Unpacking Financial advice

A consumer view

Unpacking Financial advice

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The seven focus areas of the presentation

1.

Introduction
What are some of the findings from the Momentum/BMR Household Finance data on financial advice?

2.

Comprehension
How should Momentum Group define advice and its various dimensions?

3.

Value
How can Momentum Group define and evaluate the current and future value of advice?

4.

Competitor landscape
How is advice leveraged by competitors and where are the open spaces?

5.

Accessibility
How can Momentum Group make advice more accessible and attainable?

6.

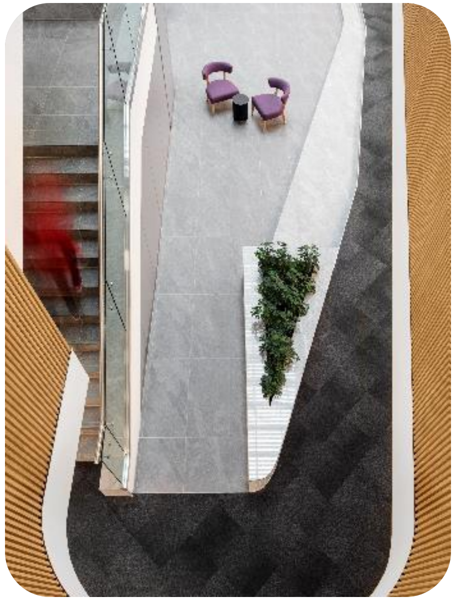
Underserved
Is advice the mechanism to access new and underserved markets?

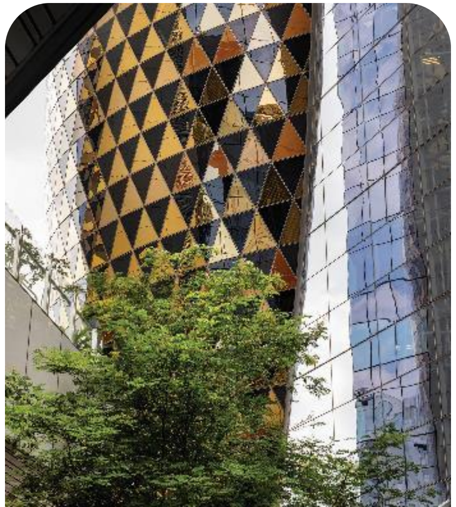
7.

Brand narrative
What are Momentum Group's distinctive advice narratives to drive growth?

Introduction

What are some of the findings from the Momentum/BMR Household Finance data on financial advice?





Where do South African households get their financial advice?

77%

of South African households rely on their own knowledge, skills or experience.

12%

get their financial advice from family, friends or colleagues.

Only

9%

(1.8 million out of 20 million) of households make use of professional/ certified financial advisers for financial advice.

Almost

70%

of households who make use of a professional financial adviser earn more than R 15 000 per month.

Only

39%

of households earning more than R 40 000 per month make use of a professional financial adviser.

Does advice from certified/professional financial advisers add value to households?

Yes,

using a certified/professional financial adviser does make a difference.

The wealth per household of households who make use of certified/professional financial advisers **exceeded that of all the other sources of advice.**

The average amount of investments for households **with an adviser is 9.5 times larger** than households without advisers

(Average) wealth per household:

Those households that rely **on themselves for advice have the lowest wealth per household.**

The results were the same for the three categories of financial assets **(deposits, pension and long-term insurance, and investments)** as well as for non-financial assets **(residential buildings, durable goods and other tangible assets).**

If advice is so valuable, what is preventing South Africans from getting advice?

The barriers to getting advice:

- South Africans do not know what a **financial adviser does.**
- South African households do not have **money / disposable income.**
- The **affordability** of products and advice.
- South Africans do not know **where to find** a financial adviser.
- There is a perception that advice is **only for the rich.**
- Current financial solutions / products **do not meet their needs.**
- South Africans **do not trust** financial advisers.
- South Africans do not have basic **financial knowledge (financial literacy).**

Why do people seek financial advice?

Advice is ever present in our lives, especially during times of turbulence or uncertainty. When facing greater uncertainty, more difficult tasks, individuals tend to seek more advice. However, individuals are less likely to seek advice when they fear doing so might make them appear incompetent.

The **trigger** for seeking financial advice is usually a negative trigger / event. There are minimal positive triggers / events acting as triggers. People feel financial advice is only needed when it is going bad with their finances. The triggers for financial advice are:

- Economic challenges
- Regulatory and Structural changes
- Personal financial challenges
- Socioeconomic dynamics
- Technological and educational advancements

Consumers expect financial advice to be practical, transparent and results-driven

Providing good advice means:

- Seek to understand client's context and needs
- Analyse context and needs
- Apply objective lens, not driven by personal or company agenda
- Being open and honest, driven by integrity
- Knowledgeable with good understanding of solutions and products

Which channels do South African households use to receive/access financial advice?

Receiving face-to-face advice is the most preferred channel for households as 60% indicated that they are currently using this channel, another 36% indicated they have used this channel in the past.

Although virtual meetings, online chats and even robo-advice are currently not preferred channels, they may grow in importance.

Almost 30% of households indicated that they will consider receiving advice virtually via for instance Teams, Zoom and online meetings, while more than 15% are open to robo-advice and chat bots now.

The use of digital service and purchase

- Digital banking is currently by far the most popular and widely used among households for receiving and using services and advice, followed by saving and investing and medical aid (all medical products and services).

- However, there is clearly an appetite among households to, in future, make use of digital channels for receiving advice on financial products such as wellness and rewards programs, long-term insurance and wills and trusts.

- Using services and advice digitally are not the same as purchasing a financial product digitally.

Comprehension

How should Momentum Group define advice and its various dimensions?

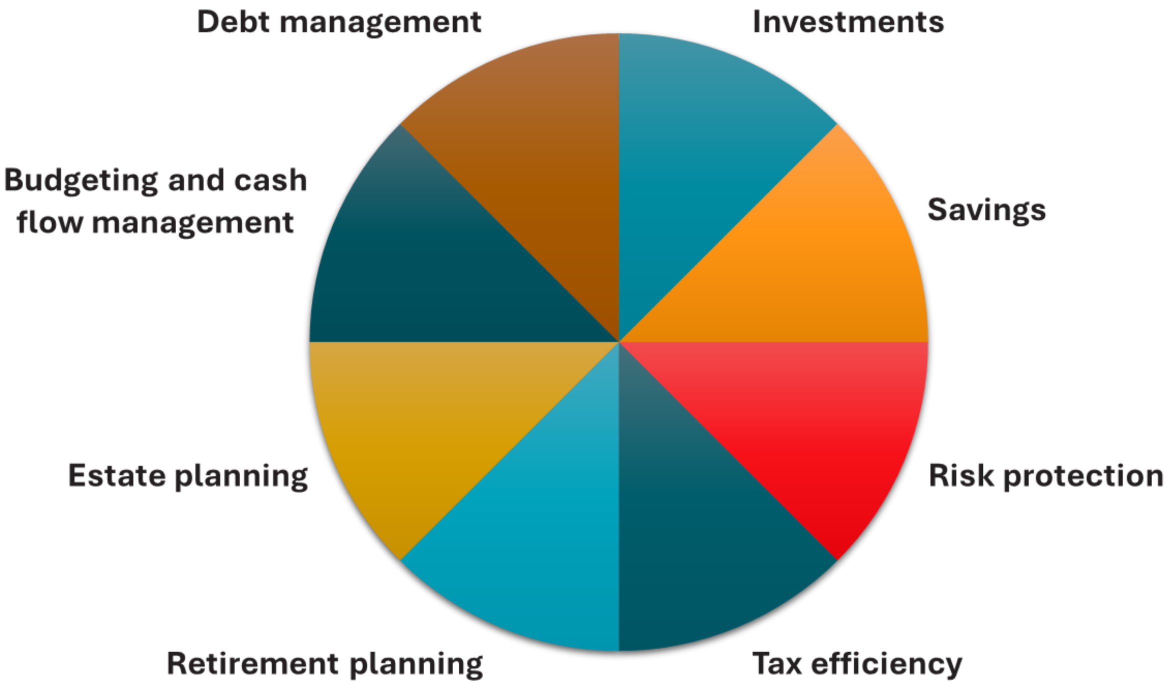
From grocery aisles to investment choices – Advice is everywhere

Advice is ubiquitous, people receive advice constantly — from friends, family, colleagues, influencers and even strangers online. It's shared in WhatsApp groups, Instagram reels, YouTube videos and dinner table conversations.

It's both **solicited and unsolicited**, **good and bad**, and it spans everything from parenting and health to fashion and finances.

While the concept of advice is widely understood, **financial advice** and the **role of a financial adviser** has a **lower level of understanding.**

Unpacking financial advice – a consumer view



Holistic financial advice is defined as:

"Professional service that helps individuals or businesses make informed financial decisions to achieve specific financial goals."

Consumers expect excellent holistic financial advice, where the latter improves a client's finances to the extent that he/she will be able to, at the very least, afford his/her expenses/lifestyle over his/her lifetime, in other words, always have enough. With the intention of building and protecting their dreams.

Momentum Group can play a role in helping consumers and our clients to understand what is included and excluded in the financial advice we offer, especially when financial advice is understood and required to be holistic, ranging from money management and investments to debt management.

Comprehension and expectations

Expectations Are Shifting

Because advice is so accessible and informal in daily life, consumers expect professional advice to be just as clear, convenient, and personalised. They want:

- Simplicity – no jargon, just clarity.
- Speed – answers when they need them.
- Empathy – advice that understands their context.
- Relevance – tailored to their life stage, goals, and values.

Role of professional FA is evolving

In this crowded advice landscape, professionals must:

- Differentiate through credibility and empathy.
- Bridge the gap between informal and formal advice.
- Be present where people already seek advice (e.g., digital platforms).
- Reinforce trust by being transparent, human, and helpful — not just knowledgeable.

Value

How can Momentum Group define and evaluate the current and future value of advice?

A reminder:

The average amount of investments for households **with an adviser is 9.5 times larger** than households without advisers.

We talk about cost of advice
but not the value of advice

FINANCIAL ADVICE
is the differentiator
- it unlocks value
over time.

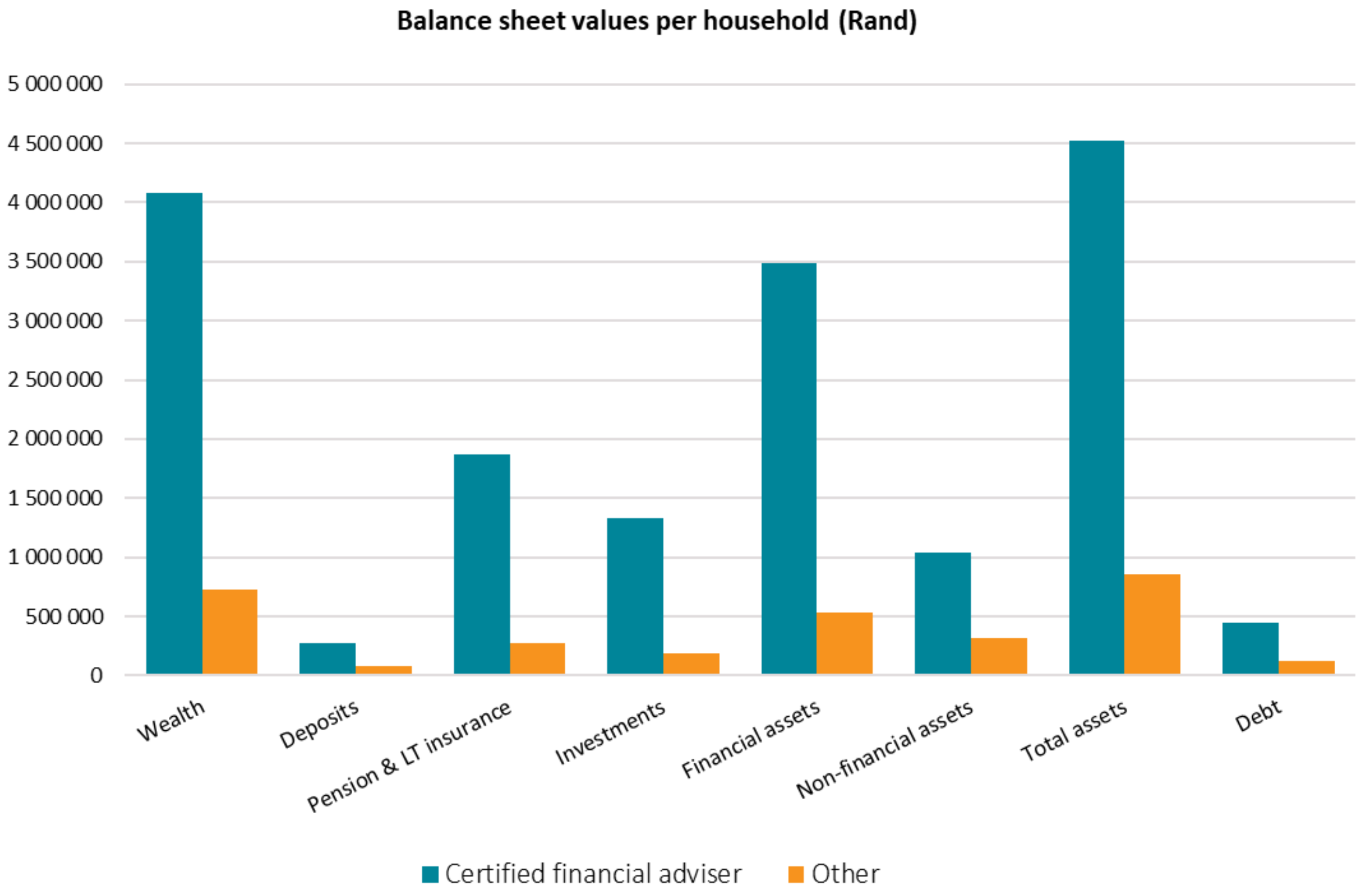
1. Trust is fragmented, advice now comes from a spectrum of sources — some trusted, some not. This creates a paradox, people are more exposed to advice than ever, but they're also more sceptical.

2. They often value relatability over expertise, especially on social media.

3. The conversations are often about the cost of financial advice, the value for the adviser (in terms of commission) and NOT the value it unlocks for clients (both monetary and emotionally).

Financial advisers and the advice they give

Impact on household balance sheet values

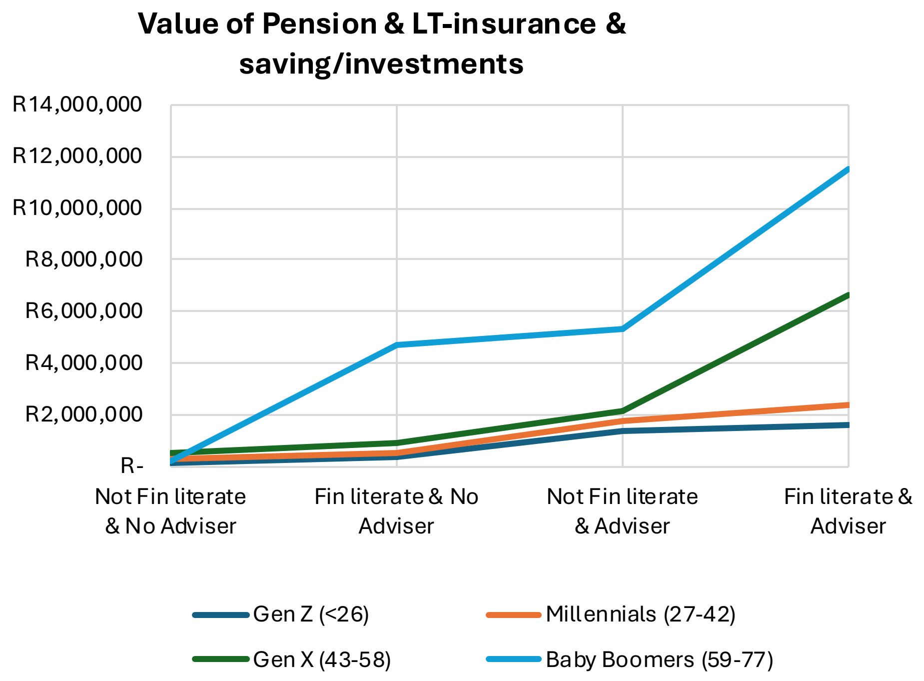


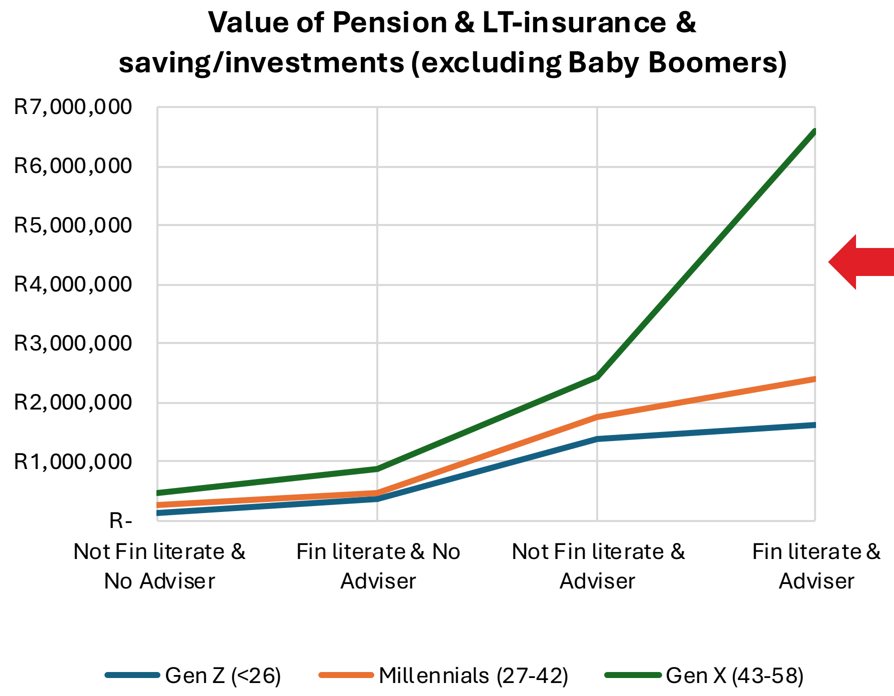
Households using a professional financial adviser are in a much better position in terms of pension and long-term insurance, as well as saving/investments.
[Household Finance Database]

The value of pension, long-term insurance, savings and investments increases significantly when a household has consulted a Professional Financial Adviser and they have applied their trade.

This is supercharged, if the individuals in the household are financially literate.

The difference a professional financial adviser makes



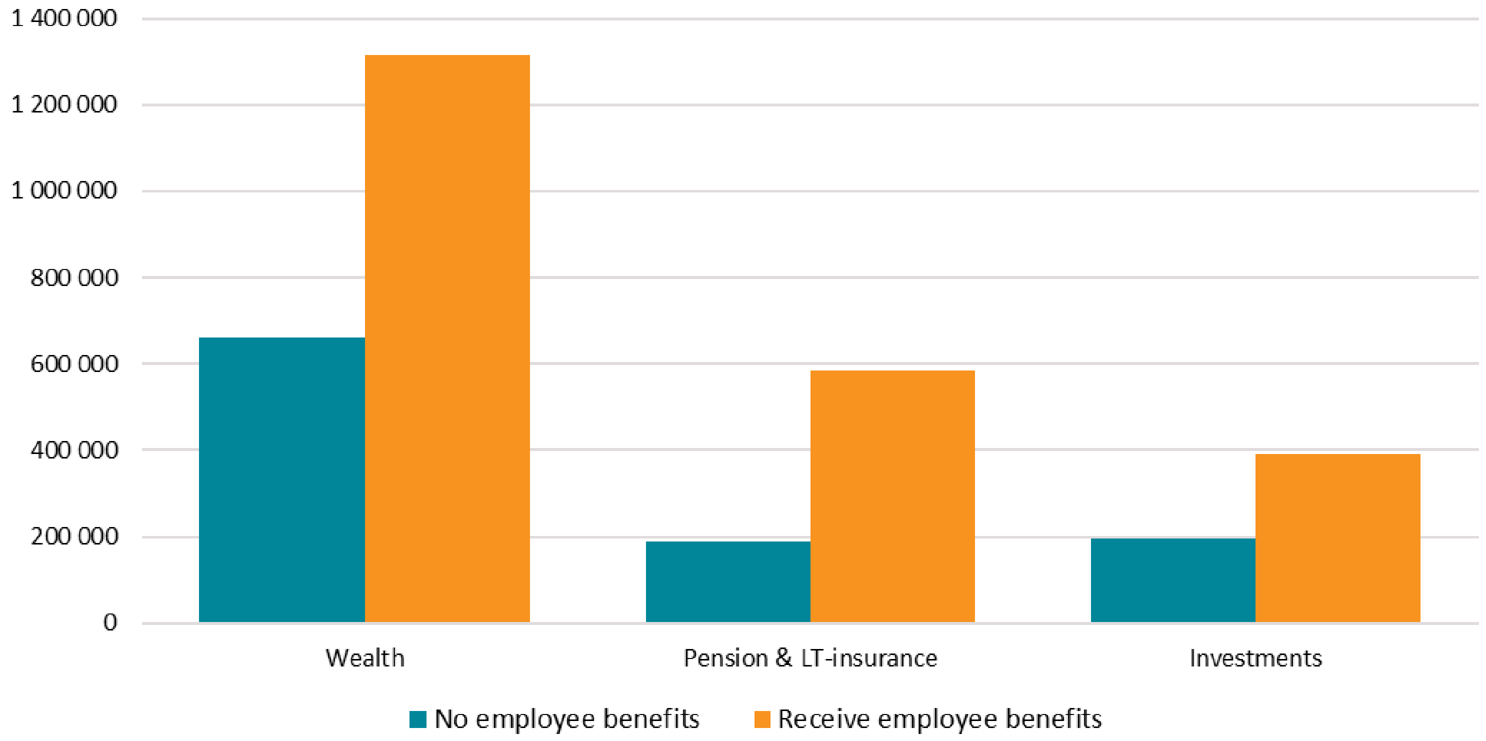


The multiplier effect of professional financial advice and time in market.

Cost of DIY advice: Only **10.4% of households (2 million) in South Africa with a household income of R 15 000 per month can retire.**

Employee benefits matters when building and protecting wealth

Where **employee benefits** form part of the employed household member(s) **remuneration package**, **wealth per household is double** that of their peers with no employee benefits.



Competitor landscape

How is advice leveraged by competitors and where are the open spaces?

Advice an industry table stake, is there room for differentiation?

- Competitors leverage financial advice to enhance their market position by integrating technology, affordability, and risk management strategies. However, none talk to the value of advice.
- They focus on providing holistic financial advice that covers various aspects such as money management, investments, debt management (limited), and retirement planning.
- Competitors are adapting to fintech innovations, offering seamless digital financial services, and integrating AI and robo-advisers for personalised and cost-effective financial planning.
- They emphasise compliance with regulatory changes, ensuring transparency and consumer protection, which builds trust and credibility among clients.
- Competitors are also focusing on ESG principles, guiding clients on climate risks, and identifying investment opportunities in renewable energy and sustainable fund.

Possible open territories in the advice landscape

- Holistic Financial Advice: Offer comprehensive financial advice that includes debt management, which is often excluded by competitors. By addressing debt, Momentum can free up funds for retirement and insurance products, providing a more complete financial solution.

- Technology Integration: Leverage AI and big data to offer personalised financial planning and predictive analytics, ensuring clients receive tailored advice based on their unique financial situations.

- Accessibility and Inclusivity: Expand access to financial advice through technology, offering online services, robo-advisers, and virtual consultations. Providing culturally relevant advice and having a diverse group of financial advisers can also help serve a broader client base.

- Financial Education: Provide free or low-cost financial literacy workshops or webinars, simplifying financial advice communication and empowering consumers with knowledge.

- ESG and Sustainable Investing: Integrate ESG principles into investment strategies, guiding clients on climate risks and identifying opportunities in renewable energy and sustainable funds.

Accessibility

How can Momentum Group make advice more accessible and attainable?

What are the barriers to seeking advice?

The barriers to getting advice:

- South Africans do not know what a **financial adviser does.**
- South African households do not have **money / disposable income.**
- The **affordability** of products and advice.
- South Africans do not know **where to find** a financial adviser.
- There is a perception that advice is **only for the rich.**
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- South Africans **do not trust** financial advisers.
- South Africans do not have basic **financial knowledge (financial literacy).**

+

✔ **Debt** is a large contributor to the inability of consumers to take up financial products to meet their needs.

✔ Households with a monthly gross income of R30 000 to R50 000 per month only have **43% of their income available after debt** and tax has been deducted. While it is **52%** for those households with a gross monthly income of R20 000 to R30 000.

Including advice on debt management can free up funds for retirement and insurance products, making financial advice more comprehensive and effective.

Is financial advice an entry point to engage with consumers?

Using financial advice as an entry point to engage with consumers is an **effective strategy** for **building trust** and **providing value over the long-term.**

Possible ways to engage consumers:

- Build trust and credibility by **showcasing value** (without high commitment) first and being transparent.
- Provide **personalised financial planning** (tailored advice to unique needs, life-stage solutions).
- Provide **financial education** content and resources to **empower consumers** with knowledge, building long-term engagement and brand loyalty. (Unpack – what financial advice is, what a financial adviser does, where to find a financial adviser).
- Providing **digital engagement channels**, could be a stepping stone to more personalised services.
- Providing **behavioural nudges and insights**.
- Creating a **relationship beyond transactions** (Regular check-ins and follow-ups, offer holistic financial wellbeing programs) - a financial mentor rather than a product push.
- The unique opportunity to incentivise initial engagement (referral bonusses / discounts, free consultations / financial review).
- **Cross-selling** other services.
- Making use of **social proof** and **testimonials** (showcase success stories, peer recommendations).
- Creating **community engagement** (discussion forums, social media).
- Make expert financial advice accessible (different channels).

Debt – a barrier to engaging with advice

Financial advice in the insurance and investment industry is **limited to long-term insurance products, short-term insurance** and **savings and investments**, each requiring distinguished / specialised expert advice.

Excludes advice on debt – one of the biggest causes of households not being able to take-up insurance/investment products.

Monthly Gross income	R20 000 to R30 000	R30 001 to R40 000	R40 001 to R50 000
Instalment as % of Gross income	31.7	36.5	34.5
Income tax as % of Gross income	15.9	19.6	22.6
Total debt and tax %	**47.6**	**56.1**	**57.1**
% Available after debt and tax	52.4	43.9	42.9
Rand available (midpoint)	R13 100	R15 365	R19 305

To **own the excellent financial advice space**, consideration should be given to **include advice on debt** for those in arrears (debt review) and those not in arrears, but with excessive instalments.

By **rectifying the debt burden**, advisers can free up between R1 000 and R2 000 per month for these individuals, which can be used to purchase retirement and insurance products.

Is financial advice
an entry point to engage with consumers?

Using financial advice as an entry point to engage with consumers is an effective strategy for building trust and providing value over the long-term.

Possible ways to engage consumers:

- Build trust and credibility by showcasing value (without high commitment) first and being transparent.
- Provide personalised financial planning (tailored advice to unique needs, life-stage solutions).
- Provide financial education content and resources to empower consumers with knowledge, building long-term engagement and brand loyalty. It is important to unpack what financial advice is, what a financial adviser does and where to find a financial adviser.
- Providing digital engagement channels, could be a stepping stone to more personalised services.
- Providing behavioural nudges and insights.
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- The unique opportunity to incentivise initial engagement, i.e. through referral bonusses, discounts, free consultations / financial review.
- Cross-selling other services.
- Making use of social proof and testimonials to showcase success stories and to unleash the power of peer recommendations.
- Creating community engagement, i.e. through discussion forums and social media).
- Make expert financial advice accessible (different channels).

Case study:
Financial Literacy as a Gateway to Advice and Sales

Financial literacy, trust, and perceived risk influenced the likelihood of individuals seeking professional financial advice.

Key Findings:

- ✓ **Financial literacy was a key enabler**: Individuals with higher financial literacy were significantly more likely to seek professional financial advice.
- ✓ **Advice-seeking behaviour increased** among underserved populations when financial literacy interventions were introduced.
- ✓ **Trust and familiarity** with financial concepts reduced anxiety and scepticism toward financial advisers.
- ✓ Over time, this led to **increased engagement with financial products**, including investment accounts, retirement planning, and insurance.

Implication for Financial Services:

- ❑ **Education-first strategies** (e.g. workshops, digital tools, community outreach) helped build confidence and trust.
- ❑ This approach **converted awareness into action**, with consumers more likely to purchase financial products after understanding their value.
- ❑ The impact was **delayed but compounding** — as literacy improved, so did the depth of financial engagement and product uptake.

Underserved market

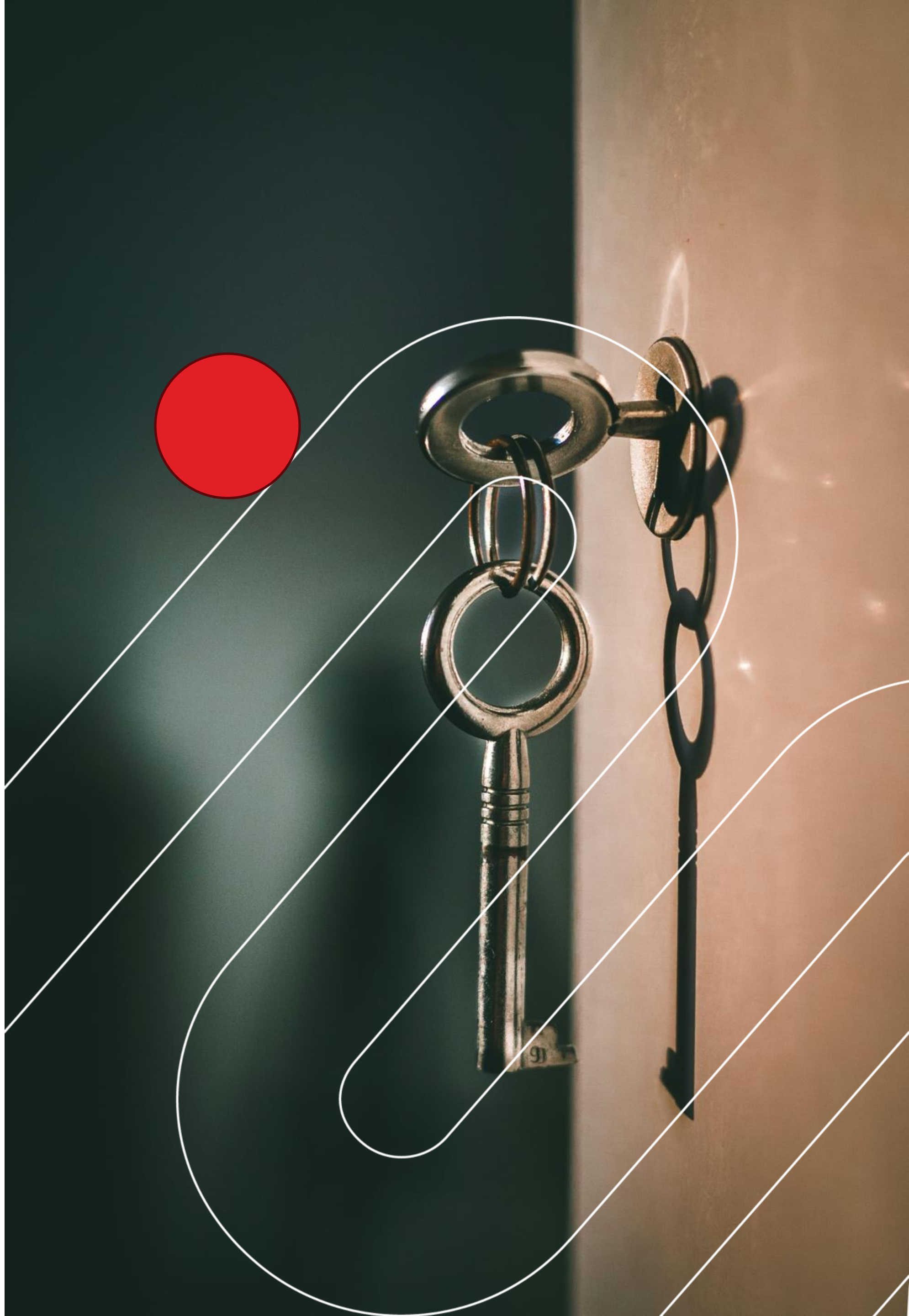
Is advice the mechanism to access new and underserved markets?

Who is the underserved / unmet need market?

- Between **8% and 9%** (1.6 million) of **all households** (19.6 million) are making use of professional financial advisers **in South Africa**.
- 60% of households who make use of a professional financial adviser is **African Black**, followed by White (26%).
- Almost 70% of households who make use of a professional financial adviser **earn more than R15 000** per month (many in the low-income group have employee benefits). Only **38.5%** of households earning **more than R40 000** per month make **use of a professional financial adviser.**
- 91% of households who use professional financial advisers has a matric or higher qualification.
- **Generational use** of professional financial advisers:
  - 10.7% Gen Z
  - 46.1% Millennials
  - 33.3% Gen X
  - 9.8% Baby Boomers

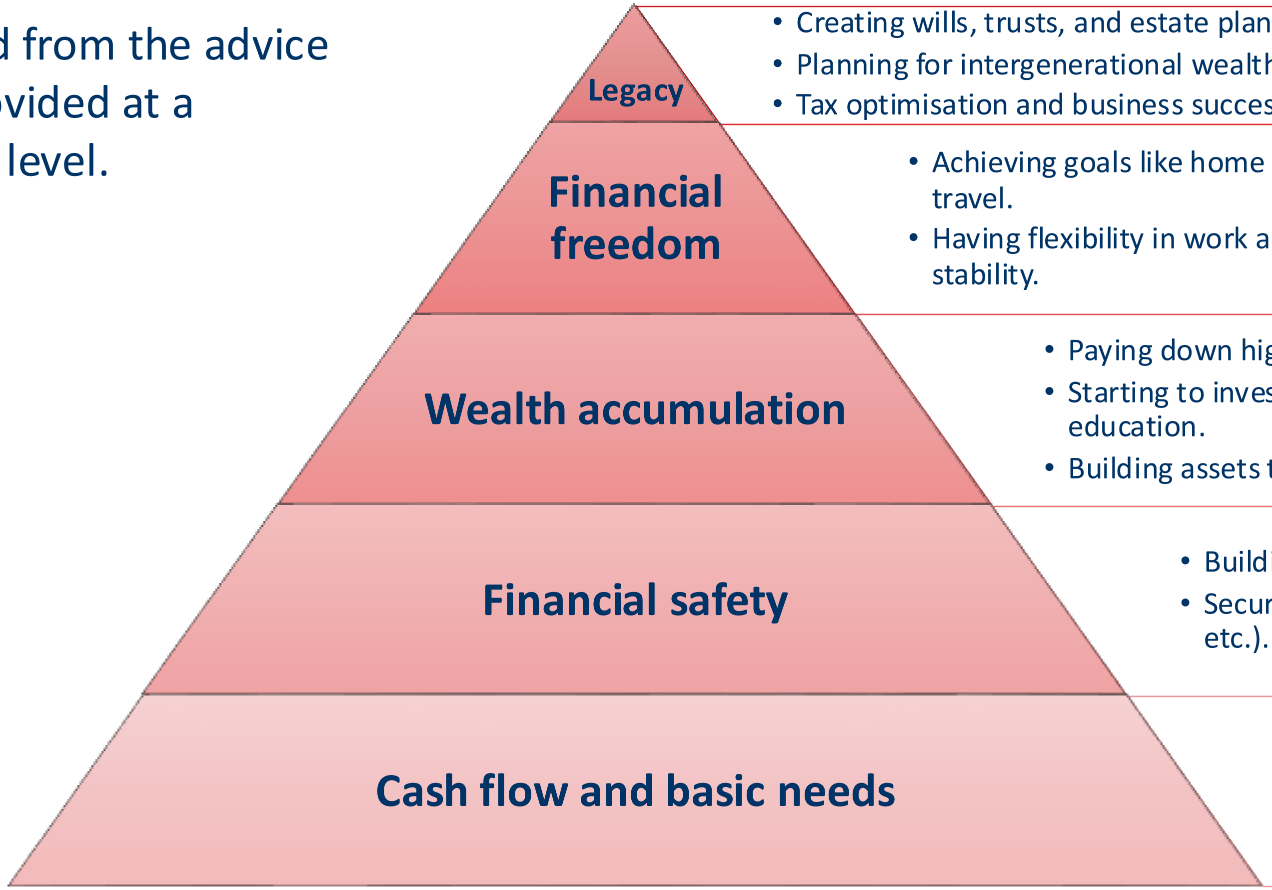
Holistic advice
a key to unlocking underserved market

- Holistic financial advice can provide the way into the underserved / unmet need market. However, advisers need to meet consumers where they are.
- People seek financial advice due to economic challenges, regulatory changes, personal financial challenges, socioeconomic dynamics, and technological advancements.
  - Economic drivers include high inflation, market volatility and access to credit.
  - Socio-cultural drivers include "Black Tax," increasing middle-class, and urbanisation.



Holistic advice - a key to unlocking underserved market

Need to build from the advice and tools provided at a foundational level.



- Creating wills, trusts, and estate plans.
- Planning for intergenerational wealth transfer and philanthropy.
- Tax optimisation and business succession planning.

- Achieving goals like home ownership, children's education, and travel.
- Having flexibility in work and lifestyle choices due to financial stability.

- Paying down high-interest debt.
- Starting to invest for long-term goals like retirement or education.
- Building assets through diversified investments.

- Building an emergency fund.
- Securing insurance (health, life, disability, etc.).

- Covering essentials like food, housing, utilities, and transportation.
- Establishing a budget and managing day-to-day expenses.

Unlocking New Markets
through advice and digital enablement

Financial Services case study

75%	135%	80%
Increased revenue	**Conversion increase**	**Improved NPS**

Background:
A leading financial services provider, known for its network of independent agents, faced challenges in growing its customer base due to outdated systems and a limited product offering. The company recognised the need to evolve from traditional life insurance to a broader suite of financial wellness solutions.

Challenge:

Difficulty reaching underserved markets. Rising customer expectations for personalised, digital-first advice. Need to maintain compliance while expanding offerings.

Solution:

Adopting a digital insurance platform that empowered agents to deliver **personalised, advice-led financial solutions**. This included: Streamlined quoting and onboarding processes, Tools for agents to offer tailored advice across a broader product range and Enhanced customer experience through intuitive digital interfaces.

Impact of Advice:

- ✓ **Delayed but Compounding Value:** The shift to advice-led engagement didn't yield instant results but created a **sustained increase in customer loyalty and product bundling** over time.
- ✓ **Market Expansion:** The platform enabled the company to **enter previously underserved markets**, offering relevant advice and products to new customer segments.
- ✓ **Trust and Retention:** Customers responded positively to the more human, advice-driven approach, reflected in an **80%+ increase in Net Promoter Score**.

Brand
Narrative

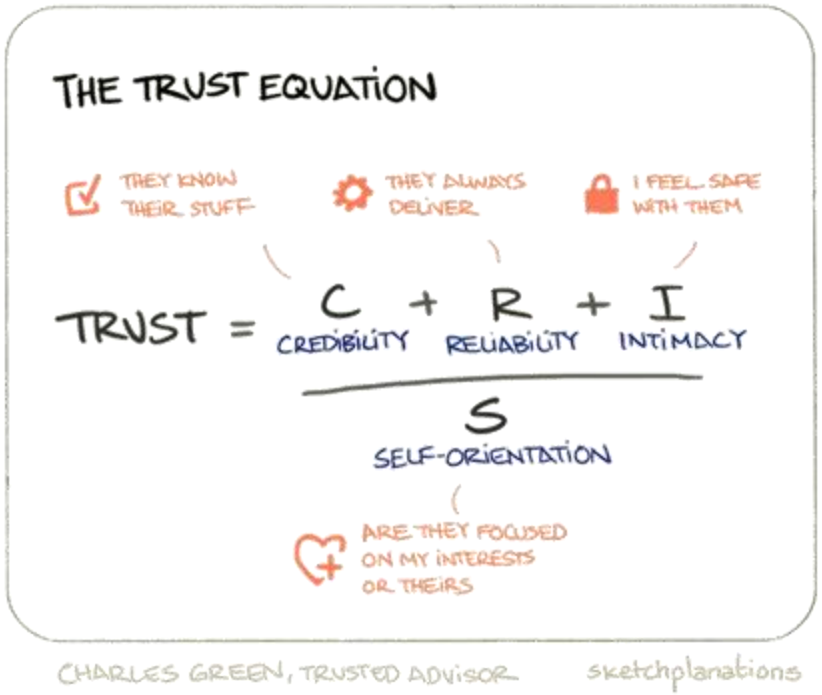
What are Momentum Group's distinctive advice narratives to drive cut through and growth?

Questions guiding the narrative design | approach

- What is the single definition of advice in a federated system?
- What is the need state map for advice?
- What is the role that brand, FA and client plays in advice?
- Are there seasons related to advice?
- What are the hygiene factors for advice vs. the motivators (performance | brand)?
- What is the generational context of advice?
- How to change narrative - advice an enabler NOT just reactive to avert (rise)?
- What is the real value to a client?
- Insurance is part of long-term assets – unlock the value?
- What is the immediate vs. long term pay-off of advice?
- How is the continuum of advice defined and the value it gives (light to holistic)?
- The cost-benefit analysis – what is the value of advice compared to the cost?
- Unpack trust (Trust equation) – how should trust be addressed and applied?
- How to normalise the good, the bad, and the ugly of finances/ money through getting advice?

And the most important: TRUST

Valuable advice = Trust + Personalisation + Long-term focus



Personalised value equation

$$\text{Value} = \left(\frac{\text{Relevance} + \text{Timeliness}}{\text{Loss of privacy}}\right) \text{Trust}$$

Thank you

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