

# [ DATA STORM ]

Exposing the real data challenges  
in Australian wealth management

[ A SUMMARY ]

November 2024

Commissioned by:

 elemnta

Note: This is a summary version of a deeper Research Report that comprehensively analyses data issues in the Australian wealth management and financial advice profession. The full report contains:

1. An extensive literature review examining over 50 industry perspectives and proposed solutions.
2. A detailed qualitative analysis of 17 in-depth interviews with industry professionals and experts provides a robust foundation for the key findings.
3. A comprehensive exploration of critical themes, including data integration challenges, operational inefficiencies, compliance issues, and technology limitations, covering a wide range of important issues in the industry
4. In-depth discussion of practice-led approaches to managing data challenges.
5. A thorough examination of the profession's aspirations for data integration and solutions.
6. A wealth of supporting evidence, quotes, and examples from wealth management and financial advice stakeholders reinforces the credibility of the findings.

**This summary version highlights the key findings and conclusions from the full research report, offering a concise overview of the critical data challenges facing the Australian wealth management and financial advice profession.**

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# 1. INTRODUCTION

In an era where data drives decisions, Australia's wealth management and financial advice profession is at a critical crossroads. The promise of open banking, consumer data rights, and straight-through processing paints an alluring picture of efficiency and client-centricity. Yet, the reality on the ground tells a starkly different story:

- The advice process still consumes over 24 hours.
- Data is manually moved between technology systems.
- Mistakes proliferate.
- Implementation takes forever.
- The elusive single-client wealth view remains just that – elusive.

This research paper cuts through the noise, offering a clear-eyed assessment of the data challenges facing Australia's wealth management and financial advice practices. Moving beyond the optimistic promises of technology vendors and the frustrations of practitioners, we present a comprehensive analysis of where these practices genuinely stand in their data journey.

**Our findings, based on 17 in-depth interviews with wealth management and financial advice professionals and experts and a thorough review of existing literature, reveal three core issues plaguing the profession:**



### **System Fragmentation**

The proliferation of unintegrated systems has created a labyrinth of inefficiencies, with a lack of standardised data formats hindering seamless integration.



### **Implementation Inefficiencies**

The dramatic shift in time allocation towards implementation and administration strains profitability and limits client service capacity.



### **Compliance Complexity**

Practices struggle to balance comprehensive data collection for regulatory compliance with data minimisation mandated by privacy laws.

These aren't merely operational headaches; they strike at the heart of the profession's ability to provide clients with clear, concise, and effective advice. They challenge practitioners' capacity to meet their ethical obligations and ultimately serve their clients' best interests.

The urgency of addressing these challenges cannot be overstated. With an estimated 11.8 million Australians having unmet advice needs and the average annual fee for ongoing advice surging to \$4,250 (up from \$2,510 in 2018), the accessibility and affordability of financial advice are at stake. These issues are set against a backdrop of declining adviser numbers and increasing regulatory pressures, further complicating the landscape.

This paper aims to:

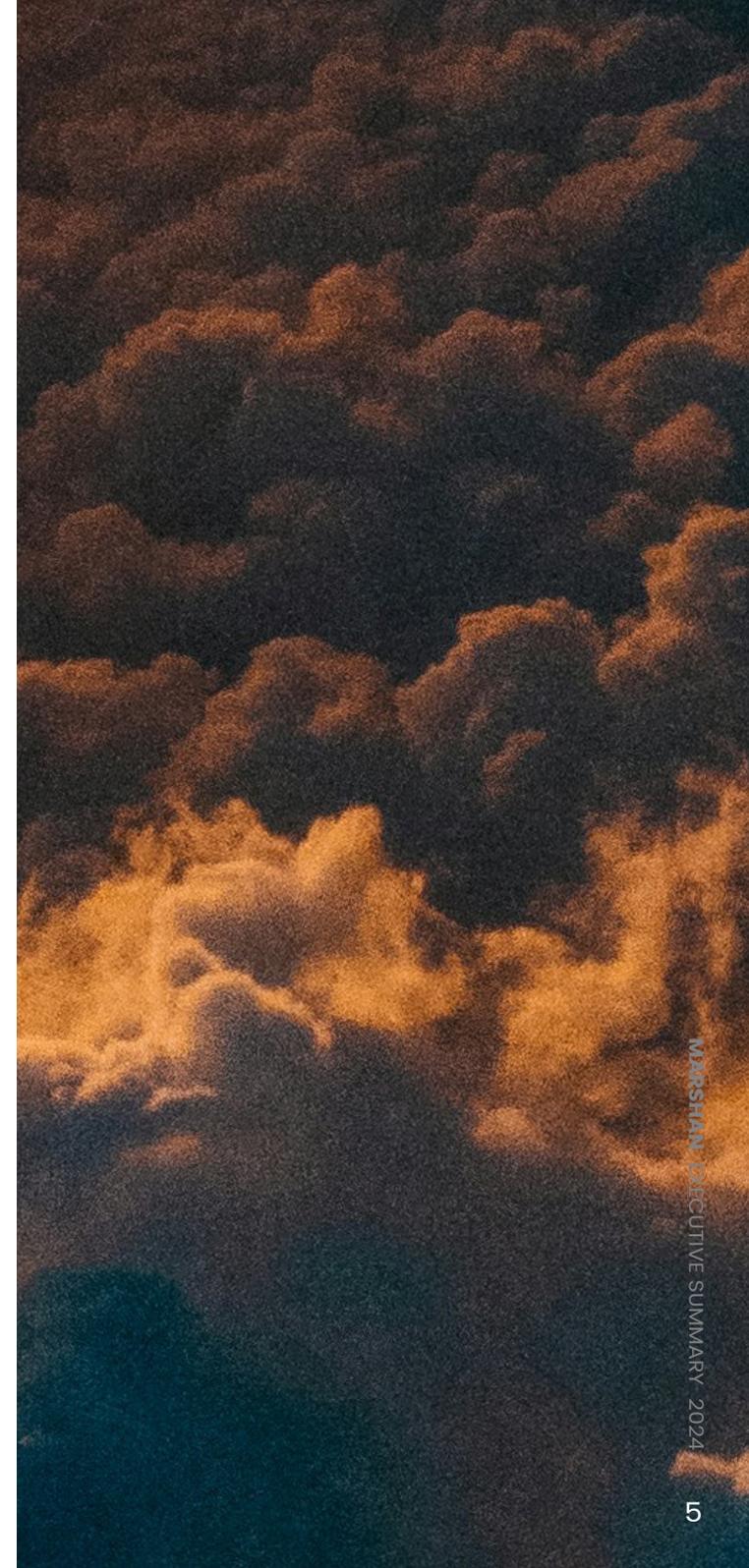
- 1. Articulate the real-world data challenges faced by wealth management and financial advice practices.**
- 2. Contrast these realities with the idealised solutions often proposed in industry white papers.**
- 3. Highlight the critical role these practices play in achieving the industry's goals of accessible, affordable, and high-quality financial advice.**

Our research reveals a significant disconnect between the promise of technology and the daily realities faced by practices. While some forward-thinking firms have developed innovative solutions, demonstrating the potential for transformation, the gap between aspiration and reality remains substantial for many.

Importantly, this paper also serves as a call to action for all stakeholders in the financial services industry. Our findings underscore that no single entity can solve these issues alone. A coordinated, industry-wide effort involving technology providers, regulatory bodies, product manufacturers, and advice practices is essential to drive meaningful change.

In the following sections, we first review the existing literature on data challenges in the financial advice sector, providing context for our primary research. We then present our qualitative analysis findings, offering a deep dive into the experiences and perspectives of industry professionals. This is followed by an exploration of the realities faced by practices as they navigate these data challenges, including innovative approaches some have adopted. Finally, we discuss the industry's aspirations for data integration and solutions, presenting a vision for the future of financial advice technology.

By offering this unvarnished look at the state of data management in financial advice, we aim to catalyse a conversation that moves beyond acknowledging challenges to actively implementing solutions. The future of financial advice in Australia—its accessibility, affordability, and quality—depends on our collective action.



# 2. LITERATURE REVIEW

The Australian wealth management and financial advice profession stands at a critical juncture. Over the past decade, it has undergone a significant transformation, shaped by regulatory changes, technological advancements, and evolving consumer needs. Despite a decline in adviser numbers from 27,959 in 2019 to 15,819 in 2023<sup>1</sup>, the profession's importance remains paramount. Australians spend approximately \$6.1 billion on financial advice, projected to grow to \$8.2 billion in the next five years<sup>2</sup>. However, this growth is overshadowed by a glaring advice gap, with an estimated 11.8 million Australians having unmet advice needs<sup>3</sup>.

At the heart of this paradox lies a complex web of data-related challenges, as highlighted by numerous industry white papers and reports. These challenges hinder the provision of efficient and effective financial advice and contribute significantly to its rising costs. The average annual fee for ongoing advice has surged to about \$4,250, up from \$2,510 in 2018<sup>4,5</sup>. Concurrently, licensee fees have increased by 10% year-on-year<sup>6</sup>, and technology costs now account for as much as 10% of practice revenue, compared to up to 6% in other countries.

Many organisations have aimed to address data and technology-related challenges faced by Australian wealth management and financial advice businesses. They have produced reports and thought leadership content offering their solutions. This literature review will explore the identified data-related issues and proposed solutions for comparison with later qualitative data in this report.

The data landscape in wealth management and financial advice is fragmented and complex, reflecting the profession's evolution from a landscape once dominated by major financial institutions to a more diverse and competitive environment<sup>7</sup>. The fragmentation of product offerings, distribution channels, compliance requirements, and legacy technology solutions has further complicated this. As a result, wealth management and financial advisers navigate a labyrinth of disconnected systems and data sources, struggling to provide a comprehensive view of their clients' financial situations<sup>8</sup>. The inefficient data transfer between these systems increases workload and the risk of errors, further complicating the advice process.

Despite the proliferation of digital tools, many advisers still rely heavily on traditional, time-consuming methods for data collection. In-person meetings and paper-based forms remain commonplace, consuming valuable time for both advisers and clients<sup>9,10</sup>. While online self-service tools for risk profiling and fact-finding exist, their adoption has been slow, indicating a disconnect between technological availability and practical implementation<sup>11</sup>.

The combination of this fragmentation and reliance on manual processes impacts efficiency and raises significant concerns about data quality and consistency. The lack of a “single source of truth” for client data leads to discrepancies between systems, potentially resulting in flawed financial plans, unsuitable product recommendations, and, ultimately, damaged client relationships<sup>12,13,14</sup>. The profession acknowledges the need for a centralised repository where all client information can be standardised, validated, and easily accessible.

This regulatory environment creates a paradoxical situation. While intended to protect consumers, the regulatory landscape has inadvertently contributed to the complexity of data management in financial advice. On the one hand, stringent financial advice regulations have led to increased data collection and reporting requirements, often overcomplicating the advice process<sup>15,16,17,18</sup>. They are frequently implemented in a ‘tick-box’ approach to compliance rather than genuinely understanding and addressing the underlying risks and intent of the regulation. As a result, **advisers find themselves collecting and storing significant amounts of client data at considerable additional cost without necessarily improving the quality of advice or client outcomes.**

On the other hand, the Privacy Act 1988 and its Australian Privacy Principles emphasise minimising data collection and mandate strict compliance, explicit client consent, and robust security protocols<sup>19</sup>. This tension between comprehensive data collection for compliance and the principle of data minimisation creates additional challenges for advisers. The industry’s attempts to address these challenges through technology have yielded mixed results.

Much of the literature points to the potential of emerging technologies such as artificial intelligence, machine learning, and blockchain to revolutionise financial advice data issues<sup>20,21,22</sup>. These technologies offer promising solutions for automating data cleansing, validation, and integration processes. **They can potentially extract valuable insights from unstructured data sources, enabling advisers to better understand their client’s needs and financial situations.**

Some literature suggests that AI could generate personalised financial plans by analysing a client’s financial data, goals, and risk tolerance, significantly enhancing the efficiency and scalability of financial advice<sup>23,24</sup>.

However, the adoption of these technologies faces significant hurdles. Implementation costs, data security concerns, and the need for more standardisation across institutions all pose challenges<sup>25,26</sup>. Moreover, there’s often resistance to change within the industry, coupled with a skills gap where advisers may lack the technical expertise to leverage these new technologies effectively<sup>27</sup>.

The wealth management sector could benefit from looking to other industries for successful examples of standardisation and collaboration. For instance, the property settlement system has effectively streamlined data exchange processes and the healthcare industry has successfully implemented interoperable electronic health records. These examples demonstrate the potential for standardisation and collaboration to overcome the profession's challenges.

Government initiatives like Open Banking<sup>28</sup> and the Consumer Data Right (CDR)<sup>29</sup> have also been introduced to create a more connected and efficient data landscape. These frameworks aim to facilitate secure financial data sharing between consumers and accredited third parties, including financial advisers. The successful implementation of these initiatives could significantly improve data access and quality, leading to more accurate and personalised financial advice<sup>30,31</sup>. For instance, Open Banking could enable advisers to access a client's financial data from multiple institutions in one place, facilitating a more comprehensive understanding of their financial situation. However, high costs, delays in implementation, and ongoing debates about data standardisation have hindered progress towards this goal.

As the profession grapples with these challenges, there's a growing emphasis on enhancing data literacy and skills among wealth management and financial advisers and their staff<sup>32</sup>. Understanding data management principles and leveraging technology is not just a necessity but a powerful tool for delivering more personalised and holistic financial planning experiences. This emphasis on skills development empowers advisers to navigate the industry's complexities and deliver high-quality services to their clients.

The literature paints a clear picture of an industry at a crossroads. The potential for data-driven transformation in financial advice is not just a distant dream but a tangible reality that promises more efficient, accurate, and personalised services<sup>33</sup>. However, the path to realising this potential is fraught with obstacles. The fragmentation of data sources, the complexity of regulatory compliance, the challenges of data security, and the slow adoption of technological solutions all contribute to a landscape where the provision of affordable, high-quality financial advice remains a significant challenge.

As we look to the future, the question remains:

**If the solutions to these data challenges are so apparent in the literature, why is the profession still struggling to implement them in 2024?**



# 3.

## QUALITATIVE ANALYSIS FINDINGS

Australia's wealth management and financial advice profession faces unprecedented challenges in data management, system integration, and operational efficiency. The primary purpose of this research report is to understand the day-to-day data challenges that wealth management and financial advice practices deal with.

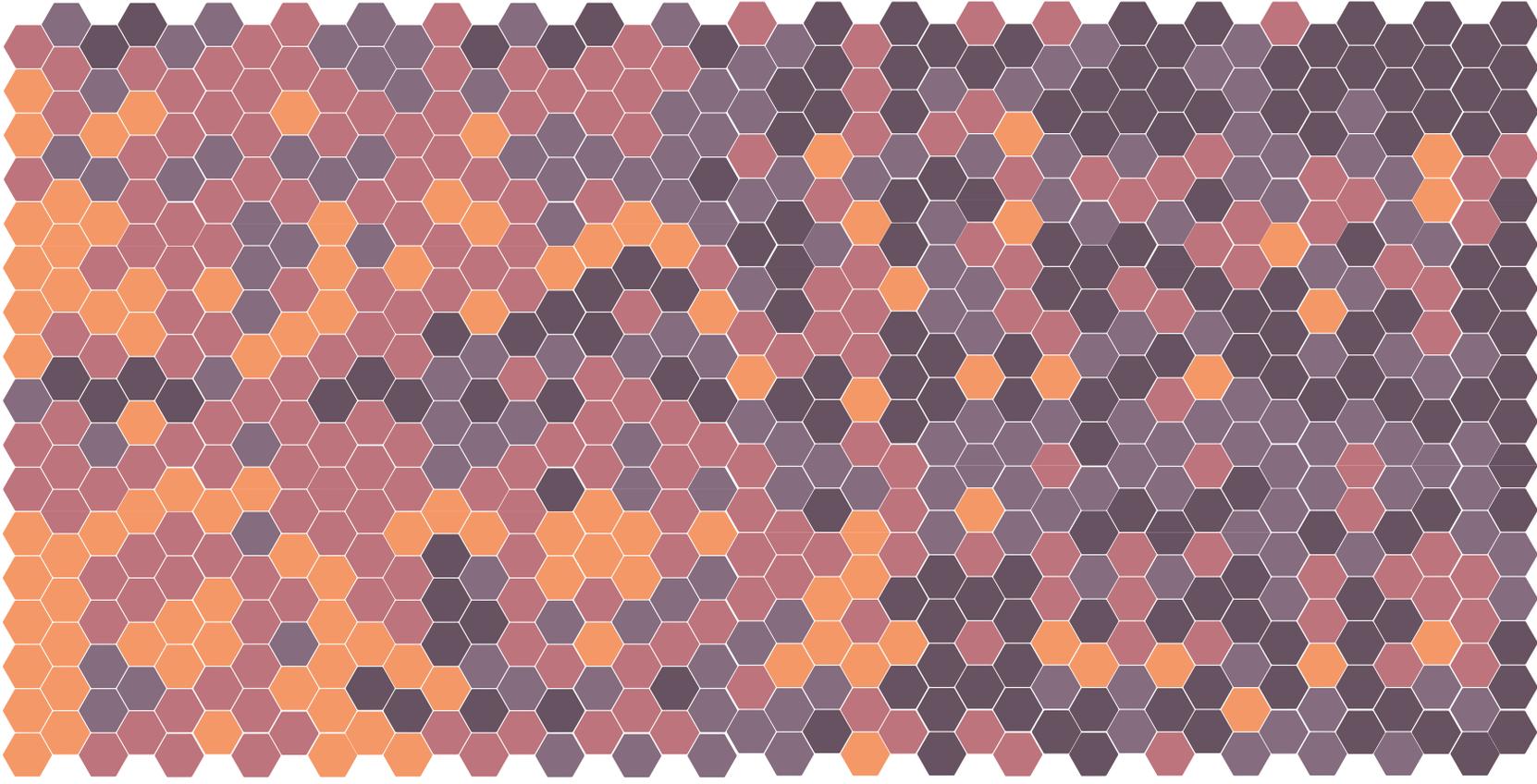
This section comprehensively analyses these challenges, drawing from in-depth interviews with professionals and experts. Our research employed a mixed-methods approach, combining semi-structured interviews with a systematic qualitative analysis. 17 interviews (ten with wealth management and financial advice practices and seven with experts who support the profession) were conducted, exploring data issues in wealth management and financial advice provision.

After conducting interviews, we used a thematic coding approach to analyse the data. This involved creating a framework of themes and subthemes, reviewing interview notes, assessing discussion depth (on a 0 - no discussion - to 3 - significant discussion - scale), creating heat maps, and comparing adviser perspectives with other industry stakeholders. This rigorous methodology helped us identify key trends and challenges in Australia's wealth management and financial advice industry.

**The Australian wealth management and financial advice profession is currently at a critical juncture.**

It urgently needs to address systemic issues that are significantly impacting its efficiency, profitability, and ability to serve clients effectively. Through 17 in-depth interviews with wealth management businesses, financial advice practices, and industry experts, 15 data-related themes were identified, with 2 or 3 subthemes identified against each theme, which have been ranked using qualitative data analysis methods by discussion depth (top to bottom) below. Our comprehensive study reveals a landscape ripe for transformation but hindered by persistent data challenges.

[A1] [A2] [A3] [A4] [A5] [A6] [A7] [A8] [A9] [A10] [E1] [E2] [E3] [E4] [E5] [E6] [E7]



- 1.1 Multiple systems and lack of integration
- 1.2 Inefficient data transfer
- 1.3 Lack of standardisation
- 2.1 Time-consuming implementation processes
  - 2.2 Inefficient operational processes
- 2.3 Limited automation and straight-through processing
  - 3.1 Inefficient data collection
  - 3.2 Data accuracy and consistency
  - 3.3 Manual data entry and verification
  - 4.1 Inefficiencies driving up costs
  - 4.2 Time-consuming processes
    - 5.1 Resistance to change
- 5.2 Need for standardisation and collaboration
- 5.3 Investment in technology and innovation
  - 6.1 Advice software challenges
- 6.2 Integration issues with other systems
  - 7.1 Outdated software and platforms
- 7.2 Complexity of financial planning software
  - 7.3 Lack of API-based data exchange
- 8.1 Increased data collection for compliance
- 8.2 Audit and record-keeping requirements
- 8.3 Privacy and data protection concerns
- 9.1 Vision for integrated data ecosystems
- 9.2 Enhanced client portals and self-service options
  - 9.3 Regulatory and industry initiatives
- 10.1 Emerging technologies
- 10.2 Industry collaboration initiatives
- 11.1 Impact of compliance on data practices
  - 11.2 Data retention and compliance risks
- 12.1 Varying client digital proficiency
- 12.2 Balancing digital and traditional communication
  - 13.1 Skill gaps and training needs
- 13.2 Change management and adoption
- 13.3 Role of specialised data management positions
  - 14.1 Client data sharing preferences
  - 14.2 Repetitive data requests
  - 14.3 Expectations for timely service
  - 15.1 Insecure data transmission
  - 15.2 Data storage and access control
  - 15.3 Third-party vendor security

# A huge amount of time is spent on data reconciliation at the practice level. There remains confusion on what is the source of truth for investment data.

At the heart of these challenges lies a pervasive problem of data integration and system fragmentation. Wealth management and financial advice professionals navigate a complex ecosystem of disparate systems, each operating in isolation. Advice Practice 5 illustrated this starkly: "About two or three years ago, we put our tech stack on a page. There's thirty-plus applications on that page now across the business." This technology fragmentation creates operational inefficiencies and increases the risk of errors and inconsistencies in client data management.

The ripple effects of this fragmentation are profound, leading to significant data collection and quality issues, as well as implementation challenges. Many practices still rely on outdated, manual processes for gathering and managing client information. Expert 7 pointed out, "When we look across the files we audit, many advisers still use 'old-school' methods like handwritten fact finds and file notes, and often it's done poorly, leading to reentering data and transcription errors occurring." This reliance on manual methods compromises data integrity and slows down the advice process. The implementation of financial advice is equally affected, as Advice Practice 7 starkly notes: "That's a full day's work just filling application forms."

Technology limitations and legacy systems further exacerbate these operational inefficiencies. While modern solutions exist, they often prove too complex for practical use. Expert 2 observes, "It's just too hard for most people to take full advantage of their

tech stack. You need to have a specialist COO or PMO who can set it up to be efficient for your practice processes and needs." This mismatch between available technology and practical skills in practices creates a significant barrier to efficiency and innovation.

The cumulative impact of these challenges on costs and efficiency is staggering. Another expert revealed, "**For the average Australian advice practice, 56.5% of the cost of advice is the cost of administration and compliance, with the remainder the cost of actually engaging with the client and designing the advice.**" This imbalance strains the profitability of wealth management practices and threatens the accessibility and affordability of financial advice for Australian consumers.

Despite the challenges, the profession is showing a growing awareness and readiness for change. The need for greater standardisation and collaboration across the sector is clearly recognised. Expert 3 emphasised "...coming up with some base standard so that 90% of the industry can all talk to each other and share data so that advisers can jump on provider A or provide B and get the information they need." This call for standardisation represents a crucial step towards addressing the sector's systemic issues, and it underscores the importance of unity in overcoming these challenges.

An observation of the data reveals that for certain themes, there is a significant difference in practitioners' concern, in particular in themes related to compliance and regulatory challenges, specific CRM system limitations, and the difficulty advice software creates for client engagement. The experts on the other hand were more focused on potential solutions and innovations. The differences in focus highlight a gap between the everyday challenges faced by practitioners and the proposed solutions. Both sides feel frustrated, with practitioners struggling to meet regulations and deal with complex systems, while experts' solutions are not being implemented to address these issues. This manifests in a resistance to change in the practice, which remains a significant hurdle. Expert 6 noted, "Planners have been using [the same advice software] for 30 years and are reluctant to change." Another commented, "I get frustrated with the industry. It bashes up the dominant advice software, gives them a net promoter score of -54, then stays, and then complains it's too expensive." While understandable, this reluctance to embrace new technologies and processes poses a significant barrier to progress, but practices feel that their problems aren't actually being addressed.

Our thorough examination of data challenges in the Australian wealth management and financial advice sector through these interviews reveals significant issues that need urgent industry-wide solutions. It's clear that there's a noticeable gap between available technology and day-to-day operations, which hinders progress and stifles innovation. Addressing these obstacles requires not only technological advancements but also a crucial cultural shift. On the one hand, the financial services industry must balance promoting innovation and maintaining compliance and data security standards while also prioritising resolving operational challenges to provide efficient and effective financial advice to clients. This analysis serves as a call to action for collaborative problem-solving, standardisation initiatives, and strategic investments in technology and training to enhance effectiveness and improve client outcomes in the Australian wealth management and financial advice landscape.

**Decades of reliance on outdated software has created resistance to change. In this fiercely competitive industry, those who fail to innovate will be left behind.**

**The pressure of competition will compel new entrants and established players alike to address advisers' needs, or risk becoming obsolete.**

# 4.

## THE REALITY OF PRACTICES

### Navigating data challenges in wealth management and financial advice

#### **The literature vs reality: a stark contrast**

The wealth management and financial advice profession is at a pivotal moment, balancing the potential of technological innovations the broader technology industry promises with the practical challenges of day-to-day operations. While the literature paints an optimistic picture of seamless data integration and revolutionary technologies transforming the sector, our interviews revealed a profession grappling with overlooked and underestimated challenges such as data integration, system interoperability, and cyber security.

The contrast between the literature's optimistic view and the harsh realities faced by practices is striking. While white papers and industry reports often tout the potential of AI, machine learning, and blockchain to revolutionise wealth management, the on-the-ground reality tells a markedly different story. Advisers are grappling with fundamental data management issues that these advanced technologies are not yet equipped to solve.

At the heart of this disparity lies the financial advice practice, serving as the linchpin of client financial wellbeing while navigating a perfect storm of data challenges. These practices grapple with an array of complex data sets, contending with inconsistencies, integration issues, and communication breakdowns that directly impact the quality of advice they provide. As Advice Practice 9 points out, "...we will need the discipline to store documents about a client file in the right spot so AI knows where to find it; it will need to be properly dated so it knows what the most current piece of information is,...." This highlights the fundamental data management issues that precede the ability for even advanced technological solutions to solve the profession's data issues but also serves as a call to action to improve data management and integration practices.

## PRACTICES AT THE CENTRE OF THE DATA STORM

### Multiple systems and manual processes

Wealth management and financial advice practices are uniquely positioned at the epicentre of a perfect storm of data challenges. They deal with the most diverse and complex data sets in the wealth management industry, managing not only client personal and financial information but also product data from multiple providers, market data, regulatory compliance data, revenue data, and internal practice management data. This position exposes them to the full spectrum of data inconsistencies, integration issues, and communication breakdowns between all stakeholders in the ecosystem.

Our interviews with industry professionals starkly contrast the technological utopia often portrayed in thought leadership pieces. Advisers consistently report using multiple, unintegrated systems, scoring 2.5 Out of 3 in our analysis, leading to inefficiencies and

increased risk of errors. Despite the promise of automation, manual data entry and verification processes remain prevalent, scoring 2.3 Out of 3, consuming valuable time and resources.

Advice practice 5 shared: "about two or three years ago, we put our tech stack on a page. There are thirty-plus applications on that page, which hasn't gotten better. So that's a problem. But that's not helped when we don't have open infrastructure or architecture between those. Thirty-odd kinds of applications to run one business."

Advice practice 4 aptly summarises this challenge: "the biggest problem we face is maintaining data accurately across multiple systems. They often don't integrate or talk to each other."

### The shift in time allocation: producing vs. Implementing advice

Our analysis reveals a dramatic shift in time allocation that starkly contrasts with the efficient, automated processes promised in the literature. Previously, advisers spent approximately 65% of their time producing advice and 35% implementing it. Now, this ratio has significantly shifted, with advisers reporting spending only 43% of their time on producing advice and 57% on product implementation and reporting administration. This shift has profound implications for practice efficiency and client service. It not only reduces the capacity for advisers to take on new clients or provide comprehensive service to existing ones but also potentially compromises the depth and quality of advice due to time constraints.

This imbalance in time allocation has serious implications for the quality of advice and client service:

1. *Reduced Capacity:* As advisers spend more time on administrative tasks, their capacity to take on new clients or provide comprehensive service to existing clients is diminished.

2. *Increased Costs*: The additional time required for implementation inevitably leads to higher costs. CoreData research noted that 56.5% of the average advice practice advice cost is product administration, reporting and compliance, which may be passed on to clients.
3. *Quality Concerns*: Time constraints resulting from inefficient processes may impact the depth and quality of advice provided to clients.

Advice Practice 3 starkly illustrates this issue: "That's a full day's work just filling application forms." This comment highlighted the excessive time spent on administrative tasks rather than value-adding client services and was a consistent frustration expressed by the wealth management and financial advisers.

The implications of this shift are far-reaching, impacting not only the profitability of advice practices but also the quality and accessibility of client service. Advisers face reduced capacity to take on new clients or provide comprehensive service to existing ones, potentially compromising the depth and quality of advice due to the time constraints created by data management across the practice.

## **THE PROMISE OF INTEGRATION AND STANDARDISATION**

The promise of integration and standardisation, so passionately advocated for in the literature, and to a lesser extent in the interviews with the experts, remains largely theoretical in practice. While solutions such as APIs, data aggregation platforms, and cloud-based systems are touted as the key to addressing integration challenges, our research reveals significant lags in implementation. The persistence of legacy systems across financial institutions and a glaring lack of standardisation pose substantial barriers to progress.

The stark contrast between the technological utopia promised in industry literature and the harsh realities faced by practices cannot be overstated. While white papers and industry reports tout the potential of AI, machine learning, and blockchain to revolutionise wealth management, the on-ground reality tells a markedly different story. Advisers are grappling with fundamental data management issues that these advanced technologies are not yet equipped to solve, highlighting a significant disconnect between industry aspirations and current operational realities.

Advice Practice 6 noted that when implementing advice with some product manufacturers, "Some of the biggest product manufacturers have legacy tech that adds a lot of inefficiency to the implementation of advice. You have to send 100 to 180 pages - as thick as the SOA - for clients to physically sign to implement their advice because the products aren't up to scratch. Digitisation of documents would really help us,....." This reality of sending physical application forms to clients due to product data collection limitations further illustrates the gap between technological potential and the current reality of practices.

Expert 5 provided a telling example of this standardisation challenge, observing that: "Take investment fees. You would think that should be a relatively easy thing to standardise, but every product reports it differently, and every fund data feed collates it differently, updates it differently, and labels it differently, so you never know what the actual fee is. The risk sits on the advice practice, which is just trying to get it right." This lack of uniformity complicates the provision of accurate advice and poses significant compliance challenges for the profession.

## **ANOTHER BOX TO TICK: COMPLIANCE AND CYBERSECURITY RISKS**

The fragmented nature of data systems creates significant compliance and cyber security risks beyond mere operational inefficiencies. When client information is spread across multiple platforms, ensuring consistent and accurate record-keeping becomes exponentially more difficult. This fragmentation increases the risk of non-compliance and makes demonstrating compliance to regulators a complex and time-consuming process, underscoring the need for better data management. Moreover, the frequent need to transfer data between systems introduces vulnerabilities that cybercriminals could exploit, putting sensitive client information at risk.

The compliance landscape adds another layer of complexity to the data management puzzle. Fragmented data systems heighten compliance and cyber security risks, making the establishment of consistent and accurate record-keeping across multiple platforms an arduous task. The implications of inaccurate or inconsistent data are severe for a practice, potentially leading to flawed advice, inadequate risk assessments, or failures in ongoing client disclosure obligations. To this point, concern around compliance showed the largest disparity between practices and experts in the interviews, demonstrating the divide between what keeps practices up at night, and a general view that technology will just solve the issue from the experts.

Moreover, the security of data in transit poses additional risks. As Expert 4 reinforced, "the thing about email and moving data between different pieces of software is that data in transit's not secure usually. For example, with email, there are four copies of the email: one on the client's computer, one on their DNS, one

on your DNS, and one on your computer. It's the same with most software. All we've got to do is hack into one of them, and I've got a copy." This sobering reality underscores the need for robust, secure data management and integration solutions that can withstand the rigours of regulatory scrutiny while safeguarding sensitive client information. Expert 4 further emphasises, "staff training and awareness are crucial, as human factors often contribute to cyber security incidents."

## **PRACTICE-LED APPROACHES TO MANAGING DATA CHALLENGES**

Despite these persistent challenges, Australian wealth management and financial advice practices demonstrate remarkable resilience and innovation. Their efforts offer valuable insights into the profession's potential for transformation and inspire with their ability to navigate systemic issues and strive for more affordable and accessible financial advice for their clients.

### **Custom built solutions and tech stacks**

Practices investing heavily in custom-built software solutions are at the forefront of innovation, showcasing technology's transformative potential. Advice Practice 7, for instance, has developed a bespoke system enabling them to offer professional advice at just \$50 per month, a clear demonstration of technology's power to reduce costs and improve accessibility. They explain that to deal with two significant inefficiencies in their practice: "We've developed automated systems for initial client onboarding. And we've built our own monster to deal with commission accounting."

Other practices have opted for carefully curated tech stacks, strategically combining off-the-shelf and custom technologies

to maximise efficiency. Expert 4 noted, "So best practice would be to have one system that holds all the data end to end—which you see in law enforcement, for example. But advice practices in Australia, particularly small businesses, have to daisy-chain systems together in reality to do everything. But it takes work to build their systems in such a way that they can work around the inefficiencies and do it securely."

Advice Practice 6 described the impact of advice-specific technology challenges on their setup: "We use Microsoft Dynamics as our CRM across all lines of the business. We can then use PowerBI to give us a view across all of the business. But in advice, the client's documents need to get into xPlan because, from a compliance point of view, our licensee dictates where compliance information will be. So we push a package from Dynamics into xPlan with everything they need, but we know it is all there."

### **Innovative data collection methods**

Some practices have adopted more mainstream, client-friendly tools to gather comprehensive client data before initial meetings, streamlining the advice process from the outset. Advice Practice 8 describes their approach: "Before our first meeting, we will send the client a Typeform, which will take them about 10-15 minutes to complete. That gives us over 100 data points in that process and helps us have a better initial meeting with the client." However, the lack of seamless integration between these tools and core financial planning software often necessitates manual data entry, leading some practices to establish offshore teams for cost-effective management.

### **The importance of data quality and technology-focused leadership**

Practices are increasingly recognising the critical importance of data quality. Advice Practice 6 shared their experience: "We did a massive data cleanup four years ago with our licensee... It took us six solid months to do data cleansing to get every single piece of data solid, and our licensee worked closely with us to do that."

The practice described the long-term benefits of prioritising data integrity, which included improved operational efficiency and reduced compliance risks.

A key factor in the success of practice-led solutions is the presence of technology-savvy leadership within the practice.

These technology-focused COOs or practice managers bring unique skills, including a deep understanding of the advice process, technical knowledge of available software solutions, and process efficiency expertise.

Expert 7 highlighted this trend: "Some practices do it pretty well. They all have someone internally dedicated to building their advice process who is quite tech savvy."

### **ONGOING CHALLENGES AND THEIR IMPACT**

Despite these innovative efforts, significant challenges persist, particularly in interactions with external entities. The inconsistency in data requirements and formats across different product providers creates unnecessary friction in advice implementation.

Advice Practice 3 noted: "We've got a CRM with all the client's information there. So, for example, we might use Netwealth and

Macquarie as our predominant implementation solutions, and we want to open an account for a client. We're going to start from scratch to open one, which you can do, but you need to start from scratch! There's very little data sharing there."

Regulatory compliance adds another layer of complexity, with some practices resorting to manually moving data between systems to meet audit requirements. In contrast, others grapple with the physical movement of documents between offices. These practices introduce risks of data loss and inconsistency, potentially leading to compliance issues. Advice Practice 2 highlighted this challenge: "Clients may choose to mail certain forms and documentation to our offices. All hard copy client information is also sent internally to one office in Melbourne for review and processing. Every time someone is putting something in the mail or in the hands of a courier, we run the risk of losing it."

The impact of these challenges on the industry's broader goals is significant. While some practices have managed to reduce implementation and administration costs to as low as 35%, the general fragmented nature of advice technology solutions and persistent difficulties with external product manufacturers continue to hinder progress towards lower-cost, more accessible advice. The complexity of data management limits client capacity, with some practices reporting significant delays for even initial meetings. Advice Practice 5 explains, "It could take three or four weeks to get an initial meeting done, presented, and signed off."

### **THE IMPACT ON CLIENT EXPERIENCE AND EMERGING TECHNOLOGIES**

The data challenges faced by wealth management and financial advice practices directly impact client experience and expectations. Clients are often unaware of the complexities

behind the scenes, leading to frustration when simple requests take longer than expected to fulfil or when they are repeatedly asked for the same information.

While emerging technologies like AI and machine learning hold promise for addressing some of these data challenges, their implementation in the wealth management and financial advice sector is still in its early stages. Advice Practice 9 pointed out that sanitisation of data becomes an even bigger requirement if we are to take advantage of new technologies: "...we will need the discipline to store documents about a client file in the right spot so AI knows where to find it; it will need to be properly dated so it knows what the most current piece of information is;..."

However, as several interviewees noted, these technologies rely on clean, standardised data to function effectively—precisely what many practices are struggling to achieve with their current systems.

### **THE NEED FOR INDUSTRY-WIDE COLLABORATION**

The challenges facing the wealth management and financial advice profession are multifaceted and deeply entrenched. While technological solutions offer promise, as consistently highlighted in industry white papers, their implementation lags far behind expectations, hindered by legacy systems, lack of standardisation, and the sheer complexity of the data landscape. The imbalance between producing advice (~44% of the cost) and implementing and administering it (~56% of the cost) reveals operational inefficiencies that impact the profitability of advice practices and practice scalability. This, in turn, limits the accessibility of advice for more Australians and the affordability of financial advice for existing clients.

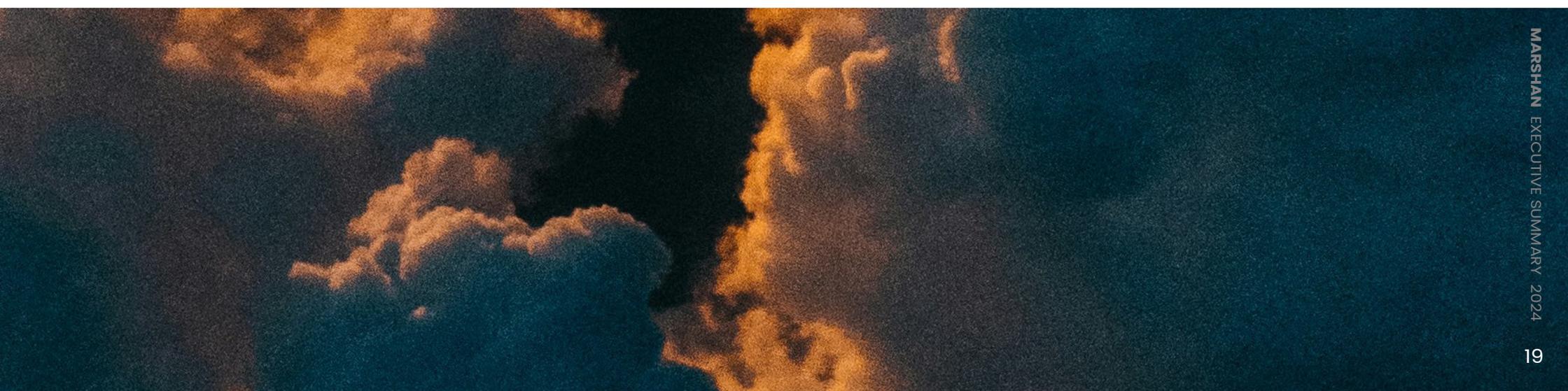
Addressing these challenges will require a united front involving technology providers, advice practices, wealth management institutions, and regulatory bodies. Only through such a collaborative approach can the broader industry hope to bridge the gap between the promise of technology and the realities of practice, ultimately leading to more efficient, trustworthy, and client-centric advice practices.

As the financial services industry and technology providers move forward, they must acknowledge the true magnitude of these issues and provide the support necessary for practices to navigate these turbulent waters. Only then can the wealth management and financial advice profession hope to realise the transformative potential of technology and deliver on its promise to improve clients' financial wellbeing. The potential rewards are significant: improved efficiency, reduced costs, and enhanced client experiences that could make quality financial advice more accessible and affordable for all.

The challenges faced by individual practices have far-reaching implications for the entire wealth management and financial

advice industry. The operational inefficiencies and increased costs directly impact the industry's ability to provide accessible and affordable advice to a broader range of clients. As practices struggle with data management issues, the goal of democratising financial advice becomes increasingly elusive. This not only affects the profitability and sustainability of individual practices but also hinders the industry's capacity to serve the growing number of Australians in need of quality financial advice.

Addressing these challenges requires a concerted effort from all stakeholders in the wealth management ecosystem. Technology providers, product manufacturers, regulatory bodies, and advisory practices must collaborate to develop standardised, integrated solutions that address the real-world challenges faced by advisers. Only through such a united approach can the industry hope to bridge the gap between the promise of technology and the current realities of practice, ultimately leading to more efficient, trustworthy, and client-centric advisory practices. The time for acknowledgment and action is now, as the future of accessible and affordable financial advice hangs in the balance.



# 5.

## INDUSTRY ASPIRATIONS FOR DATA INTEGRATION AND SOLUTIONS

While the intent of this research report was to document the experiences of wealth management and financial advice professionals about their current experiences with data management, clear patterns have emerged regarding desired improvements in data management in advice technology and improved integration with financial products through the interviews we conducted. On the one hand, the wealth management and financial advice profession stands at a technological crossroads. On the other hand, the professionals and industry experts we interviewed shared a vision for a future where data integration and management revolutionise service delivery. This section synthesises these aspirations, providing a roadmap for addressing current challenges and shaping the future of financial advice technology.

At the heart of the profession's vision is a unified data ecosystem—a centralised system presenting comprehensive client data, including historical changes, on a single screen. Advice Practice 10 articulated this aspiration:

"I would like to click to a side menu and see all the updates and changes that were made to that client data." This single source of truth would enable real-time data access across practices, fundamentally transforming client information management.

For multi-disciplinary firms, the vision of a unified data ecosystem extends beyond financial planning. As emphasised by advice Practice 6, there's a need to 'see our whole client profile across the group,' encompassing services like accounting and lending. This holistic view promises to enhance both the quality and efficiency of advice across all financial services, underscoring the breadth of the industry's needs.

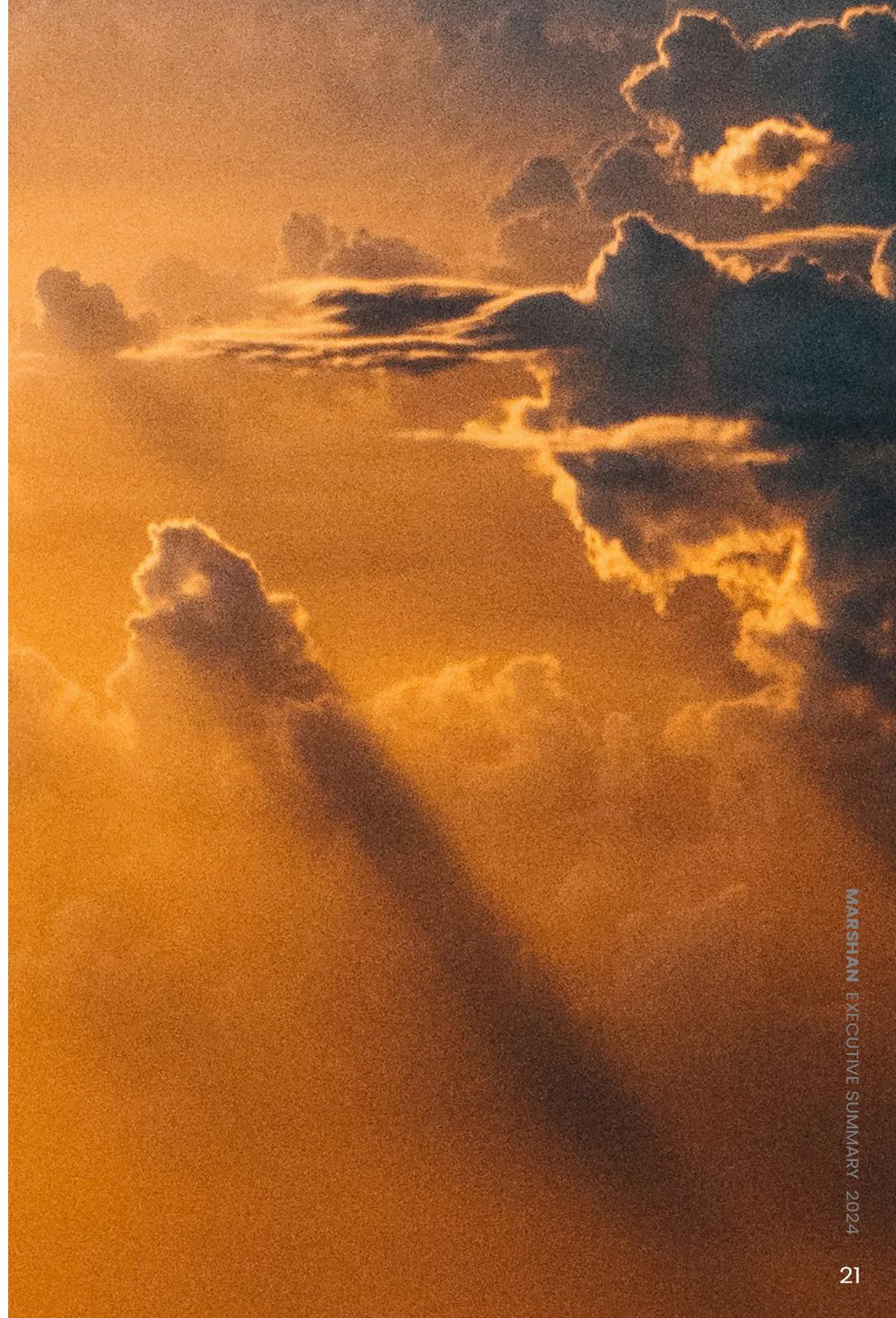
Realising this unified ecosystem requires reimagining data collection and management processes. Practitioners envision profession-wide frameworks supported by digital fact-finding tools and automated verification systems. One adviser describes the ideal scenario: "The holy grail is you're entering it once, or you're sending a client a link, the data is changed electronically, and it pushes into our system, and then it can push out to all the spots it needs to be." This streamlined approach

would significantly reduce the administrative burden on advisers and support staff, addressing the inefficiencies highlighted by many interviewees.

Central to this vision is the advancement of integration and automation technologies. The profession craves robust API connections between software systems, automated form population, and end-to-end digital processes for client onboarding with products, product implementation, and accurate, automated, consolidated reporting. Expert 1 highlighted the urgency for "real-time data feeds and API-based exchanges to replace outdated, batch-based systems like EPI," underscoring the need for modern, dynamic solutions. This sentiment was echoed across the interviews, with many professionals citing the current lack of integration as their central pain point.

As the profession moves towards greater digitisation, enhanced data security and compliance measures become paramount. Advice Practice 3 notes a common paradox: "We are not emailing advice documents or letters to clients, but they want to share all their sensitive financial information to us via email." This highlights the need for more secure information-sharing methods and automated compliance checks. Expert 4 adds, "Staff training and awareness are crucial, as human factors often contribute to cyber security incidents." The ideal solution would provide both technical safeguards and support a culture of security awareness within practices.

Standardisation emerges as a critical factor in realising these aspirations. Advice Practice 6 emphasises, "We need to come up with base data standards so that businesses can all talk to each other." This call for industry-wide agreement on data formats, definitions, and application forms echoes throughout the sector. Expert 1 points to successful examples of industry collaboration, such as the 2018 initiative between tech giants Microsoft, Oracle, SAP, and Amazon Web Services to ensure data could be transferred between their services and closer to home, the PEXA property settlement system, demonstrating the transformative potential of standardisation.





Amidst these technological aspirations, the profession remains acutely aware of cost considerations. Expert 6 stressed the need for solutions that deliver clear efficiency gains to justify their costs, ensuring that the future of financial advice is both technologically advanced and financially sustainable for practices of all sizes. Cost justification is particularly crucial given the current high costs associated with multiple, fragmented systems.

Research provides a glimpse of what's possible. Expert 8 shared, "The most efficient practices have lowered their administrative costs to less than 35% of the total fee, but they have done this by limiting the advice range they provide, using tighter administration controls, and implementing trained specialist teams with a lower labour cost." While achieving these efficiencies requires significant process and technology engineering, it demonstrates the potential for substantial improvements in the profession's operational efficiency, albeit with workarounds to the data problems practices otherwise face.

The wealth management and financial advice profession's aspirations paint a picture of a future where technology enables advisers to focus on providing high-quality, personalised financial advice.

By addressing core issues such as data fragmentation, manual processes, and security concerns, the profession aims to create a more efficient, accurate, and client-centric advice ecosystem. While the path to this future requires overcoming significant challenges, the potential benefits – improved efficiency, reduced costs, and enhanced quality of financial advice – make it a journey worth undertaking. As the industry continues to evolve, those who embrace these technological aspirations will be best positioned to thrive in the new era of financial advice. However, the wealth management industry and technology providers have a role to play in solving real problems, not just painting aspirational pictures.

# CONCLUSION.

## BRIDGING THE GAP BETWEEN PROMISE AND REALITY

The Australian wealth management and financial advice profession stands at a critical juncture, facing urgent challenges that demand immediate attention. Our comprehensive research, based on in-depth interviews with industry professionals and experts, uncovers a stark disconnect that threatens the core mission of providing accessible, affordable, and high-quality financial advice to all Australians. With an estimated 11.8 million Australians having unmet advice needs, the time to address these challenges is now.



## Three interrelated challenges emerge at the heart of this disconnect:



### System Fragmentation

The proliferation of unintegrated systems has created a labyrinth of inefficiencies. The lack of standardised data formats and seamless integration between systems emerged as a critical barrier to efficiency and innovation across the profession.



### Implementation inefficiencies

Practices now spend, on average, up to 56% of their advice costs on implementation and administration, up from 35% in previous years. This dramatic shift strains profitability and limits client service capacity.



### Compliance complexity

Practices struggle to balance comprehensive data collection for regulatory compliance with data minimisation mandated by privacy laws.

These challenges contribute to rising advice costs, with the average annual fee for ongoing advice surging to about \$4,250, up from \$2,510 in 2018. They also create barriers to entry for new practices and limit the accessibility of quality financial advice for clients. The profession's ability to attract and retain talent is also at stake, with data management complexity contributing to adviser burnout and attrition.

However, our research also uncovers a vision for transformation. Wealth management and financial advice professionals consistently articulate aspirations for a unified data ecosystem—a centralised system presenting comprehensive client data. While this vision is compelling, the gap between these aspirations and current realities remains significant, requiring sustained effort and investment to bridge. Despite these challenges, some forward-thinking practices have developed innovative solutions, demonstrating the potential for transformation when the right resources and expertise are applied.

Realising this vision requires a concerted effort from all stakeholders. Our research underscores that no single entity can solve these issues alone. A coordinated, industry-wide effort involving technology providers, regulatory bodies, product manufacturers, and advice practices is essential to drive meaningful change. Addressing these challenges and moving towards a more efficient and client-centric future requires industry-wide standardisation and collaboration.

The time for action is now. The Australian wealth management and financial advice profession must first fully acknowledge the systemic nature of these challenges. Only then can the industry move beyond surface-level recognition to actively developing and implementing a comprehensive, industry-wide solution. This shift requires a fundamental change in approach – from piecemeal fixes to a coordinated, systemic overhaul. We can only create a sector that genuinely serves all Australians while thriving in an increasingly complex digital world through strong collaboration, standardisation, and a collective commitment to transforming the underlying infrastructure of our industry. This transformation demands not just the support of individual practices but a united effort from all stakeholders to reimagine and rebuild our data ecosystem from the ground up.

**As we stand at this critical juncture, the question is: Will we, as the entire financial services industry, rise to meet these challenges?**

The future of financial advice in Australia—its accessibility, affordability, and quality—depends on our collective action. The path forward may be challenging, but the potential rewards for practices, clients, and broader Australian society are significant. By resolving these data management issues, we can improve practice efficiency and ensure that more Australians can access the financial advice they need to secure their financial futures. It's time for the financial services industry to embrace this challenge and lead towards a more integrated, efficient, and client-centric future.



# The time is now to brave the [DATA STORM]

Let's rebuild our data ecosystem to move towards a future that is

**INTEGRATED  
EFFICIENT  
DATA-LED  
FUTURE**

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## Disclaimer

Marshan Consulting Pty Ltd (ABN 93 678 372 408) has been commissioned by Elemnta Group Pty Ltd (ABN 13 623 443 443 (Elemnta)) to conduct this research, the purpose for which is to educate and inform the financial services industry about the nature of data handling and interoperability issues and solutions within the wealth management and financial advice profession and related industry.

As such, the commissioning business Elemnta has plans to broadcast the results of this research via various means in media, social media, speaking engagements and directly via the production of a downloadable white paper.

Marshan Consulting and Elemnta welcome the wider dispersion of the research results via your networks once complete. However, to maintain accuracy and appropriate messaging we ask that you first secure our permission, prior to any public rebroadcasting of the results.

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