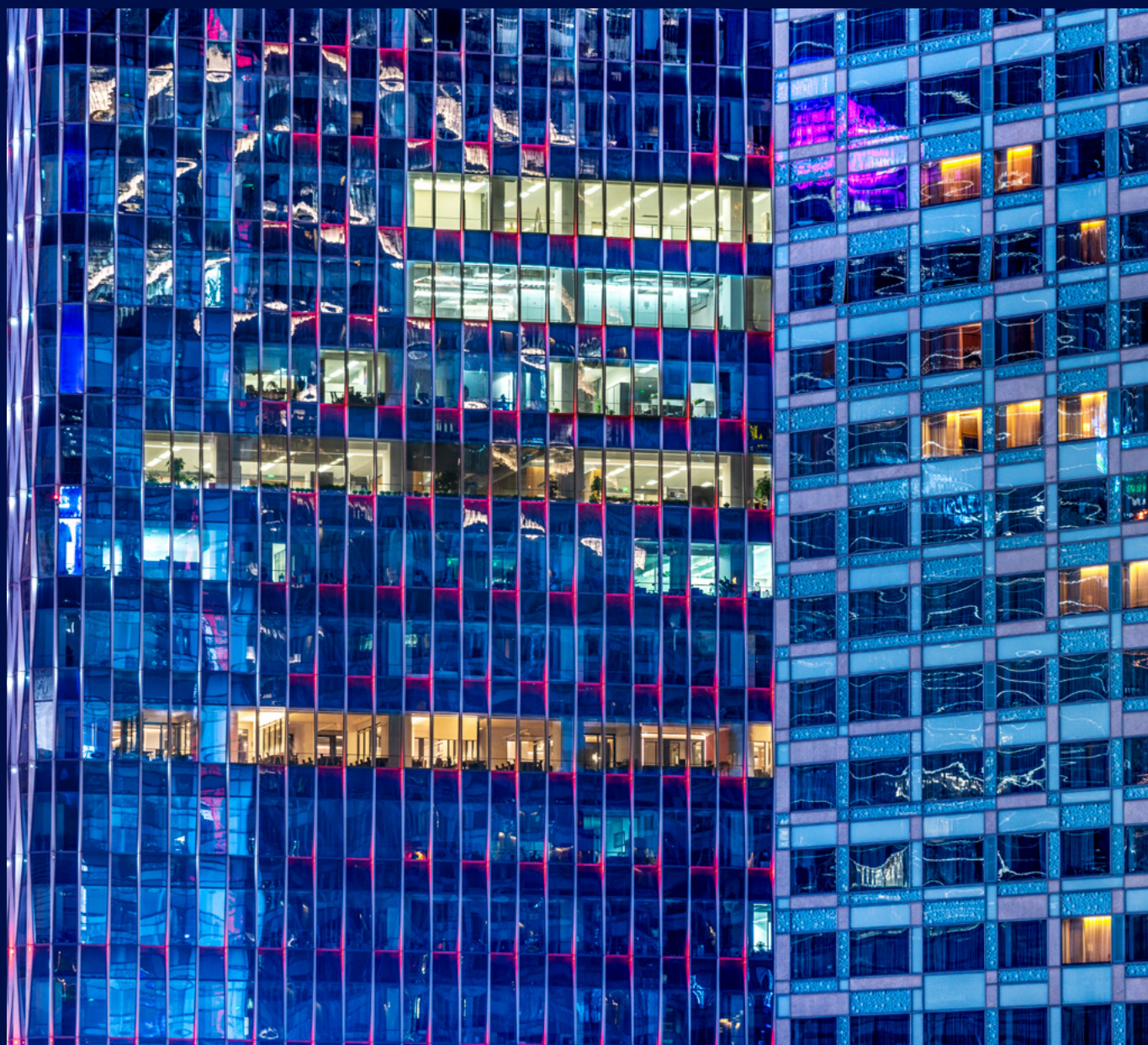


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Reshaping Wealth Management



What a structurally different world demands of financial advisers

The investment environment that advisers built their playbooks around no longer behaves as it once did. We believe the change is structural, not cyclical.

For much of the past two decades, a familiar set of market assumptions held. Asset classes often moved in predictable ways, inflation remained largely contained, and capital flowed freely across borders. In the post-Cold War era, global markets were anchored by unencumbered trade, broadly coordinated monetary policy, relatively stable currencies, and a shared belief in the benefits of globalisation.

Those foundations appear to be shifting.

At the same time, demographic change is accelerating, with more Australians and New Zealanders moving into retirement, while many financial advice principals begin to consider their own succession horizons.

“We are operating in a very different investment environment to where we were over the last 10, 20 or 30 years.”

Luke Fitzgerald | Head of Wealth Management, Mercer

Together, these investment, demographic and industry shifts point to a new operating environment. Portfolio construction requires deeper scrutiny. Retirement income strategy demands clearer accountability for outcomes. And advice businesses must plan intentionally for continuity.

For advisers guiding clients through 2026 and beyond, this raises fundamental questions about how to build resilient portfolios, manage risk through persistent volatility, deliver sustainable retirement outcomes as well as ensuring their advice businesses endure.

Key questions for advisers

- 1 Is your volatility playbook built for the current environment?
- 2 Do you fully understand the risks embedded in your private market allocations?
- 3 What role do hedge funds play in providing diversification?
- 4 How diversified is your private debt exposure?
- 5 Who is accountable for delivering retirement outcomes?
- 6 Is your advice business positioned for succession and continuity?

1 | Is your volatility playbook built for the current environment?

Market volatility is not new. What's different is its persistence — and the way it now shows up across asset classes.

Traditional diversification dynamics seem to be changing, which may affect how markets behave.

“Recent events suggest that we can’t just assume peaceful trade flows and globalisation will endure.”

Rebecca Jacques | Head of Wealth Management
Investment Solutions, Mercer

Sometimes volatility is little more than noise. But even when fundamentals remain intact, volatility still affects portfolios — and client confidence.

“That volatility still impacts outcomes and the client experience,” Rebecca explains. “Advisers need to manage expectations around how portfolios may behave.”

Recent concentration of equity returns illustrates the risk of reacting too quickly. After a period dominated by a small group of large technology stocks, shifting from active managers to passive strategies may appear logical. But doing so can leave portfolios exposed to a narrow segment of the market just as conditions begin to change.

In more volatile market environments, returns are often dispersed across sectors and regions. Broader diversification, including alternatives and commodities, can improve portfolio resilience. As advisers explore private markets and hedge fund strategies in search of more durable diversification, complexity increases. That complexity needs to be actively managed, not avoided.

Deliberate portfolio construction, rather than constant repositioning, is increasingly critical.

Questions to consider

1. Are our portfolios still built on assumptions of negative stock-bond correlation?
2. Have we become unintentionally concentrated in a single equity theme?
3. Where does active management have room to differentiate in higher volatility regimes?

2 | Do you fully understand the risks embedded in your private market allocations?

Private market investments are no longer the preserve of large institutions. New solutions now provide advisers with more access to assets such as private credit, infrastructure and private equity.

That expansion may create opportunities for financial advisers and their clients - but access alone does not create resilience. Structure matters just as much. Some private market products allow periodic withdrawals, but the underlying assets may be long term in nature. For example, loans, property developments or infrastructure projects cannot be sold quickly without affecting value.

Rebecca cautions:

“You only find out how liquid something really is when everyone wants their money back at the same time.”

In stressed conditions, funds may delay or limit withdrawals. For advisers, managing client expectations around notice periods, liquidity terms, and stress scenarios is essential.





As highlighted in [Mercer's Investment considerations for financial intermediaries 2026](#), operational due diligence (ODD) plays a central role in protecting clients. ODD goes beyond performance and investment strategy to examine fund structures, legal documentation, capital terms and governance.

"ODD is insurance you only notice when it isn't done properly" Rebecca explains. "It helps you look under the hood — it can help identify structure, legal and governance issues early, which may help advisers assess downside risk more effectively." Manager selection also matters. Concentrating similar strategies across multiple managers can create embedded risks that are not always obvious.

"You don't want multiple strategies that behave the same way," Rebecca says. "That can expose clients to risks you may not realise are there."

Questions to consider

1. Do we understand how and when clients can access their capital?
2. What happens if many investors request withdrawals at the same time?
3. Is operational oversight clearly independent of investment decision-making?
4. Are we diversified across sectors and regions — or concentrated beneath the surface?

3 | What role do hedge funds play in providing diversification?



Hedge funds have been part of the investment landscape for decades, but their role may need reframing in today's environment.

Interest in hedge funds often increases when shares and bonds move together – when traditional diversification falls short. Certain hedge strategies seek to generate returns from different drivers, such as shifts in interest rates, currency moves or commodity trends. That can introduce new sources of return, but their role depends on how they are funded within the portfolio.

“Where people sometimes get it wrong is not being clear about what they’re funding hedge strategies from,” Rebecca explains. “They don’t decide whether it’s defensive or growth capital.”

If funded from defensive allocations, expectations should focus on capital preservation and risk control. If funded from growth allocations, strategies need to reflect that role and may include some equity market beta.

Hedge funds are not a silver bullet. They should not be expected to deliver strong downside protection and high growth simultaneously. When diversification is the objective, understanding downside risk management, return drivers and fee structures is central to effective due diligence.

Questions to consider

1. From which allocation will alternatives be funded – growth or defensive?
2. Are fees aligned with the volatility and expertise required?
3. Do these strategies genuinely diversify our core exposures?

4 | How broad is your private debt exposure?

In Australia and New Zealand, private debt is often closely associated with property-backed lending. While this remains an important segment, it represents only part of the global opportunity set.

“You don’t want all your eggs in one basket,” says Rebecca. “Simply labelling an allocation ‘global private debt’ doesn’t guarantee diversification.”

Globally, private debt spans sectors such as energy, technology, healthcare and infrastructure, offering exposure to different economic drivers across regions. These sectors can respond differently to inflation, policy shifts and geopolitical change.

In a slower-growth, higher-interest rate environment, private debt can move portfolios beyond government bond exposure and into the operating economy. That means lending into businesses and sectors where cash flows are driven by real economic activity rather than sovereign debt markets.

Accessing those opportunities requires both reach and skill. This is where advisers increasingly benefit from working with partners who have global capabilities and the expertise to assess managers and underlying exposures across industries, countries and regulatory environments.

As clients approach retirement, these details matter more. Broader global exposure can support more resilient income outcomes and reduce reliance on familiar but concentrated risks.



Questions to consider

1. What sectors and industries sit beneath our private debt allocation?
2. Are we diversified across geographies with different economic drivers?
3. Do we understand the underlying businesses and industries our capital is lending to?

5 | Who is accountable for delivering retirement outcomes?

For Australia:

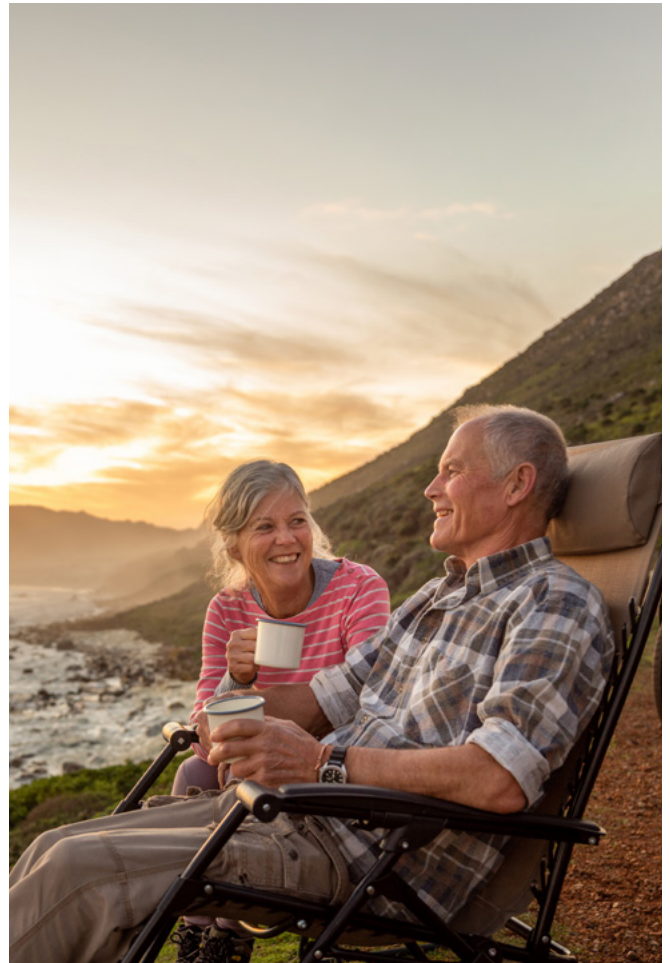
Australia's superannuation system has built substantial balances since its introduction in 1992. But converting those balances into reliable retirement income remains a significant challenge.

Regulatory reform is pushing the system towards outcomes. The [Retirement Income Covenant](#) reframed the objective of superannuation from product provision to outcomes – maximising income, managing risks and providing flexible access to capital.

“Super is now a \$4 trillion industry, so you can expect the bar to keep rising and regulatory oversight to ensure this is a robust system.”

Richard Boyfield | Head of Consulting, Investments and Retirement, Mercer

Policy makers view the system holistically, with the aim of delivering a dignified retirement for members. Regulators help deliver that outcome by enforcing the legislative and regulatory framework that governs trustees, platforms and advisers.



Trustees set strategy and provide retirement solutions. Advisers assess suitability and tailor solutions for individual clients. Platforms and fund providers shape menus and access.

Responsibility is shared – but accountability is not always clear, particularly as trustees adjust menus or close funds beyond advisers' control.

Recent Financial Services Council best-practice Standards for platforms, coming into effect in 2027, are intended to lift governance expectations. Wrap superannuation platform trustees are expected to face enhanced expectations regarding investment oversight, adviser monitoring, and protections for unadvised members.

In this environment, Richard suggests advisers ask:

“What is my role in the system going to look like in three to five years – and where can I add the most value?”

Adding value may increasingly involve building a stronger ecosystem around the advice proposition – and being deliberate about who sits within it. Identifying key partners enables advisers to deliver clearer, whole-of-retirement outcomes for clients. This includes working with platforms and non-platform funds that provide clear reporting and retirement tools, as well as specialists who understand the unique challenges of retirement, including sequencing risk and longevity.

Advisers are well positioned to see the broader picture - including superannuation, the Age Pension, homeownership, savings, healthcare and aged care needs – while working within defined regulatory boundaries.

As Australia's superannuation system continues its shift from accumulation to income, retirement capability becomes central to the advice proposition – and the sustainability of advice businesses. With more than 150,000 Australians retiring every year, advisers who can connect investment strategy and retirement income design will be best positioned for long-term success.



For New Zealand:

New Zealanders are eligible for a standard pension, New Zealand Superannuation (NZ Super), which is paid fortnightly for life and is not currently means-tested. Since 2007, KiwiSaver has been available to supplement NZ Super, with mandatory employer contributions currently set at 3% of gross salary.

While contribution rates are gradually increasing, they remain well below Australian levels. Combined with the relatively short time since the scheme's inception, this means KiwiSaver balances are often insufficient to fully (or even primarily) fund retirement incomes.

The Retirement Commission is responsible for raising public understanding and advising the Government on policies that improve retirement outcomes for New Zealanders. As in Australia, regulators take a system-wide view.

Trustees monitor and report on retirement solutions, while advisers assess suitability and manage sequencing risk. Trustees often see only one component of a retiree's income. Advisers see the broader picture, including NZ Super, KiwiSaver, other investments, and, in some cases, company pension schemes – and play a central role in shaping retirement outcomes.

As more clients move into retirement, the strength of an adviser's income strategy will increasingly influence both client outcomes and the sustainability of advice businesses.

Questions to consider

1. What will your role look like in three to five years – are we building towards that now?
2. Do we have the right technology and specialist partners to support holistic retirement outcomes?
3. Are we confident our platform and non-platform partners are positioned on the right side of regulatory change?



6 | Is your advice business positioned for succession and continuity?

Demographics are reshaping both client bases and advice businesses. An ageing adviser cohort, tighter education standards and evolving service models are accelerating ownership transitions across the industry. Succession is no longer a distant consideration.

Luke Fitzgerald says:

“Succession isn’t something you can just decide to do six months out, give it five years.”

A structured, gradual client handover over several years may help protect value and continuity. It builds client confidence, supports staff retention, and reduces disruption. Funding pathways are also broader than in the past.

“There’s room in this market for several models for succession, be that debt or equity,” says Luke.

One pathway is internal succession, where junior advisers earn equity over time by building client relationships – gradually diluting the principal’s stake. Other practices might pursue mergers or acquisitions, funded through debt or external equity. The right approach depends on objectives, time horizon and appetite for involvement post-transaction.

Succession planning also prompts a reassessment of growth strategy. As clients age, attracting younger accumulators becomes critical.



“Are you winning younger clients? Are you positioned to serve emerging wealth clients who may not be profitable today but will be over time?” Luke asks.

Buyers often consider more than profit alone. Client demographics, asset size, costs and operational efficiency all influence value.

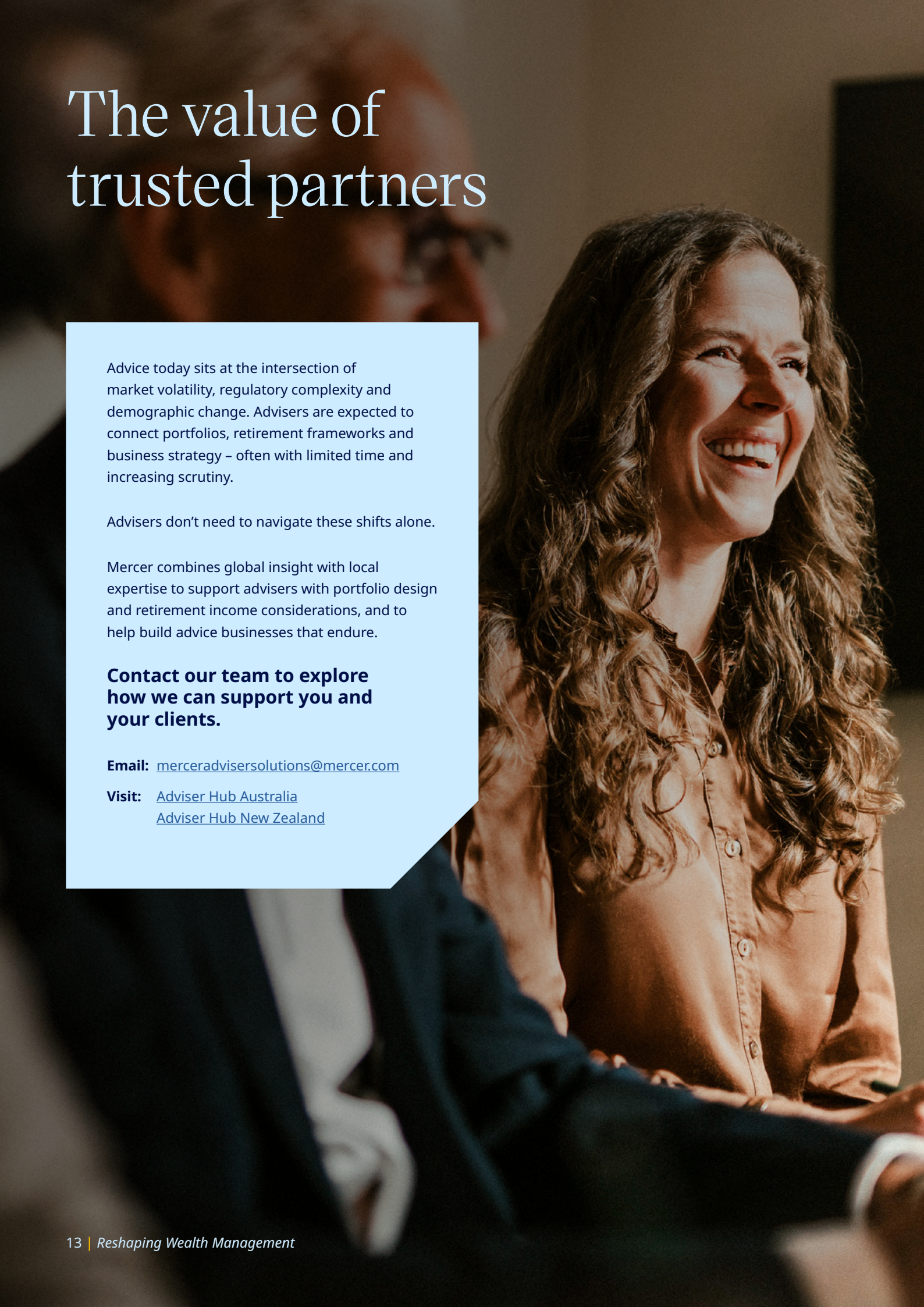
Succession is more than an exit strategy. It is a discipline that sharpens positioning, improves efficiency and strengthens long-term resilience – for both clients and the business itself.

Questions to consider

1. Do we have a five-year succession roadmap for the practice?
2. Is our client transition plan gradual and documented?
3. Are our systems strong enough to support scale and saleability?



The value of trusted partners



Advice today sits at the intersection of market volatility, regulatory complexity and demographic change. Advisers are expected to connect portfolios, retirement frameworks and business strategy – often with limited time and increasing scrutiny.

Advisers don't need to navigate these shifts alone.

Mercer combines global insight with local expertise to support advisers with portfolio design and retirement income considerations, and to help build advice businesses that endure.

Contact our team to explore how we can support you and your clients.

Email: merceraadvisersolutions@mercer.com

Visit: [Adviser Hub Australia](#)
[Adviser Hub New Zealand](#)

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