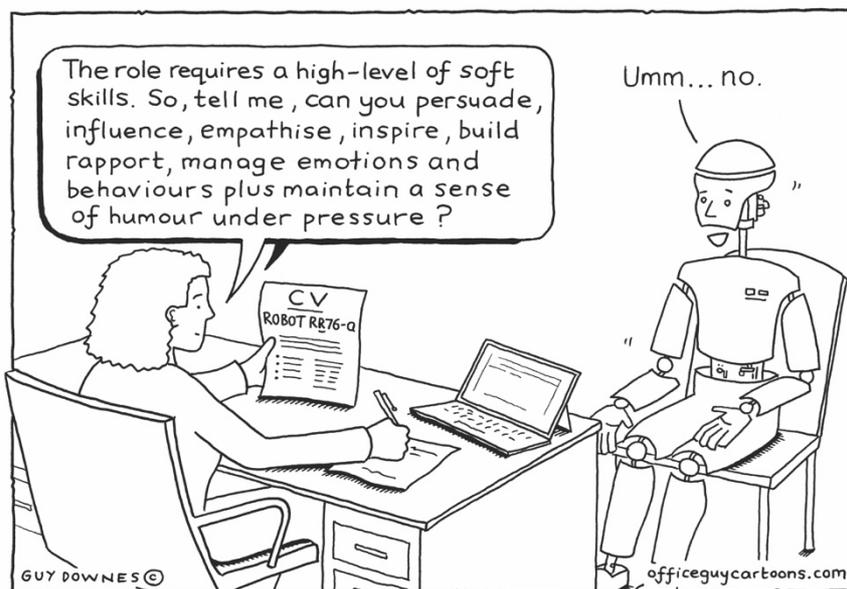


SUPER INDUSTRY

ISSUES 2020



2020 SUPER INDUSTRY OUTLOOK

WELCOME & EXECUTIVE OVERVIEW

After a year of turmoil, 2020 is looking brighter for Australia's wealth management industry with more respondents to this year's annual survey more optimistic about the future than at any time in the past five years.

They see improved - or at least stable - business conditions, leading to the opportunity for innovation and growth, both in terms of assets and business.

This optimism is despite the freeze in the increase of the superannuation guarantee levy. Most respondents support the lifting of the levy though many believe it should be delayed further.

Other concerns include increasing government intervention and regulation, coupled with impacts of mounting competition and uncertainty overhanging financial markets.

These concerns are adding to the rising pressure on our people. Accordingly, people management and support will be a key for our business leaders.

The majority of respondents expect to keep their employee levels at similar levels to last year.

Roles that will be most in demand include sales professionals, suggesting that organisations are positioning for sales growth. Other roles in demand continue to be for risk and compliance experts to meet the ongoing needs to support regulatory reform and the building of resilient frameworks to meet investor and community expectations.

How will you address these challenges in 2020?

Compare your views with those of the industry on the following pages.

We hope you find this report useful.

If you would like further information please contact us.

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Key findings



INDUSTRY OUTLOOK FOR 2020

- Almost two-thirds of respondents (63%) expect 2020 to be a better year for the industry overall and their particular organisation.
 - A quarter expect it to be similar to 2019 (26%).
 - Only one-in-twenty (5%) of respondents expect it to be worse than last year. (This is half the previous year's survey, reinforcing the finding of increased optimism going forward.)
- The major concern for of our leaders in 2020 is:
 - Increasing regulation (37%).
 - Increasing competition (23%),
 - Market downturn (21%).



- These issues are resulting in more than half of our people (53%) feeling more stressed.
 - Only one in 20 (5%) respondents expect their people to be less stressful in 2020.
- Just over half of respondents (56%) support lifting Australia's compulsory superannuation levy to 12% by mid-2025.
- A third (33%) believe it should be delayed.
- Some 44% were uncertain that business could afford the increase on behalf of employees.
- A third were similarly uncertain that political parties would reach agreement.



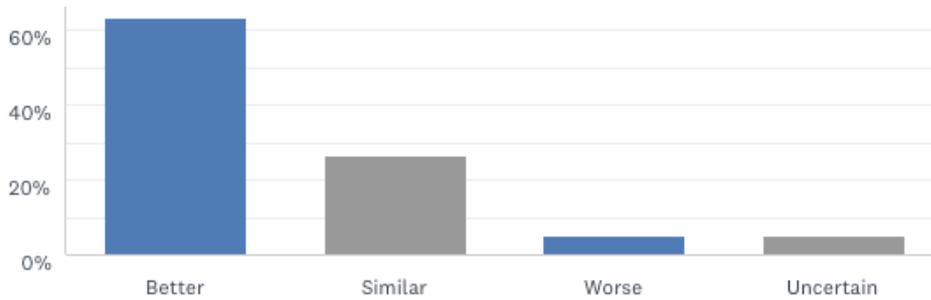
OUR PEOPLE & HIRING INTENTIONS

- A third of respondents expect to hire more employees in 2020 (32%).
 - Two out of five (42%) expect to maintain staff numbers at current levels.
 - None said they planned to downsize.
 - However, 16% said they expected to replace some roles with technology.
- The roles expected to be most in demand in 2020 are:
 - Sales, equally with
 - Risk and compliance. This was followed by
 - Customer / member engagement, and then
 - Operations roles.
- When hiring for these roles, cultural fit was considered the most important criteria, followed by proven experience and technical skills. Interestingly, there were no responses for qualifications or remuneration.

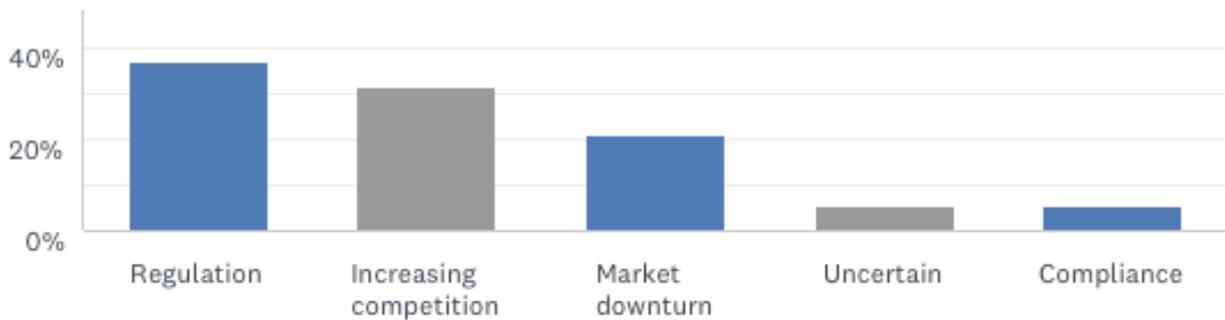
The findings in detail

After a year of turmoil, 2020 is looking more positive for Australia's wealth management industry. More respondents to this year's annual outlook survey feel more optimistic about the future than at any other time in the past five years. Our industry leaders report that they see improved, or at least stable, business conditions; leading to the opportunity for innovation and growth, both in terms of assets and business itself.

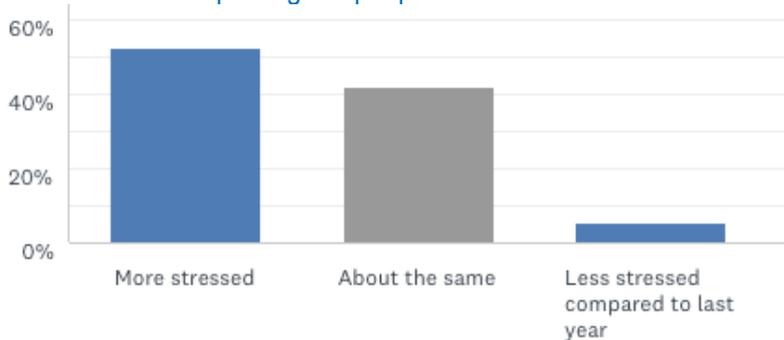
2020 is expected to be better for our industry than last year



The biggest issues facing wealth management organisations in 2020



These issues are impacting our people



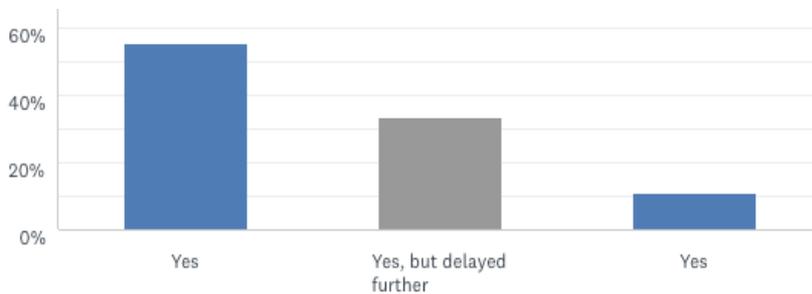
WILL SYSTEM GROWTH STALL?

More than half of wealth management executives support an increase in Australia's compulsory superannuation levy to 12%, but a third believe it should be delayed, a survey by wealth management recruitment firm, Super Recruiters has found.

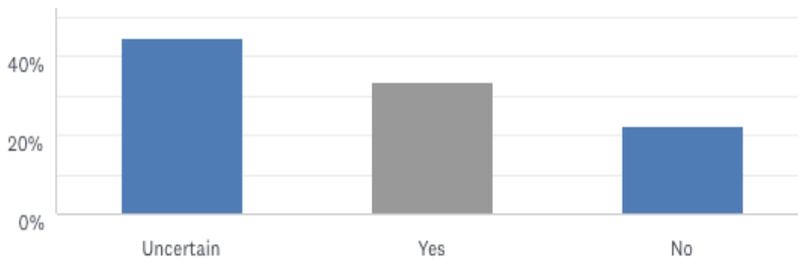
The findings put further pressure on the ability of government and business groups to arrive at a workable compromise to implement the superannuation guarantee levy, which is set to rise from its current level of 9.5% to 12% by 2025 in keeping with legislation passed by federal parliament.

Some 44% of respondents were also uncertain that business could afford the increase on behalf of employees beyond its current freeze at 9.5%. A third of those surveyed remained uncertain that parliament would reach agreement on its legislated increase.

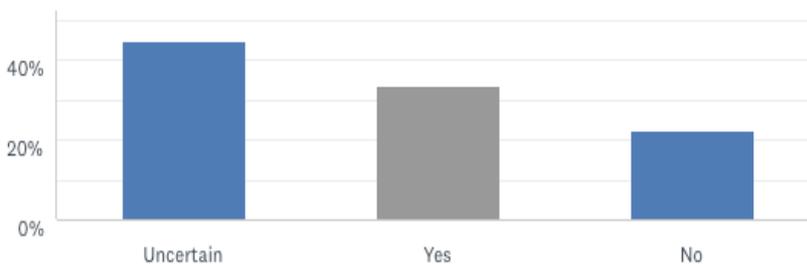
The superannuation guarantee has been frozen at 9.5% of wages since 2014, but is legislated to rise to 10% in 2021 before increasing to 12% by mid-2025. Do you support lifting the compulsory superannuation contribution rate to 12%?



Despite stagnant productivity, can business afford to fund the increase on behalf of employees?



Will competing political parties find bipartisan support on the superannuation guarantee before legislated change begins?



HIRING INTENTIONS

Employment prospects are looking up in our industry. A third (32%) of wealth management organisations recently surveyed said they expected to hire more employees in 2020.

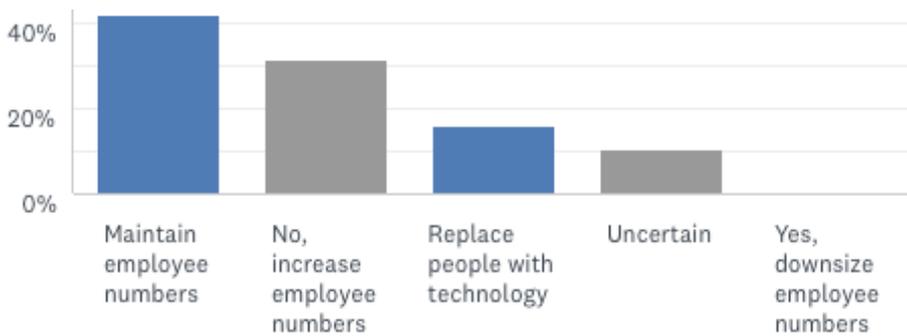
The majority of organisations in the wealth management industry, two out of five (42%) expect to maintain staff numbers at current levels.

Interestingly, no organisations said they planned to downsize. Though 16% said they expected to replace some roles with technology.

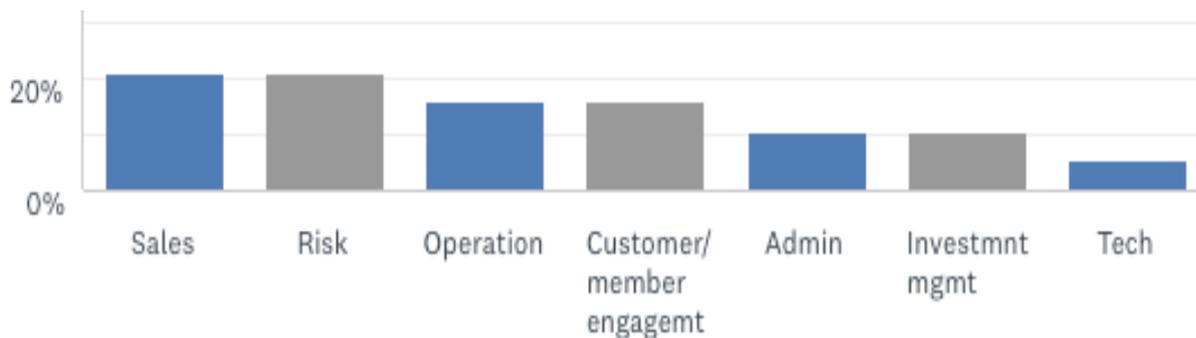
The roles expected to be in most in demand in 2020 are sales and risk & compliance roles. This was followed by customer / member engagement and operational roles. Risk and compliance roles have been among the most in-demand roles for several years now, with several organisations reporting they are having difficulty recruiting proven people.

When hiring for these roles, cultural fit was considered the most important criteria by C-suite leaders, followed by proven experience and technical skills. Interestingly, there were no responses for qualifications or remuneration.

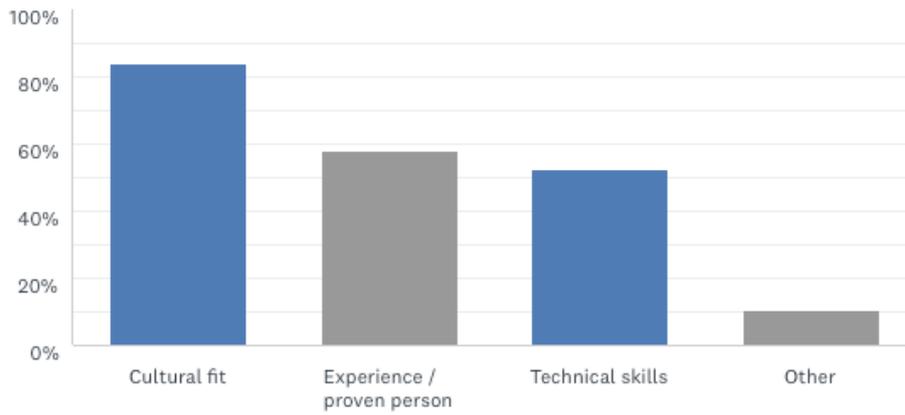
Will industry issues affect your headcount next year?



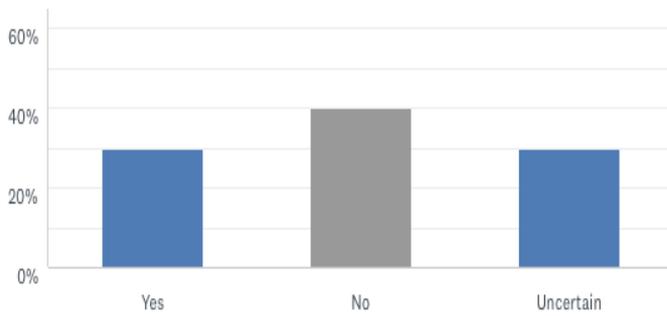
Roles expected to be in most demand in 2020



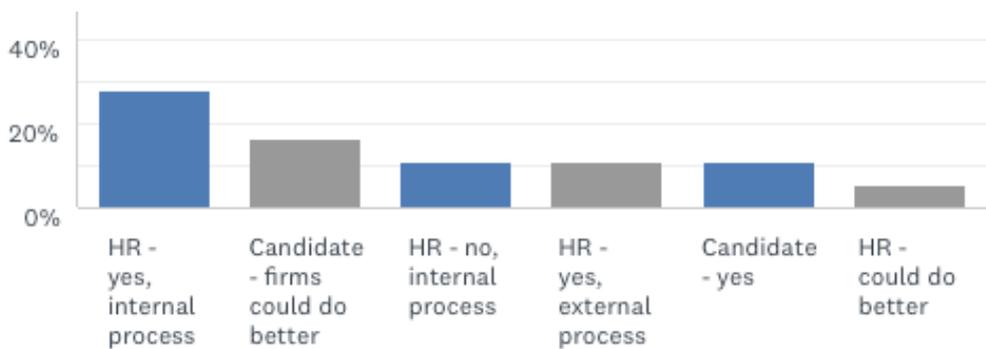
Key factors when hiring (top three choices)



Do you expect technology to transform the recruiting process over the next few years?



Are you happy with your recruitment process?



THE GREATEST ORGANISATIONAL RISK

Interviews with individual leaders identified another major risk for wealth management organisations in 2020 – that of hiring the ‘wrong’ people.

We all know how hiring the ‘wrong’ person to an organisation, a team, or even a supplier can change things for the worse – costing time, money and even clients.

You wouldn’t invest in a fund on first impressions. Yet this is what most organisations do when it comes to candidates, with most selected on subjective first impressions. Research also reveals that many candidates are selected on ‘gut feel’, despite the fact that this is correct only one in seven times.

Similarly, traditional job interviews alone have been found to be poor predictors of actual job performance, according to LinkedIn research. Interviewees give rehearsed answers and interviewers pick candidate they like, rather than those with demonstrated proven performance. You wouldn’t do this with your investments. You would check the past performance of funds and their managers to determine their track record. You should do the same when employing key people.

LinkedIn research also identifies that almost two-thirds of HR respondents said these traditional interviews failed at assessing candidates’ soft skills. Yet it is these soft skills that organisations are increasingly looking at assessing. All organisations want to ensure they are employing people with the values of honesty and integrity they require in order to match customer and community expectations as highlighted in the Banking and Financial Services Royal Commission.

TRANSFORMING ENGAGEMENT

Transformation is also needed for improving employee engagement. Consider how the dreaded employee annual review and feedback process has been found to not only be an outdated HR process, but also destructive to improving organisational culture!

Research in the *Harvard Business Review* found that feedback reviews often have no, or may even have a negative, impact on peoples’ performance. This is because the feedback employees receive is often too vague – and fails to highlight what our people can improve on as well as how to improve.

The research found employees received more effective input when they were asked for advice on how they could improve their own performance and what tools and training they required. Compared with those asked to provide feedback, those asked to provide ‘advice’ suggested 34% more areas of improvement and 56% more ways to improve. Smarter organisations also asked how they could improve their own processes.

Accordingly, as our survey found, increased technology is not expected to result in improved technology. Consider how Amazon ventured into trialling technology applications and artificial intelligence to help with recruiting, it would analyse candidates much as it does shoppers, but found it was not as effective as prior practices and has since been scrapped as a project.

The recruitment process needs to transform in order to better consider candidates’ past performance – not just in their own words, but also from past and present colleagues. This requires engaging with people who have seasoned expertise in knowing our industry’s people and their track records.



Conclusion

After a year of turmoil, 2020 is looking brighter for Australia's wealth management industry with more respondents to this year's annual survey more optimistic about the future than at any time in the past five years. Our industry leaders reported they see improved - or at least stable - business conditions, leading to the opportunity for innovation and growth, both in terms of assets and business. This optimism is despite the freeze in the increase of the superannuation guarantee levy. Most respondents support the lifting of the levy though many believe it should be delayed further.

About this report

This year's annual industry outlook comprises responses from C-suite leaders of asset owners and managers in Australia and New Zealand, including superannuation funds, investment managers, financial planning groups and associated financial services organisations. It incorporates online anonymous responses coupled with more in-depth interviews with individual leaders. It was undertaken in November 2019.

For further information

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