ROY MORGAN

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Finance Royal Commission likely to disrupt distribution of financial products

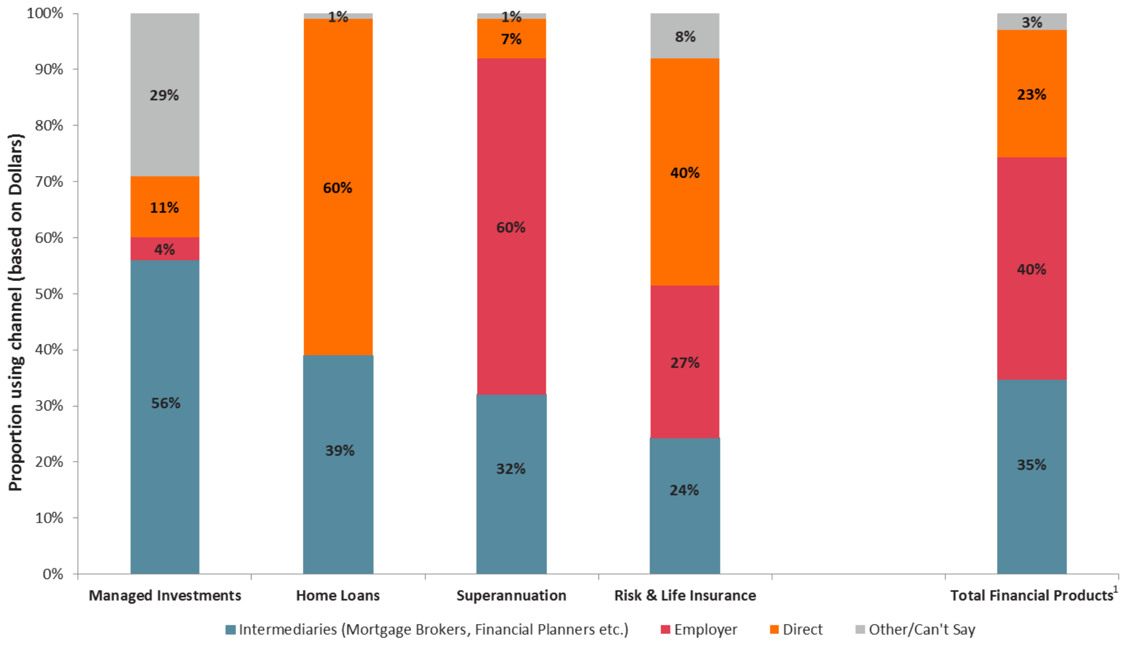
Financial intermediaries including mortgage brokers and financial planners etc., currently account for the distribution of 35% of the total value of the major financial products. This covers the combined value of home loans, superannuation, risk & life insurance and managed funds. A number of the recommendations of the Royal Commission relate to mortgage brokers and financial planners and if adopted, are likely to negatively impact their usage, particularly as it relates to borrowers rather than the lenders paying fees. Financial planners are also likely to be impacted by the need for greater fee disclosure, clarification of independence, improved focus on the best interests of the customer and the need to provide service for any fee involved.

These are some of the latest findings from Roy Morgan's Single Source survey in the 12 months to August 2018 which is based on in-depth interviews conducted face-to-face with over 50,000 consumers per annum in their homes, including detailed questioning across all aspects of investing, borrowing, insurance and banking.

Mortgage brokers the main focus of attention

The Royal Commission paid considerable attention to mortgage brokers due to their major role in the key home loan market where intermediaries (mainly mortgage brokers) currently account for 39% of the total existing home loan balances. Not all banks have the same reliance on intermediaries; with the big four generally being a little lower than average, while a number of smaller banks are well above average.

Channels used to obtain Financial Products[1]



Source: Roy Morgan Single Source (Australia), September 2017 - August 2018, n = 50,182.
Base: Australian 14+. 1Include superannuation, home loans, managed investments and Risk & Life insurance

The use of intermediaries is not the same for all major financial product groups as shown in the chart. The highest level is for managed investments with 56%, due mainly to the use of financial planners.

For superannuation, employers play the major role and account for 60% of the market, with intermediaries accounting for 32%. This is mainly due to the default fund being the major fund chosen.

In the case of risk and life insurance the main channel used to obtain it is by going direct to the company with 40%, followed by employer (27%) and intermediaries (24%).

Norman Morris, Industry Communications Director says:

> *"A lot of the issues raised in the Finance Royal Commission were as a result of how bank customers purchased their product and the extent to which their needs were understood and taken into account. Many of the problems reported were a result of consumers having insufficient financial literacy skills for the product they were purchasing and who were obtaining it through a channel not designed to focus on their best interests.*
>
> *"This research shows how significant the intermediaries are in the purchasing decisions of the major financial products and as a result there is a need to understand who they are and how they are remunerated.*
>
> *"The data used in this release covers only a small part of what we have, other data covers 12 major channel types, all major banks, loan types and much more. It also enables detailed profiling of those using the different purchasing channels, including their overall wealth and education levels. To find out more ask Roy Morgan."*

To learn more about Roy Morgan's financial data, call (+61) (3) 9224 5309 or email [askroymorgan@roymorgan.com.](mailto:askroymorgan@roymorgan.com)

Please click on this link to the [Roy Morgan Online Store.]()

About Roy Morgan

Roy Morgan is the largest independent Australian research company, with offices in each state of Australia, as well as in the United States and the United Kingdom. A full service research organisation specialising in omnibus and syndicated data, Roy Morgan has over 70 years' experience in collecting objective, independent information on consumers.

Margin of Error

The margin of error to be allowed for in any estimate depends mainly on the number of interviews on which it is based. Margin of error gives indications of the likely range within which estimates would be 95% likely to fall, expressed as the number of percentage points above or below the actual estimate. Allowance for design effects (such as stratification and weighting) should be made as appropriate.

Sample Size	**Percentage Estimate**			
	40%-60%	25% or 75%	10% or 90%	5% or 95%
5,000	±1.4	±1.2	±0.8	±0.6
10,000	±1.0	±0.9	±0.6	±0.4
20,000	±0.7	±0.6	±0.4	±0.3
50,000	±0.4	±0.4	±0.3	±0.2