

South Africans are open to automated financial advice, says Deloitte

Regardless of their income, most South Africans experience some level of financial stress. It's therefore not surprising that they are open to assistance on how to minimise their bills and create budget plans.



©Andrea Danti 123rf.com

"While, most South Africans, irrespective of income, wealth or age, were found to be open to using automated advice for reviewing their finances, the type of advice they were looking for differed.

According to Deloitte's [Automation of financial advice](#) report which assessed South Africa's readiness for automated financial advice, consumers in the age group between 34-44 years, the least affluent with an annual income of up to R750,000 were most interested in using automated advice to help them with minimising their bills", says Morne Fischer, leader of Deloitte Africa's robotics and automation practice. "High-income earners on the other hand, were found to be the least concerned about minimising bills rather looking for assistance with rearranging their debt whilst millennials were more interested in assistance with creating budget plans."

Pension savings

In the current South African economic landscape consumers are faced with tough decisions such as how much cash to withdraw while leaving enough invested to provide a suitable income – and complex products. The research findings also found that consumers experienced the greatest need for financial advice when they entered retirement mainly because they had to decide how they could effectively fund retirement with the savings that they accumulated over their lifetime. Interestingly, the willingness to use automated advice for converting pension savings was the lowest. About 16% of respondents indicated that they were not comfortable to use automated advice to convert any pension savings.

"In the survey 17% of respondents indicated they were not willing to use automated advice for converting pension savings of R500,000 and whilst 23% indicated that they were not willing to use automated advice for converting pension savings of R2.5m. Essentially, willingness to convert pension savings using automated advice declines with age. To make automated advice attractive, many consumers would demand a large discount on in-person advice. In our sample, among those who would pay for it, almost 80% would do this if they pay less than one quarter of the typical fee of a human adviser," Fischer says.

Age and wealth were also found to influence the fees consumers were prepared to pay for automated advice. Report results found that compared to their older or less affluent counterparts, consumers under the age of 35 years with wealth over R1m were much more prepared to pay fees that are closer to the cost of a human advisor. Consumers who are closer to retirement age were found to be the least willing age group to replace a human adviser with automated advice.

Leveraging technology

Leveraging technology enables advisers to be better informed about a broader range of products, serve more clients than normal, and decrease their own business overheads – thereby mitigating against margin pressures. Better-informed advisors are an important step towards customer-centric advice. The introduction of automation in the financial advice space affects the relationships between various industry players and fintech companies are often seen as agile and innovative players that have spearheaded the disruption in the industry but due to factors such as scalability, trust and brand recognition, some fintechs find themselves stretched to their limits and have to consider forging new alliances and partnerships to become or stay viable.

"Fintech companies may be well positioned to develop engaging and user-friendly interfaces that encourage the use of automated advice platforms. However, fintechs may face a problem of low brand recognition in the market place. This is in particular challenging given the importance of trust in the financial services industry. In order to bypass this challenge, fintechs could provide white label technologies to financial service providers that have a well-established brand and access to a large customer pool", says Fischer.

For more, visit: <https://www.bizcommunity.com>