

## *I can't get no satisfaction ... or can I?*

### **An exploratory study of satisfaction with financial planning and effects on client well-being**

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The lyric in the title has become a catchcry for consumers dissatisfied with a range of financial services and products, and, as recent federal government inquiries have revealed, there is some truth in the claim. But as financial planning undergoes a series of reforms, including increased professionalism (FPA, 2009) and improved quality of advice (FOFA, Australian Government, 2011), there are good reasons to explore the conditions under which clients report satisfaction with their financial planners. Not least because the provision of effective financial planning and advice, delivered in accordance with, or transcending, the rules and norms of industry best-practice has the potential to benefit clients, not just financially, but across a number of life domains.

In this paper, we report findings from an exploratory study<sup>2</sup> investigating whether financial planning and advice contribute to client well-being, beyond effects on financial well-being. While anecdotal evidence supports psychological benefits, such as a sense of security, little research has explored these links in any systematic or theoretically-driven way. However, theory and research from cognate disciplines, such as psychology, indicate clear links between planning, goal setting and well-being that are likely to arise in the financial planning domain.

Surveyed clients were asked to indicate their satisfaction with their financial advisers, the planning process, and the advice they received. Clients responded to items designed to reflect key areas for financial planners in the movement towards increased professionalism, improved disclosure, and greater client focus (e.g., FPA, 2009). Clients also reflected on their financial situations before and after seeing their advisers and considered the impact of their financial situations on a number of life areas, including family relationships, mental health and well-being, and overall life satisfaction.

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## LINKS BETWEEN FINANCIAL PLANNING AND WELL-BEING

Three aspects of financial planning can be noted with respect to consumer well-being: goal setting and attainment, planning and mastery, and appraisal of financial resources.

**Goal setting and attainment.** Lifestyle and financial goal setting are central to the six step process of financial planning advocated by the industry worldwide.<sup>3</sup> Goals are central to psychological well-being because they provide purpose to life and contribute to the process by which people come to view their lives as meaningful and worthwhile (Emmons, 2003). However, not all goals are important or impart benefits to well-being. The setting of goals that are connected to individuals' values and motivations, and are functional (e.g., saving for education), rather than materialistic (e.g., to own many expensive items), are more likely to meet core psychological needs and contribute to life betterment (MacLeod, Coates & Hetheron, 2008).

The attainment of goals as well as the sense of progress towards goals is also a source of life satisfaction. This is partly due to the reduction in the discrepancy between present and preferred states (Weise, 2007) and partly because the anticipation of positive future outcomes contributes to a sense of life mastery and elicits positive emotions and mood states (Sheldon, Kasser, Smith & Share, 2002). In the financial planning context, clients who experience progress towards the attainment of their financial and lifestyle goals are likely to experience positive psychological benefits.

**Planning and mastery.** An essential element of psychological well-being is engagement in life tasks and roles. Having meaningful goals and *the plans to achieve those goals* enable individuals to experience higher levels of life engagement (MacLeod et al., 2008). Planning can be considered a life management strategy that enables individuals to control and structure their lives (Prenda and Lachman, 2001). This sense of life mastery is linked to better psychosocial adjustment and mental health across a range of psychological measures (e.g., reduced depression, anxiety) and greater life satisfaction and well-being (Nezlek, 2001; Ryff and Singer, 2008).

**Appraisal of financial resources.** Research shows that financial satisfaction is higher when there is minimal discrepancy between material desires and the ability to afford them (Solberg, Diener, Wirtz, Lucas & Oishi, 2002). However, increasing one's wealth is not necessarily the key to satisfaction, particularly when financial ambitions are unrealistic. Holding *realistic* financial aspirations and positive appraisals of one's financial resources are linked to financial and life satisfaction (Martin and Westerhoff, 2003) and may be more important to well-being than objective wealth measures. Advisers who assist clients to better align their aspirations and resources, for example, may be more likely to encourage higher levels of financial and life satisfaction. Research suggests that improving financial satisfaction is linked to an increased sense of well-being and life satisfaction, partly because financial satisfaction is one of the underlying domains (including health and social domains) of overall life satisfaction (Easterlin, 2006).

Financial planning, then, may be beneficial as a means of engaging individuals in important and meaningful life tasks that contribute to well-being. The act of seeking out a financial adviser (as a planning step in itself), the establishment of financial and lifestyle goals, and the plans to achieve those goals, all contribute to individuals' sense of control over their financial and life

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<sup>3</sup> See Financial Planning Standards Board at <http://www.fpsb.org/>

situations. Financial planning that emphasises clients' functional goals and personal values is more likely to be associated with client well-being, while clients who perceive that they are actively engaged with their advisers in the planning process are likely to feel more satisfied with both their finances and their lives.

In contrast to views of well-being as conceptually synonymous with happiness, we prefer a broader conceptualisation which encompasses life satisfaction and psychological benefit. At the personal finance level, financial security provides opportunities for the achievement of things of personal value and the support of preferred lifestyles. Our research framework recognizes that consumer well-being is likely driven by both process (e.g., achieving a sense of life mastery and autonomy through effective financial planning) and outcomes (e.g., feeling satisfied with financial planning advice outcomes).

## **SURVEY OF FINANCIAL ADVISERS' CLIENTS**

Clients of eight financial advisers across two organisations providing financial planning advice were surveyed in mid-2010, with 172 usable responses received. Two-thirds of respondents had been clients of the financial advisers for more than a year (*existing* clients) with the remaining one-third had consulted with their adviser for the first time within the prior year (*new* clients). The demographic profile of the sample revealed that most respondents (84%) are in the pre-retirement and retirement phases of their lives (50-69 years old), own their own home (71%), hold most of their assets in superannuation, and have little debt.

The sample comprises 61% males (39% females) with similar age distributions for each gender. Just over half (56%) of the clients have university level education, holding a Bachelor's degree or higher; 17% hold a trade or TAFE qualification. The current work status of respondents is predominantly those working full-time (42%) on salary and those who were retired (40%). More existing clients (49%) are retired than new clients (20%), with the largest proportion (52%) of new clients aged 50 to 59 years and the largest proportion (51%) of existing clients aged 60 to 69 years. The majority of clients (75%) live with a partner. More new clients (36%) have children living at home than existing clients (17%).

The majority of surveyed clients (85% existing, 74% new) reported a personal annual income of less than \$100,000 per annum; 51% of existing clients reported a personal income less than \$50,000 compared with 25% of new clients. When total household income is considered, the most frequent range is \$50,000 to \$99,000; 56% indicated an annual household income between \$50,000 and \$149,999, while 27% have less than \$50,000.

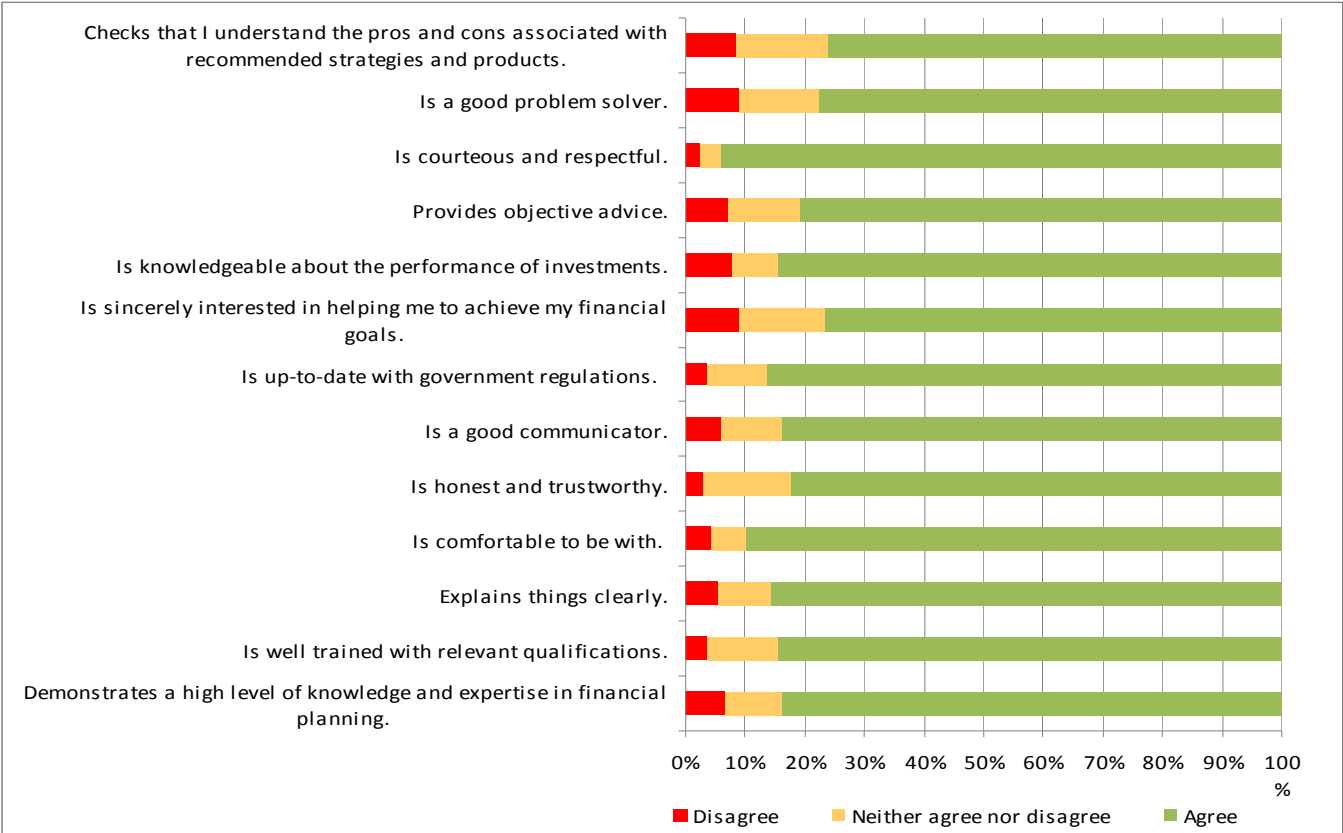
Almost all surveyed clients hold assets in superannuation. Clients' superannuation balances range from less than \$25,000 to over \$1 million, with 36% of clients having \$500,000 or more in superannuation, 33% in the range of \$250,000-\$499,999, and 29% less than \$250,000. Outside superannuation and home ownership, respondents' most commonly held assets are shares (53%), followed by investment properties (38%), life policies (31%), and managed funds (25%).

In relation to frequency of contact with their financial planner, 29% of clients reported seeing their planner twice a year or more, 37% once a year and 34% every few years. Nearly half of surveyed clients (47%) indicated they receive updates more than twice a year, 35% once or twice a year, and 17% receive an update only every few years.

***Satisfaction with financial planners.*** Overall, 77% of surveyed clients indicated they were satisfied with their financial planners, 8% dissatisfied and 15% neutral. Figure 1 presents frequencies of clients' responses on various aspects of financial planner characteristics, and shows that a high proportion of clients view their financial planners in a positive light. They

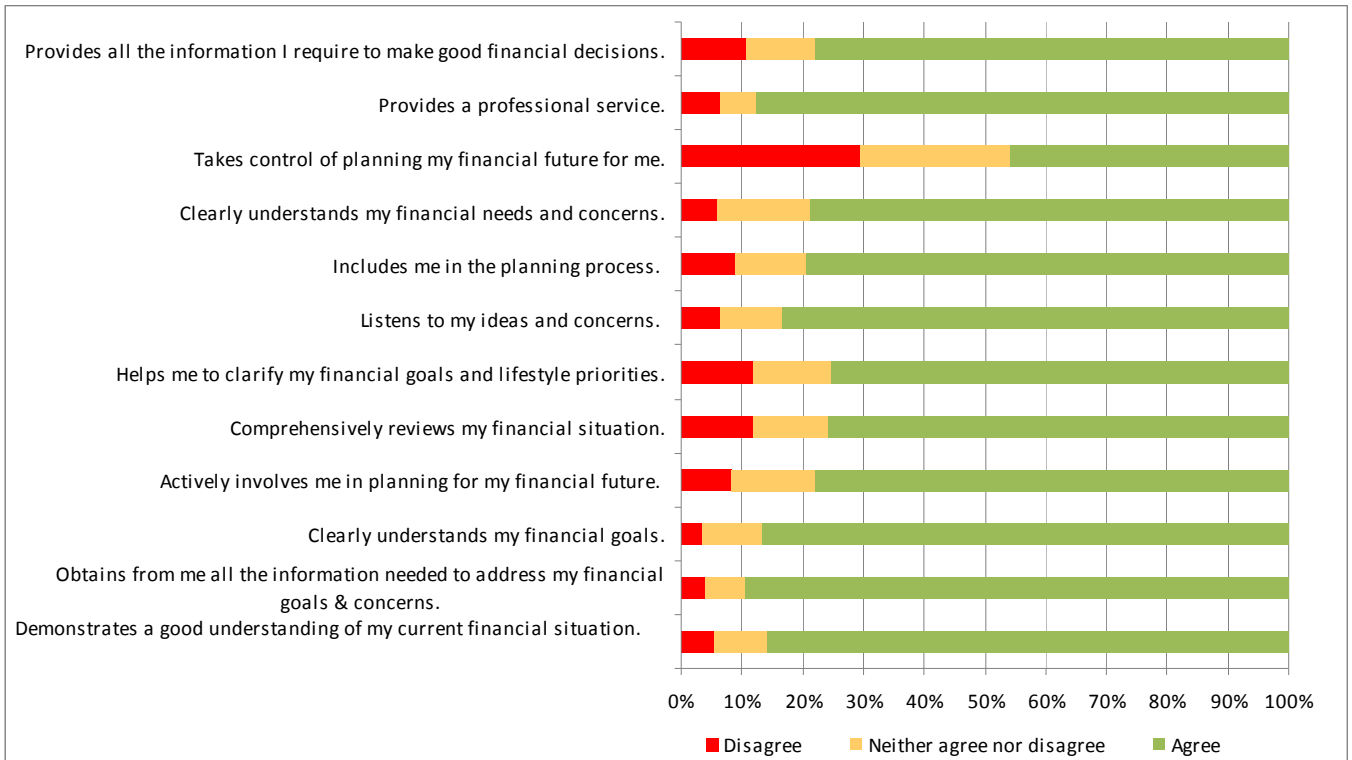
agree that planners have good interpersonal skills, are knowledgeable and up-to-date, and professional in their approach.

**FIGURE 1: Level of client agreement with financial planner characteristics**



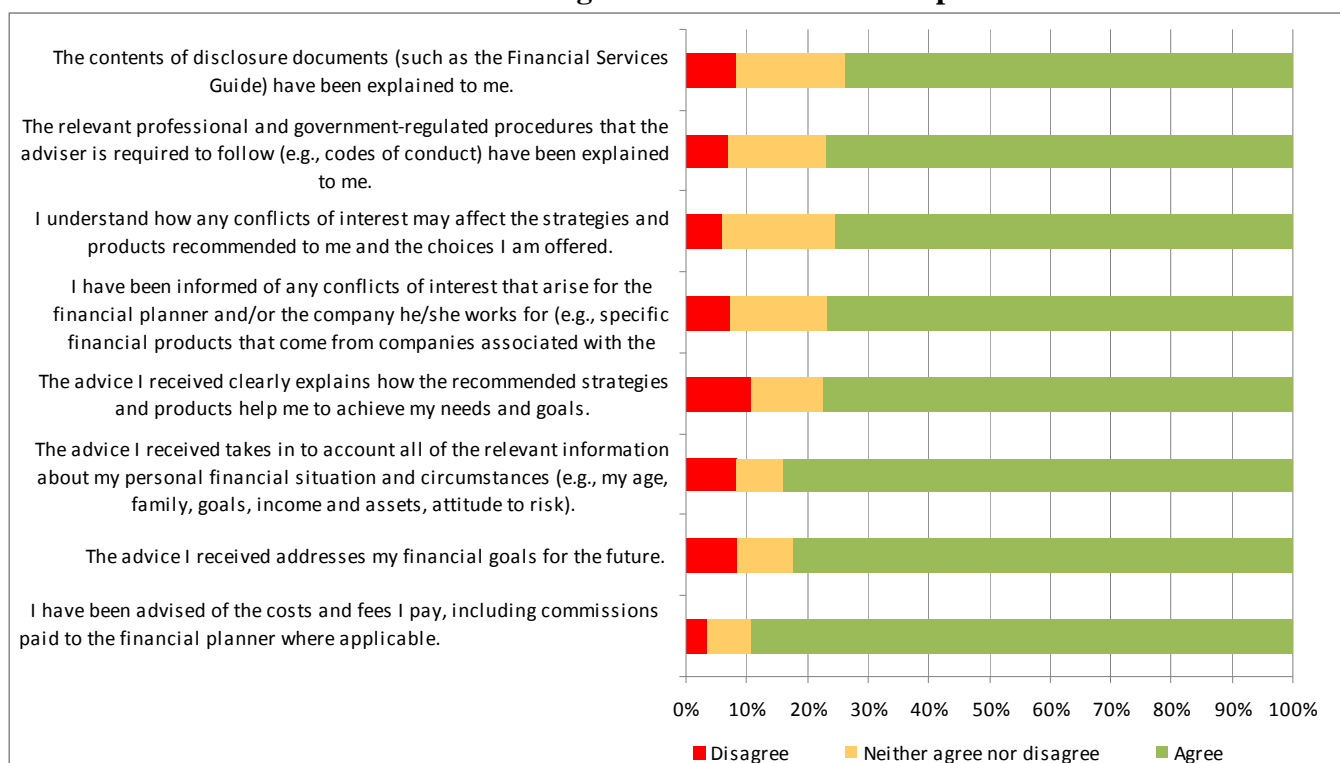
**Satisfaction with the financial planning process.** A high proportion (72%) of surveyed clients also indicated they are satisfied with the planning process, 12% dissatisfied and 16% neutral. Satisfied clients generally felt listened to, actively involved in the process, and helped by their planners to clarify goals and priorities (Figure 2). They viewed planners as providing a professional service and providing and obtaining information for good financial decisions. Around 45% of clients agreed that the planner took control of planning their financial future while 30% disagreed with this statement. Possibly, clients who saw themselves as controlling their own futures were more likely to disagree with this statement. Just over 10% of clients disagreed that they received adequate information to make good decisions, help to clarify goals, and a comprehensive review of their situation.

**FIGURE 2: Level of client agreement with financial planning process**



**Satisfaction with financial advice and products.** Similar to the levels of overall satisfaction with their financial planner, a large proportion ( 77%) of surveyed clients were satisfied with the strategies and products provided by their planner, with 7% dissatisfied and 16% neutral. Figure 3 shows that the majority of clients (74% and above) agree that their financial planner informed them of conflicts of interest, required disclosures and fees. A majority also felt that the advice was appropriate to their circumstances and addressed their financial goals. Only a small proportion (10%) of clients felt that the advice had not explained how strategies and products addressed their financial needs and goals.

**FIGURE 3: Level of client agreement with advice and products**



While around three-quarters of the respondents indicated satisfaction with the financial planner, the financial planning process and the financial advice and products, a smaller proportion indicated satisfaction with fees (58%), with 28% dissatisfied and 14% neutral.

### Features with which clients are most and least satisfied

Surveyed clients were asked to provide comments on aspects of their financial planner and the planning process with which they were most and least satisfied. About three-quarters of clients offered positive comments about their planners (71%) and the process (77%), whereas only 27% commented on areas of least satisfaction with the planner, and 51% on least satisfaction with the process.

In commenting on areas of most satisfaction, clients most frequently mentioned quality of advice, knowledge and expertise, professional qualities of the planner, supportive decision making, and engaging and personalised planning processes. Representative comments include:

*“His honesty, experience and wealth of knowledge.”*

*“Keeps up to date with all changes, taxation/super, pension fund, and advises accordingly. His professional knowledge and company resources.”*

*“The personal attention to detail plus personal contact and interest.”*

*“He listens to me to what I have to say about my financial situation.”*

*“He put up options by using applied decision making and using “what if situations” to help me decide what options I was going to take.”*

*“That the adviser usually confirms that I’m making good decisions.”*

*“A genuine endeavour to help and reassure us about the future and to feel comfortable about our old age.”*

Comments about areas of least satisfaction related to insufficient detail and personalisation of the advice provided, service difficulties such as reduced access and time, and poorer client-adviser

relationships in terms of communication, client understanding and reassurance. Some of the comments made by clients are:

*“Insufficient data - detail of what the different choices would produce.”*

*“Still didn't know if I would have enough to retire next year.”*

*“Feeling that I am only an 1/2 hour interview in a busy day. Feeling that my account was only looked at prior to that interview.”*

*“Little interaction on part of planner in between formal consultations.”*

*“I am yet to develop a personal link with him.”*

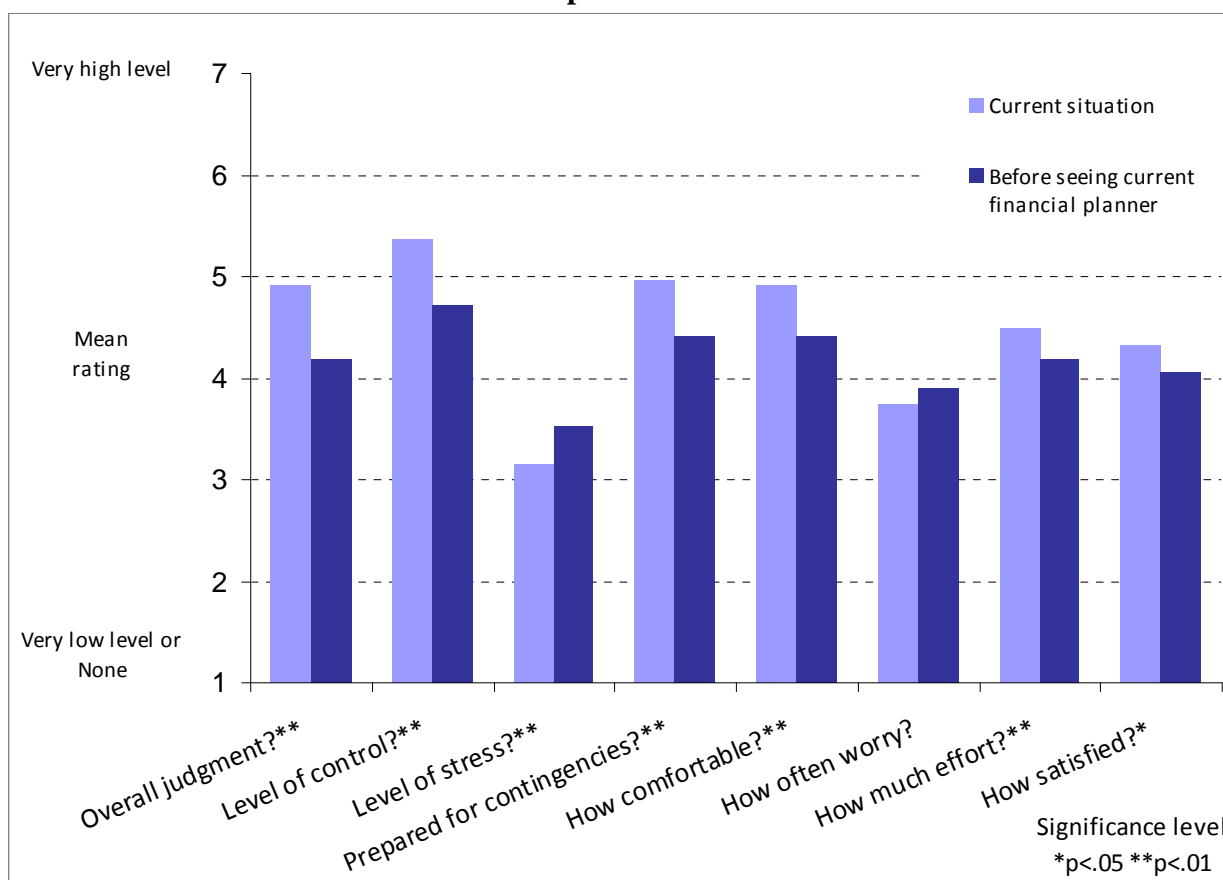
*“Being fairly financial illiterate a follow up phone call or brief analysis to make sure I did everything right (filled in the right forms etc) would have been good.”*

*“Felt like we were just another client in a long list. No specific interest shown in our financial position - poor follow up.”*

### **Financial situations before and after seeing adviser**

Surveyed clients were asked to provide ratings on a number of dimensions to indicate perceptions of their current financial situation, and to also give ratings of what they perceived their financial situation was before consulting with their current financial planner. As shown in Figure 4, comparisons of clients' views of their current financial situations with their views of their prior situations reveal statistically significant improvements on seven of the eight dimensions. Clients feel more in control of their finances, have lower levels of stress, are more comfortable with their situations, are more prepared for contingencies, and put more effort into their finances than before seeing their financial adviser. They judge their current financial situations as more positive and more satisfying than their prior situations. While clients also indicated more frequent worrying before seeing their current planner, this difference is not statistically significant.

**FIGURE 4: Perceptions of financial situation before and after consulting current financial planner**

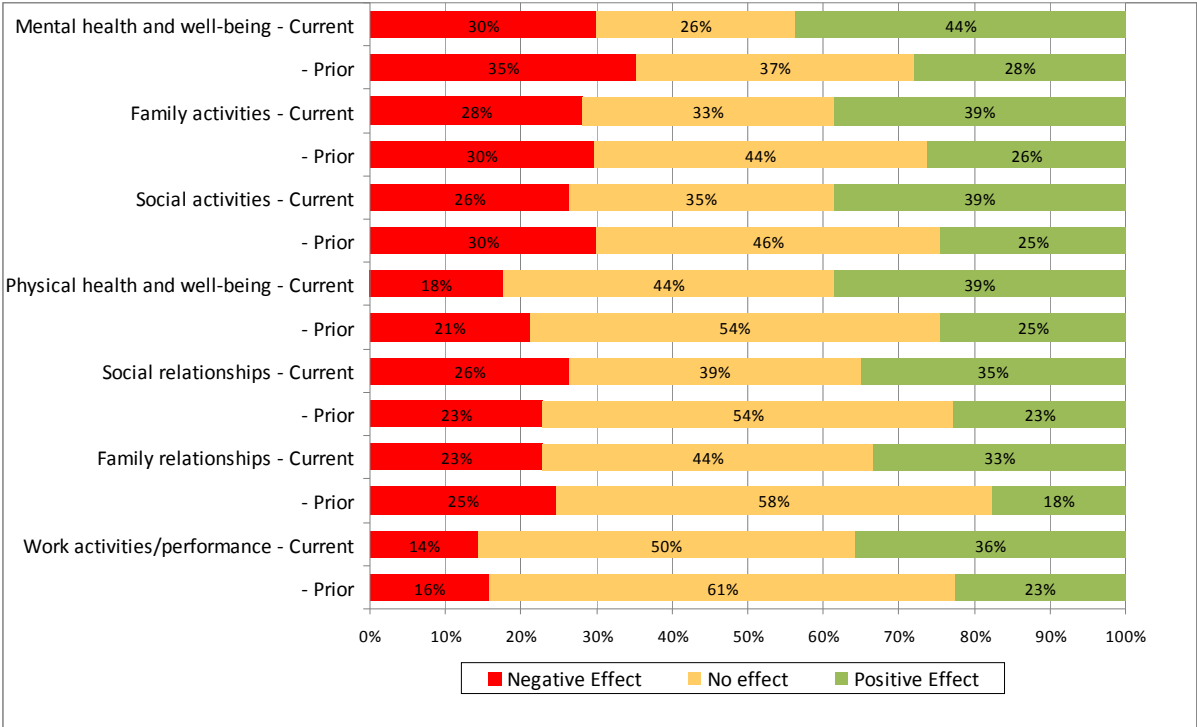


### Well-being before and after seeing planner.

Clients were also asked to indicate the effect of their financial situations (before and after seeing their planner) on eight life areas (mental health and well-being, family activities, family relationships, social activities, social relationships, work activities/performance, work relationships, physical health and well-being).

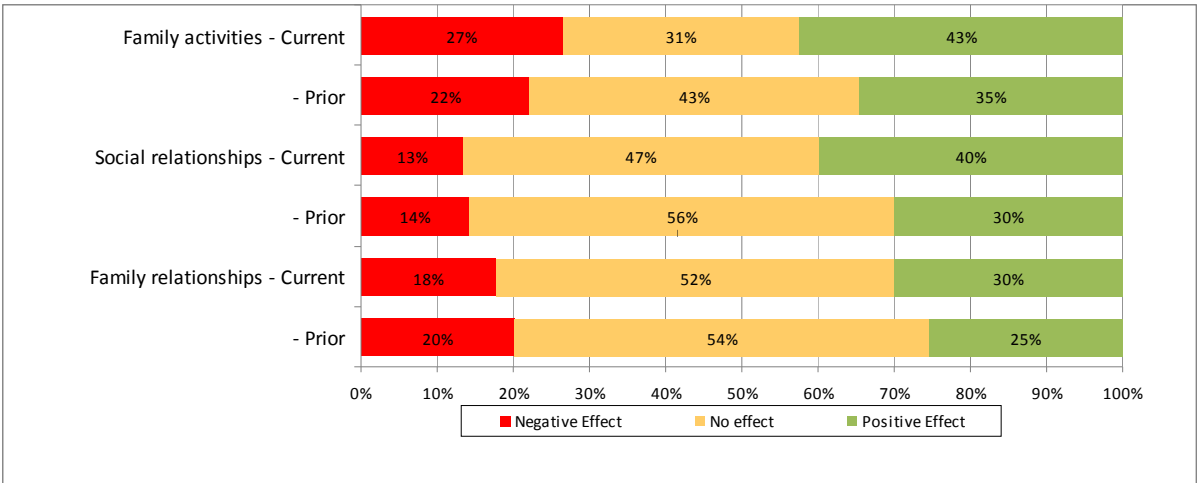
New and existing clients were found to differ in their reports of the effects of their financial situation on their lifestyle and well-being, particularly when they were asked to consider their prior situation. For seven of the eight areas, new clients' effect ratings were significantly higher for their current financial situations than their prior situations (t-tests,  $p < 0.05$ ). Figure 5 displays the percentage of new clients indicating positive, neutral and negative effects before and after seeing their planner. For example, 28% of new clients thought their prior financial situation had a positive effect on their mental health and well-being, 37% thought it had no effect, and 35% a negative effect. After seeing their current financial planner, 44% thought that their current financial situation has a positive effect, 26% no effect, and 30% a negative effect. While reports of negative effects declined in a number of areas, changes in reported effects predominantly relate to increases in positive effects and decreases in no effects.

**FIGURE 5: Effect of current and prior financial situation on life areas for new clients**



As for new clients, a higher percentage of existing clients thought positive effects were attributable to their current situation than to their prior situation. However, differences in effect ratings (current vs prior) were only significant for three of the eight life areas (Figure 6): family activities (43% current, 35% prior), social relationships (40% current, 30% prior) and family relationships (30% current, 25% prior).

**FIGURE 6: Effect of current and prior financial situation on life areas for existing clients**



For new clients it is possible that the recency of both their prior financial situation and their engagement in the financial planning process mean that the comparisons they made were more salient for them than for existing clients. For new clients, there appears to be a more immediate

and marked effect of changes in financial situation on their perceptions of lifestyle and well-being.

It is important to note that a number of new and existing clients report ongoing negative effects, suggesting these clients may be experiencing ongoing financial strain. In addition, while 80% of existing clients had implemented all of the strategies recommended by their financial planner, only 51% of new clients had done so, suggesting that the financial situations for a number of new clients were still in a transition phase.

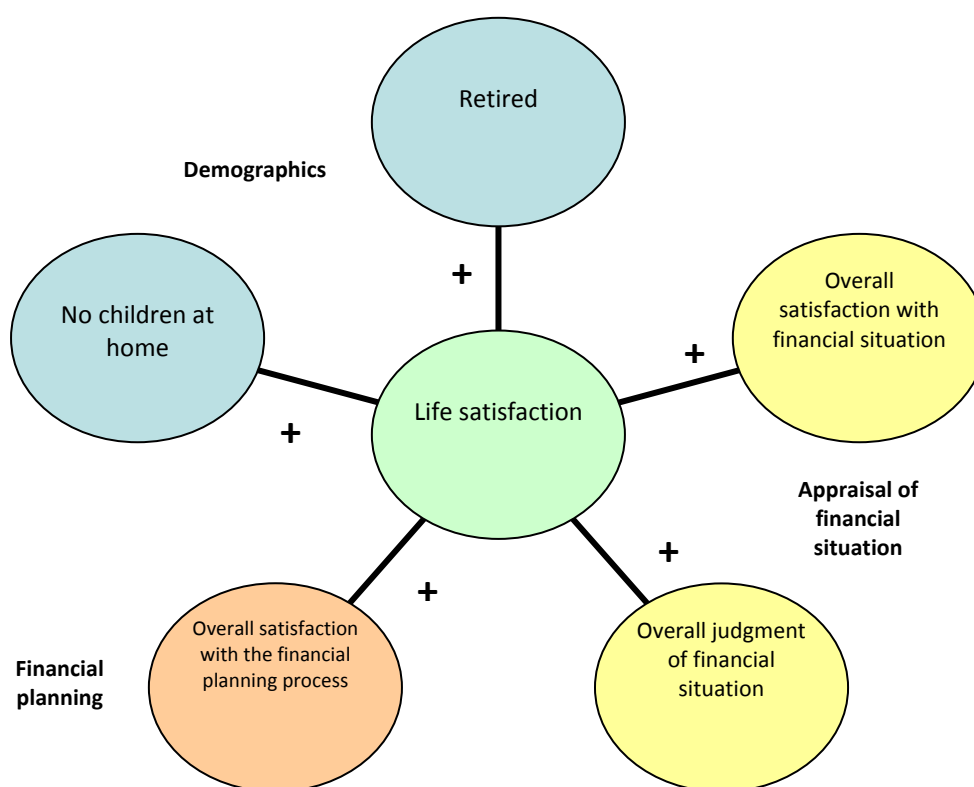
### **Contribution of financial planning to life satisfaction**

While previous research indicates that life satisfaction is influenced by life circumstances and satisfaction in a number of domains (including financial), an unexplored issue is the extent to which aspects of the financial planning experience also contribute to life satisfaction.

Using a life satisfaction score (measured using the *Satisfaction with Life Scale*, Diener, Emmons, Larsen, & Griffin, 1985), a hierarchical regression model was employed to test for associations with demographic variables reflecting clients' life circumstances; these are gender (male/female), education (university/other), retirement status (retired/other), empty nester (yes/no), and household income (less than \$49,999, between \$50,000 and \$99,999, over \$100,000). Financial appraisal variables (overall judgment of and satisfaction with financial situation) entered the model next, followed by overall satisfaction ratings of the financial planning process, the financial planner, financial products and strategies, and fees.

Figure 7 graphically represents the variables found to significantly contribute to the prediction of life satisfaction at each step of the model. Retired clients have higher life satisfaction than non-retired clients, and empty-nesters have higher life satisfaction than non-empty nesters. Both financial appraisal variables were found to predict life satisfaction while income level did not. Clients who hold more favourable judgments of their financial situation and are more satisfied with their financial situation have higher life satisfaction. Finally, of the four planning variables, overall satisfaction with the process significantly contributed to the prediction of life satisfaction. Clients who are more satisfied overall with the financial planning process also have higher life satisfaction.

**FIGURE 7: Variables associated with life satisfaction (subjective well-being)**



## CONCLUSION

While current reforms underscore the importance of quality financial advice and information disclosure, our exploratory findings highlight that the financial planning process itself is central to client satisfaction. If financial planning is to be seen in a professional light, then how the process is conducted may be as important as the financial outcomes for clients. Our findings suggest that process features, such as goal clarification, functional goal setting and attainment, and lifestyle planning, may contribute to feelings of life engagement and well-being. There are also practical and psychological benefits to clients as a consequence of improvements in their financial situations after seeing a planner. Our overall findings support the notion that the process of financial planning is potentially supportive of individuals' well-being at a number of levels, not just the financial, and that this occurs when clients feel engaged with planners who are professional and client-focused.

As with any exploratory study, there are limitations. The sample used in this study is confined to pre- and post- retirement clients of only eight planners across two organisations and are, therefore, limited in their generalisability. Broader client and adviser samples are required to further test associations between clients' experiences of financial planning and their well-being at various life stages. The lack of baseline data (before seeing a financial planner) and measurement over time also prevents a full assessment of time-based changes and their effects on well-being.

The current trend in financial planner training in Australia and elsewhere is towards professionalisation and the use of interdisciplinary knowledge bases to inform practice. We suggest that further research attention be directed to the financial planning process itself and that a stronger research base is required for not only informing the professional practice of financial

planners but also for a more complete understanding of the benefits of financial planning at the individual and family levels. Such knowledge is likely to have marked flow-on effects for economies and societies.

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