Australians.

Figure 1: Factors underlying investor behaviour[a] during COVD-19




[a]Adapted from Hershey (2004, cited in Hershey et al., 2007)

## Psychological and Consumer Responses

Along with the devastating health effects of COVID-19, a great deal of commentary has focused on mental health issues (Gruber et al., 2020) and consumer reactions as the pandemic unfolded. Consumer reactions offer insight into how individuals have reacted to the pandemic, as well as adjusted their behaviour and thinking to cope and adapt to forced lifestyle changes. Kirk and Rifkin (2020) identify styles of behaviour and thinking that underpin the awakening of a 'new' consumer whose consumption patterns have changed, along with their underlying values around the how and why of consumption.

Consumer responses are generally psychological reactions that are based on perceptions, emotions and social influence. For example, hoarding behaviour and panic buying are often explained in terms of multiple mechanisms including fear arising from threat perception, self-protection, risk aversion and loss of control (see Yuen et al., 2020 for a summary). Some see these as instinctual, 'survival' responses to perceived threat, while others emphasize perceptions that are socially influenced through media and government announcements (Loxton, 2000). For example, regarding the latter, evidence suggests that government announcements of restrictions played a significant role in large, short-term effects on consumption patterns such as panic buying within Australia and globally (Keane & Neal, 2020).

Other responses such as rejection of behavioural mandates through failure to wear masks or social distance are linked to mismatches between recommendations and personal beliefs as well as the nature of the mandate messages. Greater compliance has been observed when messages have been other-focused, as in the campaign advocating Australians stay home so that health professionals could get on with their jobs, rather than fear-induced, as in campaigns focused on health effects (Kirk & Rifkin, 2020).

While many of the observed behaviours are reactions to uncertainty (Einstein, 2014) and are well-documented responses to crises and disasters (Keane & Neale, 2020), they are also coping behaviours in that they serve to reduce anxiety, fear and loss of control (Yuen et al., 2020). For example, stocking up gives one a sense of control over the immediate environment when other aspects of daily life are no longer within one's control (e.g., food supply, the spread of the virus, movement within city/state/country). Other coping behaviours include maintaining social connectedness (the upsurge of Zoom and other communication technology) and 'doing it yourself,' as evidenced in the rise of home-based projects and increased self-sustainability (Kirk & Rifkin, 2020).

Phrases such as the 'new normal' imply that the pandemic may have longer-term effects. Data reveals that the pandemic had an impact on spending patterns in Australia and that Australians perceived they would continue to spend less. Zilio (2020) reports that around 46% of Australians reported spending less in the middle of 2020 than they did at the beginning of 2020 (pre COVID-19) and over half of these (55%) expected to be spending less in 6 months (late 2020). Reasons are likely multifactorial including reduced income, reduced access to/avoidance of shopping centres, as well as financial and psychological caution. According to Bensley and colleagues (2020), an overarching outcome of the pandemic is the rise of the 'cautious consumer' who is more planful and more focused on budgeting, deliberate spending, and price consciousness.

Alongside changes in who we are as consumers, there is speculation that there will be changes in who we are as humans. Such transformations relate to underlying values, morals, and identity:

> *Originally conceptualized as an outcome of war, moral injury occurs when individuals experience, bear witness to, or learn about egregious transgressions which are incompatible with their own morality and expectations (Litz et al., 2009). Numerous realities during the COVID- 19 pandemic defied expectations beyond imagination. Among the most serious transgressions were individuals left to die alone while loved ones were forced to stay away, medical personnel compelled to choose who would and would not receive life-saving treatment, and families precluded from carrying out funerals and other rituals related to the grieving process due to social distancing… Depending on how profoundly it is experienced, moral injury contains the power to shape self-identity and world outlook. (Kirk & Rifkin, 2020, p.128)*

While personal values are considered to be relatively stable, there is evidence that when significant changes disrupt lives, value change may accompany adaptation to the disruptions (Daniel et al., 2021). Daniel and colleagues' (2021) longitudinal tracking of values over 3.5 years before and during the pandemic in Australia (up to late 2020) shows an increase in conservation values (the motivation to maintain order and safety, resistance to change) and a decrease in self-transcendence values (the motivation to promote concern for the welfare of others) and in openness to change values (the motivation to promote creativity, independence, novelty and excitement), although the last of these (openness) showed a reversal in late 2020. The researchers report that worrying about the pandemic was associated with greater change in these three sets of values, while no changes were found across time in self-enhancement values (the motivation to promote self-interest, success, and dominance). While the conservation value changes appear intuitive, those related to self-transcendence are less so. The authors interpret their findings in the light of lockdowns and restrictions, suggesting that a focus on personal safety and preservation may occur at the expense of concern for others while those experiencing ongoing worry may withdraw psychologically and physically from others. As with many of the impacts of the pandemic, the persistence of these value changes and their influence on the goal setting that underpins financial planning is yet to be determined. For example, does an increase in more conservative values in the general population influence preferences around risk and investment types on a larger scale?

The pandemic has given many individuals pause to consider how they live their lives and what they value with flow-on effects for the goals they set for their futures and how these can be achieved. For many, these are linked to financial and psychological wellbeing (Irving, 2012). In the next section, the impact of COVID-19 on the financial stress and psychological wellbeing of Australians is considered.

## Financial Resources, Financial Stress and Psychological Distress

Lockdowns and restrictions have seen the nature of work and the workplace change significantly. Job and income losses have led to increased financial stress for many Australians and several surveys have attempted to capture these effects. For example, Bensley et al. (2020) report results from a consumer pulse survey of 799 Australians sampled and weighted to match the general population and conducted in June 2020. They segment consumers into 4 profiles (see Table 1) and report the largest impact and lowest economic optimism for those with 'income in jeopardy' (24%) due to job or income loss. This category captures Australians across income levels but is predominantly comprised of Millennials and Gen X. This segment combined with those struggling to 'make ends meet' sees a significant percentage (44%) of Australians reporting financial difficulties even after the introduction of a raft of financial assistance measures.

Table 1: Australian consumer segment profiles[a] during COVID-19

| Segment | Percentage | Characteristics | Demographic composition |
|---|---|---|---|
| Income in jeopardy | 24% | Major impact due to job or income loss.<br><br>Have had a significant change in household income as a result of COVID-19 (61%), with a fear of it worsening (37%).<br><br>Low to middle to high income. | 40% Gen X<br><br>33% Millennials<br><br>17% Baby Boomers<br><br>10% Gen Z |
| Making ends meet | 20% | Struggling financially pre-COVID-19 and continue to struggle.<br><br>Government assistance or low wage jobs.<br><br>Low income. | 56% Baby Boomers<br><br>32% Gen X<br><br>11% Millennials<br><br>1% Gen Z |
| Optimistic but cautious | 30% | Worry about health and the economy but are more secure financially.<br><br>Low to middle income. | 60% Baby Boomers<br><br>22% Gen X<br><br>17% Millennials<br><br>1% Gen Z |
| Stable and consistent | 26% | Experienced a small amount of financial impact but remained relatively stable in mindset and behaviour.<br><br>Highest income segment. | 39% Gen X<br><br>31% Baby Boomers<br><br>30% Millennials |

[a]Summarised from Bensley et al. (2020, p. 8)

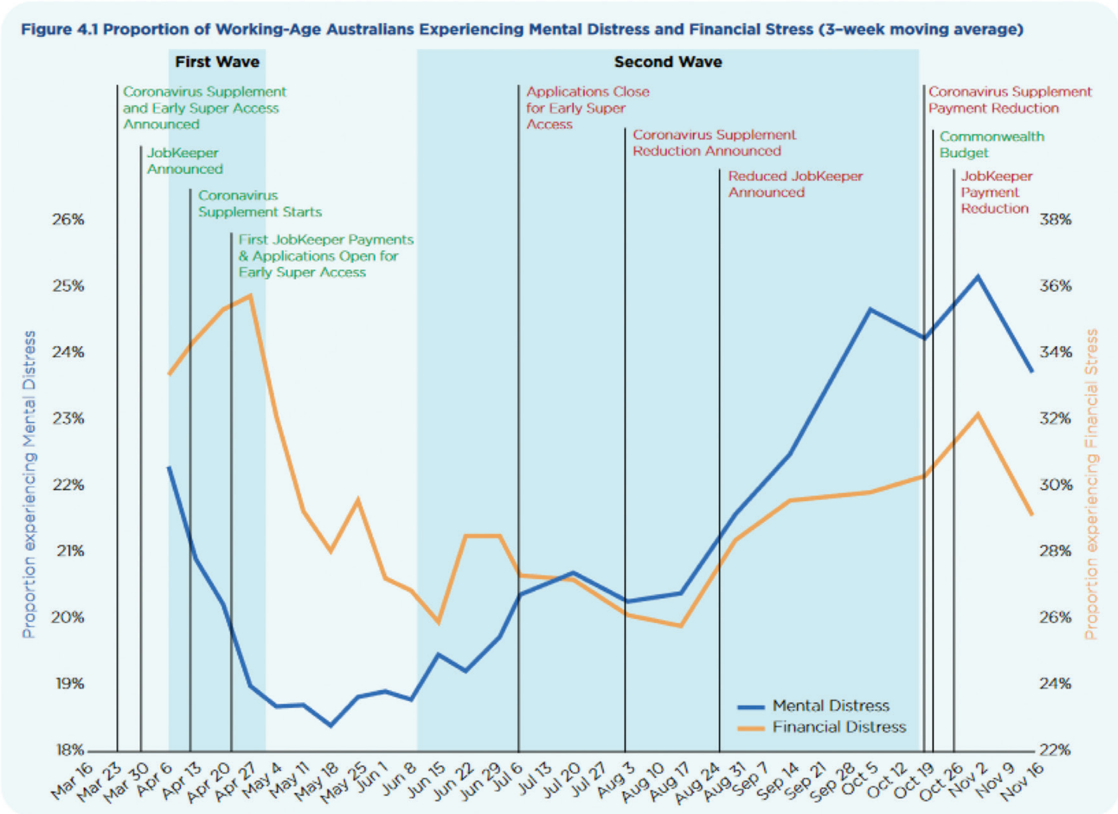
As a second example, the Melbourne Institute (2020, 2021) conducted 36 survey waves from April 2020 to July 2021 (at the time of this paper) tracking the impact of the pandemic (Melbourne Institute's Survey of the Impact of COVID-19 in Australia). They report that the repeated cross-sectional waves contain responses from 1200 persons aged 18 years and over with the sample stratified by gender, age and location to be representative of the Australian population. While the survey waves capture patterns of experience across various segments of the Australian population, it should be noted they are not longitudinal and therefore do not provide information on individual pathways through the pandemic.

Reports indicate that across the first seven months of surveys (April 2020–Oct 2020) on average 25% (range 20–31%) of Australian households reported financial stress (difficulty paying for essential goods and services). Financial stress was more prevalent for certain age, employment and industry segments, however. In late April 2020, just over 40% of the 18 to 44 age group reported being financially stressed. In May 2020, 40% of workers in Accommodation, Food, Recreational Services and Retail Trade reported financial stress (Wave 7). By September 2020 (18th Wave), 34% of those aged 18 to 44 years were experiencing financial stress compared with 24% of 45 to 64 year olds and 5% of those over 65 years.

Estimates of workforce composition using HILDA (Household, Income and Labour Dynamics in Australia) data suggest that 52% of workers in industries 'directly adversely affected' by the pandemic are aged 15–24 (Wilkins, 2020). Kabátek (2020) reports that young people 18 to 24 years who are unemployed due to COVID experience high rates of financial stress (62%) and that this is most prevalent in states with ongoing lockdowns leading to job and income loss.

While a number of factors have contributed to mental distress during the pandemic, including uncertainty around the effects of the virus, fear of job loss, and social isolation, Botha et al. (2020) argue that financial stress has been a significant driver of mental distress during the pandemic. They report that 42% of survey respondents indicating financial stress also report mental distress compared to 11.5% of those not reporting financial stress. Figure 2 shows their mapping of the association between financial stress and mental distress (correlation .53) across 2020 and in relation to the introduction and reduction of government support measures.

**Figure 2: Mental Distress[a] and Financial Stress[b] during COVID-19 in 2020**




**Source.** *Taking the Pulse of the Nation* (TTPN) survey (Melbourne Institute), Waves 1–23. Sample size is 20,906 working-age adults.

Reproduced with permission from Botha, Butterworth and Wilkins (2020)

[a]Mental distress.' During the past week about how often did you feel depressed or anxious?' Response options: "all of the time', 'most of the time', 'some of the time', 'a little of the time', and 'none of the time'. Mental distress includes responses 'all of the time' and 'most of the time'

[b]Financial stress. 'How would you describe your current financial conditions, in terms of paying for essential goods and services such as bills, rents, mortgages?' Response options: 'very financially stressed', 'moderately financially stressed', 'making ends meet', 'moderately comfortable financially', 'very comfortable financially'. Financial stress includes responses 'very financially stressed' and 'moderately financially stressed'.

Ongoing survey waves in 2021 reveal that self-employed respondents reported high rates of financial stress in March (50%) and May (42%) followed by those on fixed-term contracts (March 49%, May 48%) and in casual employment (March 46%, May 30%). Higher rates of mental distress are also apparent in the self-employed (March 47%, May 36%). As of the last wave (July 21) conducted at the time of this paper, 23% of Australian households report being financially stressed and 30% making ends meet, suggesting that over 50% of the population is 'financially vulnerable'. Feeling mentally distressed all of the time was reported by 22% of respondents, with 23% recording an incidence of this some of the time (Melbourne Institute, 2020, 2021).

The above findings show a major and sudden impact has been felt by Australians who have lost household income through job or income loss as a result of mandated public health requirements (e.g., business lockdowns and closures), and knock-on effects (e.g., investment property revenue loss). This impact is across income strata and no doubt reflects the diversity of household income sources: jobs, businesses, self-employment, investments.

The extent to which financial stress underlies the reported psychological distress is unclear. While other factors such as the context of living through the COVID-19 era and all its concomitants are likely to play a role, job and income losses are significant life events involving psychological stress, grief, and impacting self-identity (Griffiths et al., 2021; van Eersel et al., 2019). Research shows that difficulty meeting current and ongoing obligations such as basic needs and paying bills are associated with poorer physical and mental health, while attempts at coping by resorting to pay day lenders, and increasing loans and overdrafts add to the burden (Friedline et al., 2020; Kiely et al., 2015). Not only is the pandemic a major health and economic crisis but it also has a psychological dimension in its impact on key elements underlying eudemonic wellbeing such as a sense of mastery and control, purpose and meaning in life, and achievement of life goals (Irving, 2012). For many individuals and possibly generational cohorts these elements have been placed on hold or stalled indefinitely. In the next section, the impact of the pandemic on psychological dimensions underlying attitudes to risk is considered.

## Attitudes to Risk and Risk Tolerance

Crises and disasters are historically associated with increased risk aversion (Bucciol & Zarri, 2015), partly because of the uncertainty of the situation and the future. There is emerging evidence for increased financial conservatism at a household level during the course of the COVID-19 pandemic, particularly for those with more experience of the virus and its effects. Yue and colleagues (2020) report findings from China Household Finance Surveys conducted in 2019 and across February and March in 2020 covering 2,595 households. They find that knowing someone with COVID-19 is associated with a decrease in long-term confidence in the economy, a change in household risk preference, increased risk aversion, and a decrease in the amount invested in financial assets.

Similarly, Bu et al. (2020) find in repeated surveys conducted before (Oct 2019) and after the outbreak (February 2020) that graduate students in Wuhan with greater experience of the pandemic through exposure to infections and deaths in their families and communities, as well as quarantining, show reduced risk-taking in an investment allocation task. The researchers argue that decreased general risk appetite is partially explained by alterations in optimism and beliefs about luck and individual sense of control. These students also held more pessimistic beliefs about the economy, their health, and the environment in general.

In the United States, Heo and colleagues (2020) tracked changes in aggregate measures of financial risk tolerance (FRT) in groups of individuals aged from under 25 years to over 65 years from April 2019 to March 2020. They focused on five event periods during the pandemic: no/intermittent cases, recognition of cases, wave initiation, case acceleration, case deceleration/stabilization. FRT, defined as 'as a person's willingness to engage in a financial behavior, in which the outcome is both uncertain and potentially negative' (p. 2) and measured using Grable and Lytton's (1999) 13-item scale, impacted most strongly in a younger cohort (aged 25 years and younger). While the sample was non-generalisable (self-selected, online survey) with 77% falling in the under 25 age group, the authors note that the decrease in FRT was not evident in the other age cohorts and conclude that 'if young people have systematically increased their perceptions of risk and reduced their willingness to take financial risk, the wealth accumulation possibilities for those aged 25 or younger may be in jeopardy' (p. 14). Because Heo et al.'s data are cross-sectional it is unclear whether changes in FRT occurred within the same individuals. Longitudinal assessments of FRT in the age cohort are likely needed to see whether this concern is borne out in the longer term.

Economists tend to view risk preferences as relatively stable with some studies showing risk tolerance as stable over time or rebounding after initial impacts such as the Global Financial Crisis (Gerrans et al., 2015). Other research suggests that there are long-lasting effects when individuals encounter severe crises, such as wars, early in their lives (Kim & Lee, 2014) or lasting emotional losses, such as losing a child (Bucciol & Zarri, 2015). Using several data sources including the 'Survey on Health, Ageing and Retirement', Bellucci and colleagues (2020) report that share ownership and the percentage of finances held in shares (a proxy for financial risk-taking) in EU countries, as well as the likelihood of holding life insurance, are linked to exposure to the Second World War. Controlling for a range of potential mediating variables, such as mental health, hardship and cognitive ability, the researchers conclude that 'sensitivity to uncertainty, and a preference for safe situations, are likely to convey the effect of war exposure on financial risk taking' (p.11).

## Taking on Financial Risk

While increased risk aversion may be a consequence of COVID-19 exposure for some, for others risk has been embraced. Several authors have documented the rise in retail investor participation in stock markets during the pandemic, including Talwar et al. (2021, p. 8) who report that:

> *The panic that spread in the wake of the COVID-19 outbreak caused most financial markets to fall drastically, ranging from 10–20% in a single day (Vishnoi & Mookerjee, 2020; Zhang et al., 2020). However, after some initial nervousness, the stock market crash was perceived by retail investors as an opportunity, wherein markets in most countries witnessed increased retail participation as a result (Dubey, 2020) ... However, retail investors may contribute to making the markets even more unstable through their biases and psychologically driven responses.*

In Australia, this concern was echoed by ASIC (May 2020) after tracking retail investors who entered the market from 24th February to 3rd April. During this time, creation of new and re-activated accounts was 3.4 times higher than in a preceding benchmark phase and the average daily securities turnover doubled to $3.3 billion. Risk taking was evident in 'behaviours which expose retail investors to possible unexpected losses' such as orders set to GTC (Good 'til cancel), frequent trading showing poor market timing, and trading in complex and high-risk products. The average time between trades on the same stock fell from 4.5 days to 1, while for any stock it fell from 2.5 days to 0.9. It was observed that 'if all retail investors held their positions for only one day, total losses would have amounted to over $230 million' (p. 9) and that 'the average retail investor was not proficient at predicting short-term market movements over the focus period' (p. 9).

Similarly, Ortmann et al. (2020, p. 3) using data on 456,365 retail investors from August 1, 2019 to April 17, 2020 (sourced from a discount broker offering an online trading platform under UK licence) report that these investors:

> *increase their average weekly trading intensity by 13.9% as the number of COVID-19 cases doubles. Investors, on average, add funds to their accounts, open more new accounts, and establish more new positions. We observe the largest increase in trading between February 23, and March 22.*

Unlike the movement to high-risk, complex products in Australia, retail investors did not increase their trade in 'risky' investments (such as Contract for Difference (CFDs), cryptocurrencies); although it should be noted that Ortmann et al.'s findings may not represent all retail investor trading as they are restricted to one brokerage platform (p. 9).

Multiple explanations have been offered for the increase in retail investor trading, for example, as a new form of gambling for those with risk appetites and for whom access to other forms (casinos, pokies) was curtailed (Chiah & Zhong, 2020), herd behaviour arising from social media promotion of trading (Bizzi & Laban, 2019), a response to commentary regarding economic recovery (e.g., President Trump's claims of a fast V-shaped recovery), as well as economic pessimism (Ortmann et al., 2020). Basu and Dulleck's (2020) findings with university students show that a range of psychological biases and perceptions influence retail investors' decisions to invest in complex products including the illusion of control, overconfidence, and framing bias and that, while trust in issuer has a significant bearing, financial risk measures such as volatility do not. No doubt a number of these biases were at play during the observed uptake in trading by retail investors. What the financial outcomes are for those who entered the share market without adequate financial and investment literacy remain to be documented.

## Anxiety about the Economy and Expectations of Recovery

Psychological research sees mental health issues including anxiety and depression on the rise during the pandemic with potential effects across the lifespan (Gruber et al., 2020). Anxiety relates not just to health but to expectations about financial circumstances and the economy. Research conducted across the US, UK and Israel in April 2020, reveals that levels of economic anxiety were on a par with health anxiety and that both exceeded anxiety related to isolation and routine change during the pandemic (Bareket-Bojmel et al., 2020).

While anxiety about the economy is apparent, individuals often report that their financial situation is better than that of the national or global economy. This effect, known as the better-than-average effect, has been observed in surveys in the UK and Sweden during the pandemic (Barrafrem et al., 2020) and in Australia in the tracking surveys of the Melbourne Institute. In the UK (March 2020), for example, while 61% and 62%, respectively, of households thought that the national and global economies would be a lot worse in the future, only 29% viewed their own situation in the same way. In Australia in 2020, while around half of respondents believed the effects of COVID-19 on the economy would be felt beyond one year, only 21% believed the effects on them would be of the same duration. In addition, 54% of respondents believed that the recovery would be longer for the economy than for themselves, 39% believed that recovery time would be the same, and 7% that recovery for themselves would be longer (de New, 2020). As optimism about personal recovery is related to employment (and gender) in the survey, de New (p. 5) suggested that:

> *Key to the recovery process after COVID-19 is restarting pre-COVID-19 demand levels for goods and services. If employed people disproportionately believe that they themselves will not be affected for as long a time as the general economy, then they are likely to resume spending and consume goods and services. Those with the economic power to consume, are potentially most likely to do so.*

In late 2020 it was reported that the Westpac-Melbourne Institute Index of Consumer Sentiment (Westpac, 2020) increased by nearly 12% from September to October and was 10% above the average level in the six months prior to the pandemic, suggesting that personal recovery optimism alongside optimism around recent budgetary measures were taking hold. However, by August 2021 with three major cities in lockdown, lockdowns extending to further local government and regional areas in NSW, and cases in NSW increasing, sentiment had declined with Westpac (2021) reporting that the biggest falls were around expectations for the economy over the year ahead and assessments of 'time to buy a major item' and that a slight majority of consumers across all three major states now expect conditions to deteriorate rather than improve over the next year (p. 1). Around family finances, consumers are less confident about the year ahead, the 'finances, next 12 months' sub-index retracing 2.7% to 107, led by sharp declines in Victoria and Queensland' (p. 2). Consumers also registered a loss of confidence around jobs (p. 2).

The ongoing cycle of lockdowns and restrictions while vaccination rates are below herd immunity levels and the delta strain remains an ongoing threat to communities mean that uncertainty around economic impacts, financial resources, and wellbeing continues to be front of mind for many Australians.

## Implications for Financial Planning

Taken together the themes overviewed in this paper illustrate that the effects of the COVID-19 pandemic are complex and evident at the individual, cohort, economic, and societal levels. On the one hand, the picture is of caution and risk aversion. A 'cautious consumer' has emerged characterised by increased planning and deliberative decision-making around finances and spending. This caution arises for a number of reasons—economic and health worry, income jeopardy, financial stress and vulnerability, changing values, as well as mental distress and uncertainty and anxiety about the future.

The unevenness of the financial impact across society has meant that certain segments of the Australian population have been more affected than others, for example, those working or owning businesses in travel and hospitality and young people. The diversity of the source of household income loss (jobs, businesses, investments) has seen the impact flow across low to medium to high income households. On the other hand, segments of the Australian population appear to be relatively financially unscathed. Many are cautious but optimistic, are not experiencing financial stress or mental distress, and are continuing life with stability of income.

In this section, consideration is given to the ways in which the financial planning profession has responded to a number of the issues raised in this paper as well as to longer-term implications.

## Reducing financial stress and mental distress

Financial planners have long held the responsibility to support their clients as they encounter environmental threats to their financial well-being. Whether it is a financial shock like the Global Financial Crisis (i.e., Great Recession), the COVID-19 pandemic, or client-specific household shocks such as a divorce or health crisis, financial planners play a vital role in helping families adjust to a new normal or return to the original course of action. (Fox & Bartholomae, 2020, p. 1)

While financial planners are a source of client support through the process of engaging with financial concerns in a deliberative and realistic manner (Irving, 2012), the decline in financial resources of many Australians is the result of economic impacts. As Botha notes, the mental distress associated with financial stress for those most adversely affected during the pandemic is best addressed by alleviating the causes of financial stress, for example, through government initiatives such as income support and job creation initiatives.

Through the course of the pandemic, financial planners have played a key role in assisting their clients with advice concerning income protection insurance, investments, superannuation and approaches to freeing up needed cash (CoreData, 2020). The pandemic has seen an increase in the demand for financial advice in Australia. In a CoreData (2020) survey, 47% of financial planners reported increased enquiries from existing clients while an ASX survey reveals increased intention by non-advised consumers (17%) to seek financial advice (ASX, 2020).

Financial planners are in a position to initiate contact with their clients to encourage realistic appraisal and planning (Brady et al., 2020), address uncertainty and reassess goals. Supporting the financial wellbeing of Australians has important social and public health benefits that have been acknowledged in government initiatives to increase access to financial advice. These include the provision of scaled advice and easing of documentation requirements such as the use of a Record of Advice (ROA) in place of a more comprehensive Statement of Advice (SOA) (ASIC, 2021). Initiatives have been aimed at expediting timely advice, for example around seeking early access to superannuation, as well as reducing the access gap between those who can afford advice and those who can't. The Financial Services Council (2020, p. 21) sees the provision of scaled advice as having a range of economic and social benefits including:

- Improved financial decisions that benefit personal wealth and the economy, such as debt management;
- Reduced likelihood of individuals making poor investment choices which could cost them their life savings;
- Reduced pressure on public financial counsellors and the voluntary sector who can prioritise higher-needs individuals in financial distress; and
- Improved access to financial advice by lowering its overall cost.

While government initiatives such as JobSeeker, JobKeeper, and the Coronavirus Supplement were aimed at reducing the number of people in financial stress early in the pandemic, Griffiths et al. (2021) argue that withdrawal of these measures and the resulting reduction in access to financial resources may lead to worsening mental and physical health among working-age individuals. They advocate for access to financial planning and financial counselling services to support these individuals.

The United States has seen an upsurge in financial planning amongst older generations as they reassess their retirement and health futures and place a greater focus on assisting younger family members facing financial stress during the pandemic (Edward Jones, 2020). It is possible that similar patterns may arise in Australia along with client goals taking on a more value-based and cautious tone.

## Roles for financial planners

In qualitative interviews with financial planners in the United States, Fox and Bartholomae (2020) report that some planners, in helping clients focus on what matters most in their lives, served more as counsellor than planner. They note that 'the ability of financial professionals to address psychological aspects of their clients, such as financial stress, along with relationship and behavioral issues, has become an essential aspect associated with building and using a financial planning framework' (p. 2). They view this approach as 'integrated financial planning'.

In Australia, there is a clear distinction between financial planners and financial counsellors in their training and roles. However, as the effects of the pandemic play out, it appears likely that the professional role of financial planners will require the incorporation of more people-orientated skills and tools that can be considered counselling or coaching (CoreData, 2020). To this end, pathways of training and continuing professional development might incorporate an expanded focus on such skills. Interdisciplinary fields are emerging such as financial therapy which promotes the 'research and study of financial health and training' across a range of professionals including financial planners, counsellors, and psychologists. At a time when large numbers of financial planners and advisers are leaving the profession and public perceptions of advisers are negative (ASIC, 2019) there is much to be gained by the profession and its image by broadening its remit. Not all financial planners will see themselves as counsellors or coaches, but for those wanting to broaden their expertise, such skills may provide further career opportunities or add value to the services they offer to their clients. As well as improving consumer trust in advisers, there are benefits in formalising what has often been promoted as central to the financial planning process and adviser-client relationship. It is important to note, though, that the popularisation of psychology and cognate sciences has often led to simplistic and misrepresented interpretations of the knowledge bases of human behaviour. Any movement towards integrating fields of practice needs to rest on evidence-based approaches grounded in research and theory.

## Tracking generational effects

For some, the uncertainty and loss associated with COVID-19 have led to increased risk aversion particularly for those with personal exposure to the damaging effects of the pandemic. While, to date, Australia has fared comparatively well, many of the 'moral injuries' described earlier have been felt in the community. Frontline health and medical workers, aged care workers, and families and friends of those who have contracted COVID-19 have had more personalised experiences of the devastating effects of the disease. As with research on the long-term impacts of severe events on risk aversion and tolerance, will there be ongoing implications for how Australians more personally affected by the pandemic make investment decisions into their futures?

As discussed, studies following the long-term effects of major crises on generations indicate that young adults can be the most vulnerable not only during the crisis but decades on. Loss of employment and income, increased risk aversion, or loss of savings through high-risk behaviour may see this generation of Australians needing more financial guidance and education. Financial planning researchers may seek to track the financial behaviours and attitudes of young Australians to ascertain ongoing issues of relevance to their financial futures and how they might be addressed through financial planning policy, education and advice. This might include the effects of risk aversion, decreased risk tolerance, and reductions in financial resources on investment choices and longer-term retirement planning.

## Conclusion

At the time of writing, the effects of COVID-19 continue to leave an impact on Australian communities. Analysis of past pandemics, financial crises and significant socio-historical events indicates that there may be lasting effects for particular individuals, such as those most adversely impacted by labour market changes, and for generational cohorts, such as young adults of 'impressionable age.' These impacts include alterations to personal values, self-identity, life meaning, goals, economic opportunities, financial resources and attitudes towards risk, all of which underpin financial planning. Currently, the fallout includes loss of income, jobs and businesses and associated financial stress and mental distress. Discerning the medium- and long-term effects is reliant on halting the spread of the virus and its variants and the success of economic recovery strategies and support for those adversely affected. Financial planners play a significant role in supporting Australians in the reassessment of their financial resources and goals during difficult times that many did not anticipate nor prepare for, and in so doing contribute to the ongoing psychological resources of their clients.

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# THE VALUE OF FINANCIAL ADVICE IN A CRISIS: A MULTIDISCIPLINARY LITERATURE REVIEW

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Value of financial advice, crisis intervention, client-adviser relationship, wellbeing, COVID-19

## ABSTRACT

The COVID-19 crisis presents an opportunity for the financial advice sector to demonstrate its importance. This paper examines literature from multiple disciplines to better understand the nature of a crisis, the role that expert advisers play and the value of advice to clients during a crisis. The literature demonstrates the multidimensional nature of a crisis, the need for a sophisticated approach to client-professional relationships and the positive impact of professional financial advice on wellbeing during and beyond a crisis. The findings motivate further research to establish a more detailed framework for understanding the value of financial advice.

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## Introduction

The COVID-19 pandemic created multiple worldwide crises. First and foremost, it sparked a public health crisis, with over 94.5 million cases of COVID-19 and 2 million related deaths worldwide at the time of writing (Dong et al., 2020). However, COVID-19 is also predicted to have long-lasting ramifications on the global economy, businesses, and individuals' financial situations and mental health. Global GDP declined significantly in the June quarter 2020, recording its largest contraction since WWII, as citizens' activities were restricted. Most economies have recovered somewhat from these initial contractions, but in most major economies GDP remains well below pre-pandemic levels (Reserve Bank of Australia, 2020). Further, the Reserve Bank of Australia (2020, p. 2) expects the economic recovery to be 'bumpy and uneven, and highly sensitive to further virus outbreaks'. As a result, governments have announced large fiscal stimulus packages in excess of 8% of GDP and central banks continue to provide monetary stimulus to increase economic growth and reduce unemployment (Bauer et al., 2020; Harari & Keep, 2020; Janda & Lasker, 2020).

While a global pandemic such as COVID-19 is a once in a century event, our resilience is tested much more frequently. The variety, depth and impact of crises are considerable. In addition to the direct effects of a crisis, there are often indirect effects, such as flow-on financial effects. As a result, crises are handled by financial advisers with such frequency that one could contend that advisers are always in 'crisis mode.' Indeed, from an economic perspective, it has been argued there is no such thing as 'normal' (Galbraith & Dörre, 2018). Financial advisers are increasingly aware of the need to provide emotional support with financial advice (Anthes & Lee, 2002), especially during a crisis when emotions are heightened. The COVID-19 crisis therefore presents an opportunity for the financial advice sector to demonstrate its importance and provide the trusted, supportive, timely advice to clients, and the community more broadly, as a true profession should.

To explore the value of professional financial advice to clients during a crisis, be it a global crisis such as the COVID-19 pandemic, or a personal crisis, we examine the literature from multiple disciplines to address the following research questions:

1. *What is the nature of a crisis?*
2. *What are the characteristics of those who seek advice in a crisis?*
3. *What is the role of advice and financial advisers in a crisis?*
4. *What is the value of financial advice and financial advisers for clients during a crisis?*

Overall, we conclude that the literature demonstrates the multidimensional nature of a crisis and the positive impact of professional advice on the wellbeing of individuals and households during and beyond a crisis. We argue that the role of expert advice in a crisis points towards the need for a trusted profession with a sophisticated approach to client-professional relationships. We also suggest that education frameworks, both entry and ongoing, could incorporate training in crisis management and response. Yet, research on professional financial advice has declined in the years beyond the global financial crisis (GFC), arguably when it is needed the most to inform policy and practice (MacDonald et al., 2021). We therefore also call for, and seek to motivate, further research in financial advice, particularly to establish a more detailed framework for understanding the value of financial advice. The findings of the paper are applicable to financial advice in any crisis and thus should be of interest to practitioners, educators, policymakers and researchers.

The remainder of this paper is set out as follows. First, we outline what constitutes a crisis and an investigation of advice seeking in a crisis. The roles that expert advice and financial advisers play during a crisis are then explored, followed by an analysis of the impact of advice during a crisis on clients' wellbeing. The paper concludes with a discussion and suggestions for future research.

## What is a crisis?

Crises vary in scale and can be experienced personally (individuals, families) or publicly (communities, institutions, countries), and even globally. Crises can be of an economic, employment, financial, health, legal, security or other nature. Further, the nature of a crisis can change over time, be compounded by other external factors, and directly or indirectly impact on multiple aspects of people's lives. A variety of crisis-inducing events are discussed in the literature, including natural disasters, medical emergencies, death, job loss, domestic violence and divorce (Dykeman, 2005). Disciplines, including sociology, psychology, social justice, international politics, medicine and financial planning, view such crises through slightly different lenses. Additionally, while some crises are experienced by people across different geographies and cultures (Dykeman, 2005), individual and household experiences and perspectives of a crisis may differ. This is reflected in the variety and multifaceted nature of crisis definitions.

Table 1: Crisis definitions

| Literature source | Crisis definition |
|---|---|
| Anthes & Lee (2002, p. 80) | … significant life-changing events that can throw people into sometimes traumatic states of transition. |
| Bard & Ellison (1974, p. 2) | … subjective reaction to a stressful life experience, one so affecting the individual that the ability to cope or function may be seriously compromised. |
| Dykeman (2005, p. 45) | A crisis represents an unanticipated event during which coping mechanisms are temporarily compromised and adaptive living is jeopardized. |
| Enander (2010, p. 15) | Crises mean a decisive turning point or radical change of the prevailing order. In our linguistic usage, the term crisis is used to refer to negative, decisive turning points. |
| Fiksenbaum et al. (2017, p. 128) | Financial threat is defined as fearful-anxious uncertainty regarding one's current and future financial situation. |
| Fink (1986, p. 15) | A crisis is an unstable time or state of affairs in which a decisive change is impending—either one with the distinct possibility of a highly undesirable outcome or one with the distinct possibility of a highly desirable and extremely positive outcome. |
| Gilbert & Lauren (1980, p. 642) | (Crises) occur suddenly, demand quick decisions by leaders under intense pressure, threaten vital interests, and raise enormous uncertainties about war and peace. |
| Heo et al. (2020, p. 4) | Financial stress is a psychophysiological response to the cognition of imbalance, uncertainty, and risk in the realm of financial resource management decision-making. |
| Hermann et al. (1978, p. I-2) | … a crisis is a situation that poses a major threat to one or more goals or other values of the group experiencing the crisis …. In addition to threat, a crisis is characterised by shortness in the perceived time available for decision. |
| James & Gilliland (2005, p. 3) | … a perception or experiencing of an event or situation as an intolerable difficulty that exceeds the person's current resources and coping mechanisms. |
| Keown-McMullan (1997, p. 4) | … for a situation to develop into a crisis three elements must be present: a triggering event causing significant change or having the potential to cause significant change; the perceived inability to cope with this change; and a threat to the existence of the foundation of the organization. |
| Kimenyi & Mwabu (2007, p. 11) | A crisis is characterized by an unfavourable state of instability or disequilibrium, i.e., by a large negative deviation from the normal state of affairs. The instability can occur gradually, as when a country slips into deep poverty due to decades of economic mismanagement; or it can occur suddenly, as when for example, a country is hit by a negative external trade shock (e.g., a fall in the price of a major export good) or by a natural disaster such as bad weather or earthquake. |
| Roberts (2005, p. 12) | A crisis can be defined as a period of psychological disequilibrium, experienced as a result of a hazardous event or situation that constitutes a significant problem that cannot be remedied by using familiar coping strategies. |

Crisis definitions often include references to a threat (Fiksenbaum et al., 2017; Fink, 1986; Gilbert & Lauren, 1980; Hermann et al., 1978; Keown-McMullan, 1997; Kimenyi & Mwabu, 2007) or a change or turning point in one's life (Anthes & Lee, 2002; Enander, 2010; Fink, 1986). A key theme across definitions highlighted by Table 1 is the psychological impact of a crisis on individuals and their inability to cope emotionally (Bard & Ellison, 1974; Dykeman, 2005; Heo et al., 2020; James & Gilliland, 2005; Roberts, 2005). Roberts (2005, p. 12) describes a crisis as occurring when 'a person faces an obstacle to important life goals that generally seem insurmountable through use of customary habits and coping patterns'. However, whether a crisis eventuates is influenced by an individual's perceptions of the severity of the situation and their ability to cope (Cutler et al., 2013). The focus on achieving goals is particularly salient to financial advisers who identify the impact of crises on clients' financial and lifestyle goals and suggest adjustments or strategies to help clients achieve them.

Similar to other crises, economic or financial crises can also be personal or widespread. While economic and financial crises are often used to describe systemic market events, the terms financial stress (including anxiety, financial strain and money worries) and distress are used in the literature to refer to individual or personal financial crises. Financial stress has multiple triggers:

1. life cycle events, such as marriage, childbirth and rearing, education, aging, and death;
2. job related events, such as job loss, change in income, unstable work, and retirement;
3. unexpected changes, such as unexpected death, accident, illness, major repair, and divorce; and
4. unfavourable financial situations, such as excessive consumer debt, loss of ability to borrow, mortgage loan foreclosure, and eviction (Joo, 1998; Sporakowski, 1979; Varcoe 1990).

Individuals' responses to financial stress manifest in a combination of behavioural, cognitive and physiological aspects (Grable et al., 2014; Heo et al., 2020). Responses may vary depending on whether the financial situation is considered temporary or permanent (French & Vigne, 2019).

The spectrum of financial distress includes short-term or persistent characteristics and objective and subjective components (Prawitz et al., 2006). The objective component refers to an individual's actual financial situation, such as their income, wealth, consumption, and debt. While financial distress and the inability to meet financial obligations are often associated with low income, in the case of a crisis like COVID-19 which had a consistent impact across the income distribution (Porter & Bowman, 2021), financial distress is related to income poverty which Heflin (2016) shows is distinct from material hardship. The subjective component is an individual's perception of their finances. For example, two individuals in the same financial situation may have very different views and levels of satisfaction or anxiety about their living standard (Prawitz et al., 2006). Financial illiteracy and lack of financial management skills exacerbate financial stress and distress (Joo, 1998; Keys et al., 2020; Williams, 1982) and in conjunction with a lack of precautionary savings and overspending, may lead to financial fragility and an inability to cope with economic shocks (Lusardi et al., 2011).

Like financial stress, financial distress has numerous causes and may be intertwined with other market and personal crises. For example, in the case of the COVID-19 pandemic, job and income loss were the result of workplace shutdowns in response to disease prevention controls. Thus, the COVID-19 pandemic provides an opportunity to examine how a public health crisis (Cadogan & Hughes, 2020), can produce related crises—including a global economic crisis (Shehzad et al., 2020), personal financial crises (with income and wealth losses) (Coibion et al., 2020) and, for many, a mental health crisis (Banerjee & Rai, 2020; Fitzpatrick et al., 2020). Both the crisis and financial literature provide a framework to increase understanding of crisis intervention by recognising the unique responses of individuals and households to a crisis and their habits and coping strategies as crucial in mitigating the impact.

## Advice seeking in a crisis

A range of disciplines provide examples of advice being sought for personal or family (Fletcher & StGeorge, 2010; Janzen et al., 2003), economic (Garman et al., 1996), employment (Brackertz, 2014; Lyons et al., 2008), health (Agar-Jacomb & Read, 2009; Frost-Gaskin et al., 2003), housing (Bakker et al., 2018; Griffin et al., 2008), security (Campfield & Hills, 2001; Chang et al., 2005) and natural disaster (Bakker et al., 2018; Griffin et al., 2008) crisis events that mirror the aforementioned triggers of financial stress and distress. Anecdotal and industry evidence indicates that financial advisers are experiencing 'a flood of inquiries' from both new and existing clients because of the COVID-19 pandemic. The demand for advice and the associated levels of fear and uncertainty are on par with, or exceeding, those witnessed during the GFC (Benjamin, 2020). Arguably, this is due to the number and variety of different, yet related, crises brought about by the COVID-19 pandemic.

Table 2 summarises the literature relevant to crisis response and intervention, advice seeking and giving, and the use of professionals or experts during a crisis. In the wake of a crisis event, a reaction and response will occur. It is during the reaction to the crisis event that individuals are most willing to seek advice and when intervention is considered most effective (Golan, 1978). Ripple et al. (1964) argues that the motivation to seek advice and take action may rely on a discomfort-hope balance, where 'hope' is related to self-efficacy and perceptions of the ability to attain a goal or goals (Bandura, 1988). Moreover, in times of crisis, unexpected and powerful emotions can negatively impact on one's decision-making abilities (Anthes & Lee, 2002). Given the subjective component of financial distress, those with more negative perceptions of their financial situation may experience more discomfort and have less hope of achieving their goals. Individuals who better understand the value of financial advice in terms of support for goal setting and achievement, may therefore be more willing to seek advice. However, low levels of decision-specific knowledge are also shown to motivate advice seeking (Godek & Murray, 2008), suggesting lower financial literacy and capability may play a role in the decision to seek advice.

**Table 2: Literature relevant to financial advice seeking and giving during a crisis**

| Author(s) | Key constructs, themes and frameworks |
|---|---|
| | *Crisis response and intervention* |
| Bandura (1988) | Anxiety<br>Subjective distress<br>Perceived coping self-efficacy |
| Enander (2010); Folkman & Lazarus (1980) | Emotion-focused coping<br>Problem-focused coping |
| Roberts (2005) | Assess mental health status<br>Establish rapport and engage the client<br>Identify major problems<br>Deal with feelings<br>Explore alternative coping methods and solutions<br>Develop an action plan<br>Develop a follow-up protocol |
| | *Advice seeking and giving* |
| Andreason & Ratchford (1976);<br>Godek & Murray (2007) | Rational information processing<br>Experiential information processing<br>Decision-specific knowledge |
| Grable & Joo (1999) | Demographic and socioeconomic factors<br>Financial knowledge, stressors, risk tolerance and behaviours<br>Evaluation of consequences<br>Help seeking decision |
| Lee (1997); Tyre (1992) | Feedback seeking<br>Information seeking<br>Help seeking |
| Srinivas (2000) | Transactional<br>Informational<br>Advisory |
| Bonaccio & Dalal (2006);<br>Schrah et al. (2006) | Information acquisition<br>(descriptive, perceived as factual)<br>Adviser recommendation<br>(subjective expertise, source credibility) |
| | *Professionalism and use of experts* |
| Balafoutas & Kerschbamer (2020);<br>Darby & Karni (1973) | Credence goods<br>Information acquisition and asymmetries<br>Pro-social and unethical seller motivations<br>Diagnostic effort |
| Grundmann (2017) | Relational expertise<br>Knowledge production and application<br>Decision-making |

Numerous studies investigate the attributes of financial advice seekers. Advice seeking is generally agreed to be a function of financial attitudes and knowledge and social-demographic characteristics (Bachmann & Hens, 2015; Bhattacharya et al., 2012; Bluethgen et al., 2008; Calcagno & Monticone, 2015; Collins, 2012; Disney et al., 2015; Elmerick et al., 2002; Finke et al., 2011; Hackethal et al., 2012; Joo & Grable, 2001; Kelly, 1995; Kramer, 2012, 2016). In contrast, research on factors affecting financial advice seeking in a crisis is scarce. In the organisational behaviour literature, Lee (1997) distinguishes between information seeking, feedback seeking and help seeking. While all three aspects of advice seeking may occur simultaneously (Tyre, 1992), Lee (1997) argues that help seeking is conceptually distinct from feedback and information seeking. Similarly for financial advice, Srinivas (2000) distinguishes transactional, informational and advisory functions. All of these functions are important in crisis and non-crisis periods, but help seeking and advisory are a critical focus of advice in a crisis because they focus on a problem-solving process through to provision of recommendations.

Factors influencing help seeking are complex. Help seeking is greater for people with a major change in circumstances (Gillespie et al., 2007) or larger or more specific problems (Grable & Joo, 1999; Lee, 1997; Mole, 2016), such as those who exhibit poor financial behaviours (Grable & Joo, 1999). Demographic and socioeconomic factors also influence help-seeking behaviour, but to a lesser extent (Grable & Joo, 1999). However, individuals may be deterred from seeking help in a crisis due to anxiety and the tendency to actively avoid disclosing potentially embarrassing information (Cepeda-Benito & Short, 1998; Grable & Joo, 1999; Lee, 1997; Van Dalen et al., 2017). In the context of financial advice, both existing and prospective clients have been shown to experience financial adviser anxiety (Gerrans & Hershey, 2016). Once help has been sought, Barnett White (2005) and Brackertz (2014) show that experts can help people feel more calm, confident and in control. Nonetheless, help seeking may be inhibited if individuals believe that the expert advice is of questionable quality, or they are unable to evaluate the quality of advice (Schrah et al., 2006).

## The role of expert advice in a crisis

Financial products and market complexity, low levels of financial literacy and time poor consumers are among the drivers of professional financial advice. In a crisis, the increased environmental uncertainty and perceived shortness in time for decision-making (Hermann et al., 1978) lead clients to demand more urgent attention. Advisers may therefore act as a substitute for learning, allowing the client to avoid the time and effort of acquiring expertise and enabling experts to exploit economies of scale in information acquisition (Ennew, 1992). Alternatively, for more knowledgeable clients, experts may act more like a 'sounding board,' helping them to assess the value of alternative options (Yaniv, 2004). Srinivas (2000) incorporates many of these factors into two predictors of advice seeking: the perceived risk in depending on oneself, influenced by an assessment of one's own expertise, time pressure and perceived environmental uncertainty, and the desire for control, impacted by perceived importance of goal attainment and trust of an adviser.

The social aspect of advice introduces more complexity in understanding the role of advisers and client-adviser interaction in decision-making. While Grundmann (2017) acknowledges that those with expert knowledge are generally considered trustworthy, he emphasises the importance of experts in a relational process, connecting knowledge to decision-making by considering the client and their needs. In a judge-adviser system, the client (judge or decision-maker) and adviser interact in the decision-making process and both impact the outcomes of the advice. The client receives the advice and decides how the advice is used, if at all (Bonnaciao & Dalal, 2006). Clients judge expert advisers in terms of their ability to deliver on their needs, with the level of client trust influenced by performance (Aldridge, 1998).

However, clients face challenges in assessing adviser performance and motivations. The nature of expert advice as a credence good means that the advice cannot be assessed as 'fit for purpose' often until well after the advice has been consumed, if at all (Balafoutas & Kerschbamer, 2020; Darby & Karni, 1973). Although clients may be able to judge some components of advice, such as whether they are or are not satisfied with an adviser's demeanour, informational asymmetries mean that less informed clients are even less able to evaluate the technical component of the expert advice (Darby & Karni, 1973) or the adviser's motives as prosocial, that is, protective of and promoting the wellbeing of others, or unethical (Balafoutas & Kerschbamer, 2020). Advice evaluation is further complicated by the varying levels of expertise of professional advisers (Meshi et al., 2012), leaving clients vulnerable, particularly during a crisis.

The decision to seek (financial) advice has been distinguished as a separate decision from where advice should be sought. Information processing models of consumer decision-making show that the extent of information source use, including the use of professionals, varies significantly by the type of decision (importance, complexity and subjectivity), participation in the decision and the interaction of these variables, with low knowledge and income being associated with less information source use (Andreason & Ratchford, 1976). Focusing on the source of financial advice decisions, Grable and Joo (2001a) found that psychological (e.g., risk tolerance, financial stress, attitudes toward retirement planning) and behavioural (e.g., financial management practices) variables were at least as important as demographic and economic variables in predicting the use of a professional adviser over a non-professional, including family members, friends and colleagues. Across their studies, they found a higher financial risk tolerance and those who exhibit better financial behaviours to be common factors associated with seeking professional financial advice (Grable & Joo, 2001a, 2001b).

Seeking help from professionals in a crisis is an example of a coping response. As a result of economic shock, Lusardi et al. (2011) contend that household coping strategies follow a pecking order influenced by relative transaction costs, social costs, information costs and effort. While such costs and effort may be hampered by the credence nature of advice, friends, family and colleagues, along with media and social media play an important role. As 'socialisation agents', they influence financial literacy via the acquisition of knowledge, skills, attitudes and values, and the financial behaviour of consumers (Karaa & Kugu, 2016; Moschis, 1987; Sohn et al., 2012). Aldridge (1998) found the likelihood of seeking and following professional advice was greater amongst people with more familiarity and experience with professional advice. These individuals were also more likely to view the client-professional relationship as a long-term relationship. However, this finding reflects the influence of family socialisation from a young age to the use of, and payment for, professional services.

In Australia and abroad, financial advisers are generally used less frequently than other professionals such as doctors, dentists and lawyers, and are consulted relatively later in life. Other socialisation agents offer the potential to substitute for this lack of family orientation to professional financial advice with low information costs and effort, even in a crisis. Financially distressed married couples were found to seek professional retirement advice more than singles (Kim & Kim, 2010). In studies on debt advice, Chang (2005) found that social networks were frequently used by low income cohorts for saving and investment information. While there is a significant deficit in the expert knowledge provided by social networks relative to professionals in such cases, French and Vigne (2019) explain that their value can be leveraged for good. For example, Cwynar et al. (2020) revealed that social networks increase metaknowledge, that is, an awareness of gaps in one's knowledge and where to seek that information, that in turn increases the likelihood of individuals with high financial confidence (subjective financial literacy) to seek professional financial advice. Overall, the evidence indicates that those who are more financially, psychologically and socially vulnerable, are less likely to use available information sources and are less likely to seek professional advice, even in a crisis.

The demand side of expert advice in a crisis is not the only challenge. Financial advisers regularly work with clients experiencing crises over the course of their client-adviser relationship. Unlike other crisis trained personnel, including clergy, nurses, doctors, other first responders, psychiatrists, psychologists, counsellors, and social workers, the crisis intervention role of a financial adviser is yet to be thoroughly explored in the literature. Crisis intervention aims to reduce harm by removing vulnerabilities, building or rebuilding coping and problem-solving abilities, and by providing emotional support and an action plan to buffer against similar future situations (Roberts, 2005). The situational appraisal of the client and development of coping strategies is an iterative process during a crisis. Appraisal requires attention to both regulation of distress (emotion-focused coping), particularly for less controllable events, and management of the problem that is causing the distress (problem-focused coping) (Cutrona & Russell, 1990; Enander, 2010; Folkman & Lazarus, 1980). However, success is largely dependent on emotion-focused efforts, because heightened emotions interfere with the cognitive activity necessary for problem-focused coping (Easterbrook, 1959; Folkman & Lazarus, 1980).

Similar to other crisis advisers, financial advisers assist clients experiencing a crisis to appraise the situation, evaluate the impact of a crisis and outline new or adjusted strategies to achieve the client's lifestyle and financial goals which may in the long run reduce the severity of a future crisis. An emphasis on emotion-focused before problem-focused coping strategies is important, because conversations about 'spending, saving, and other money behaviours can trigger a jumble of emotions, including guilt, shame, sadness, fear, and anger' (Kinder & Galvan, 2007, p. 59). Grable et al. (2014) and Heo et al. (2020) also emphasise the need for a multidimensional approach to advice given individuals' responses to financial stress manifest in a combination of behavioural, cognitive and physiological ways. Evidence indicates that many advisers have previously lacked the training and skills to be 'psychologically aware' (Anthes & Lee, 2002, p. 77). Although national education standards in Australia and abroad have begun to address client care and a behavioural finance focus in the curriculum, personal crisis management is not specifically addressed.

## What is the value of financial advice for clients in a crisis?

Professional advice in times of crisis can offset the negative implications of a crisis on clients' lives and provide benefits to the community. For example, professional financial advice has helped clients gain control of their mortgage repayments (Ding et al., 2008), reduce or waive their levels of debt and avoid bankruptcy (Brackertz, 2014; Mahmoudi et al., 2014), access social security benefits (Dow & Boaz, 1994; Greasley & Small, 2005), avoid or reduce legal action (Brackertz, 2014; Mahmoudi et al., 2014) and address elderly clients living in inappropriate housing for their needs (Burgess & Morrison, 2016). The effectiveness of a crisis response to these liquidity, debt and housing crises is influenced in part by the information people receive, in the form of situational appraisals and strategic plans (Reynolds & Seeger, 2005; Steelman & McCaffrey, 2013), and demonstrations of emotional support, including care, concern, active listening and empathy (Fehr & Gelfand, 2010; Roberts, 2005). These factors are argued to strengthen client-adviser relationships and thus influence people to act on advice (Seeger, 2006).

The provision of information, transactional support, education and behavioural coaching, and strategic advice by financial advisers leads to clients experiencing a range of financial wellbeing benefits. Advised clients are more likely to increase their efforts to improve their financial literacy (Marsden et al., 2011), which in turn has been shown to improve individuals' resilience to macroeconomic shocks (Klapper et al., 2013; Lusardi et al., 2011). For example, where the household financial decision-maker is no longer around, due to a crisis such as the death of a spouse or in the case of a domestic abuse survivor, clients reported increased financial knowledge and confidence of money management post advice (Adisa, 2018; Rehl et al., 2016). Advisers also perceived clients were empowered to take control of their finances (Adisa, 2018; Buck & Smith, 2015). Although advice cannot address all the underlying causes of financial stress, it can improve a client's financial wellbeing during and beyond a crisis (Brackertz, 2012). However, while financial management skills enable individuals to cope with changing circumstances in the face of future crises, confidence does not necessarily lead to better management where there are strong limiting factors such as income adequacy for low-income clients (Gillespie et al., 2007).

Advisers have improved clients' financial positions during global market crises, while advised clients have also exhibited more positive financial behaviours that help them weather such a crisis. Clients with a long-term adviser (compared to those who had a new adviser just prior to the market downturn) were more likely to remain invested in the sharemarket throughout the GFC (Linnainmaa et al., 2017). Similarly, Marsden et al. (2011) found that during the GFC, while many investors were selling equities and other high-risk investments, advised clients were increasing contributions to their retirement accounts and taking advantage of price reductions in those assets. Clients who had a relationship with a financial adviser prior to the GFC experienced less wealth volatility and were 6.25% better off than those who had not received advice, after accounting for the level of risk taken (Grable & Chatterjee, 2014). Grable and Chatterjee (2014) also noted that advised clients had more wealth than non-advised individuals before and after the crisis, including the accrual of emergency funds able to be drawn on during times of crisis (Marsden et al., 2011; McCarthy et al., 2013). However, like Marsden et al. (2011), Kramer (2012) acknowledged the difficulty in measuring direction and causality of the impact of financial advice on wealth.

Despite a strong focus in the literature on financial wellbeing outcomes, professional financial advice impacts all aspects of wellbeing. Financial advisers work with clients on 'some of the most highly sensitive, emotional topics and situations that those clients will ever discuss with anyone throughout their lives' (Kinder & Galvan, 2007, p. 59). It therefore not surprising that some clients value an emotional connection over expert knowledge at times of crisis, such as when a highly emotional and difficult decision is to be made (Barnett White, 2005). Adequate, well-timed emotional support during and after a crisis helps to minimise stress and anxiety, which in turn reduces physiological symptoms, and supports the development of trust and rapport (Bakker et al., 2018; Cohen & Wills, 1985; Dykeman, 2005; Gillespie et al., 2007). Advocating for people's rights, reducing administrative burden, and helping set priorities are all forms of practical support which are highly valued by those in a crisis, not just for the instrumental assistance, but also to reduce feelings of overwhelm (Anthes & Lee, 2002; Barnes et al., 2017; Frost-Gaskin et al., 2003). Clients who receive financial advice during periods of financial distress report improvements in their emotional wellbeing, in their social relationships with their children, family and friends, in their physical health and feeling more positive about their future (Australian Securities and Investments Commission, 2010; Brackertz, 2014).

## Discussion

This review has considered a multidisciplinary body of literature encompassing crisis response and intervention, advice giving and taking and the use of professionals and experts to shed light on the value of financial advice in a crisis. The findings demonstrate strong links between the role of a financial adviser and the financial advice process with crisis intervention, and highlight the demand and supply side challenges of financial advice in a crisis. While crises may vary in their nature, causes and impacts, they are likely to cause significant disruption and trigger a coping response to manage distress, problem solve and develop habits to improve outcomes in the current and future crises (Folkman & Lazarus, 1980; Rickwood, 1995; Roberts, 2005). The most financially, psychologically and socially vulnerable are least likely to use available information, let alone seek professional financial advice. Evidence from a variety of disciplines demonstrates the role of early intervention and quick access to advice in both reducing maladaptive coping behaviour and the likelihood of experiencing additional stressors (Brackertz, 2014; Buck & Smith, 2015; Dykeman, 2005). This necessitates a sophisticated approach to professional-client relationships, including the need to provide emotional and behavioural support with financial advice, and raises the question of the need for advisers to undergo crisis intervention training.

Multiple disciplines also identify that the nature of advice and level of engagement of clients with expert advisers makes the valuation of advice difficult. Advice is generally sought when the marginal benefits outweigh the marginal costs of information search (Stigler, 1961). However, several factors complicate the evaluation of the benefits, including the challenge in assessing whether the advice is 'fit for purpose,' the degree to which the client is involved in the advice process, and the extent to which the advice is followed by the client. Furthermore, a lack of socialisation to the use of, and payment for, professional financial advice means the large unadvised proportion of the community may not understand financial advice or how they can benefit from seeing a financial adviser, particularly for those with low income, education and financial literacy. Thus, advisers need to be skilled in explaining to clients, and the community more broadly, why it is worth paying for and implementing their advice even if the advice, particularly during a crisis, is to maintain the status quo.

Overall, the literature demonstrates that effective financial advice underpinned by quality, professional, client-adviser relationships should add value to clients during a crisis, be it a communal crisis felt on a global scale such as the COVID-19 pandemic, or crises of a more personal nature. A long-term relationship with a trusted financial adviser, may reduce the information search costs associated with determining the quality of advice and trustworthiness of the adviser, and reduce some uncertainty in decision-making. This is particularly important in a crisis when time-critical advice is required and stress levels are already elevated. Professional financial advice is likely to improve the financial, emotional, physical and social wellbeing outcomes of clients during a crisis, with long-term clients also benefiting from the development of prevention strategies to reduce the severity of current and future crises.

Empirical and industry research has indicated that successful wellbeing outcomes could improve economic stability and resilience for households and the economy (Finke et al., 2011; Klapper et al., 2013; Lusardi et al., 2011). System-wide savings may also be experienced in terms of foregone cost-shifting to the legal and health systems through, for example, avoided bankruptcies and health impacts (Brackertz, 2014). In a similar vein, it is reasonable to assume that the role of expert financial advice has wider implications if more Australians across varying income levels had access to advice. As it stands, government funding of the models targeted at the country's poorest is inadequate and the cost of financial advice is out of reach for many, leaving us to ponder how impactful professional financial advice could be to the community and the economy at large if it was more accessible.

Finally, while the financial advice sector has been weighed down by previous advice and product failures, and a resulting dearth of community trust and confidence in the sector, we note the irony that a global health crisis offers the opportunity for the industry to rise and support both existing and new clients to navigate the financial and emotional impacts of a crisis. Indeed, this is exactly what true professions do. Anecdotally, this is what we observe has occurred, yet the empirical evidence is yet to examine these issues.

## Future research

As is often the case in personal finance, the depth of the literature on broader disciplines is not evident, and thus a priori, more research is required to build the body of knowledge. For example, Bonaccio & Dalal (2006) signal the lack of progress in advancing a comprehensive theory of advice-giving and -taking. This is attributed to the breadth of research questions since the seminal work of Brehmer and Hagaber (1986) and the area of research still emerging. French and Vigne (2019) identify further work to be considered on the dynamics of income poverty and financial fragility alongside Lusardi et al.'s (2011) coping strategies in the face of economic shock. Heo et al. (2020) encourage further exploration incorporating psychological, behavioural and physiological considerations they have drawn from theories of stress to better understand financial stress. Cwynar et al. (2020) draw attention to the continuing lack of clarity around the role of financial literacy across the literature which contributes to the difficulty in predicting who—those more or less literate—will benefit from professional financial advice. The obvious next step in this line of research is to test the deductions from the received theory and literature with an empirical approach. At the time of writing, the ongoing global pandemic provides one potential setting to do so.

The impact of additional training for financial advisers in crisis management and response, and behavioural sciences, is worthy of further consideration. Additionally, a greater understanding of the how the advice process provides the capacity for the client, no matter their situation, to act on advice is needed. This could also include comparisons between advised and non-advised clients, and propensity for behavioural biases leading to ineffective decision-making, particularly investment decisions when faced with market turmoil in a crisis. Finally, given the speed with which crises can unfold, we concur with Brackertz (2012) in the call for future research that examines the barriers that delay or prevent people from accessing financial services. Overall, as noted by MacDonald et al. (2021), the body of literature in financial advice must develop and grow in order to adequately inform policy and practice. We surmise that the role of advice in a crisis is an additional area in need of such attention.

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