CFA Societies Australia

PRESS RELEASE

Survey Reveals Trust in Financial Services Jumps

Australian Investors Less Trusting of Advisers Than Global Peers

SYDNEY, MAY 17, 2022 – A new survey reveals that almost one in two Australian retail investors (45%) trust the financial services industry, though Australian investors are overall less trusting of the financial services industry and financial advisers than their global peers.

The data is based on a global survey by the CFA Institute of retail and institutional investors that measured their level of trust in the investment industry. The report***, Enhancing Investors' Trust – the 2022 CFA Institute Investor Trust Study***, also reveals that globally, trust in financial services has reached an all-time high. The proportion of institutional investors globally with high or very high trust in financial services has risen to 86%, up from 65% in 2020. Among retail investors, trust levels jumped to 60% from 46% in 2020. Trust levels jumped the most in the US, Singapore and Australia.

The report identifies five factors which have driven trust higher: the strong share market performance; fee compression on investment products; the greater level of technology-enabled transparency on investment products; greater investor access to investment markets; and new personalised investment products such as those with a focus on environmental, social, and governance (ESG) factors.

"The highs we're now seeing in investor trust are a cause for optimism, helped on by strong share markets and falling fees, but the challenge is sustaining trust moving ahead given greater levels of share market volatility.

"In Australia too, trust has jumped significantly since 2020 when just one in four investors trusted the financial services industry, with the Hayne Royal Commission eroding confidence in the asset management industry given the significant amount of negative news coverage at the time," said Lisa Carroll, CEO of CFA Societies Australia.

"Looking ahead, as interest rates rise this year and returns fall on asset classes such as equities and property compared to previous years, investment product providers and financial advisors may be more challenged maintaining trust levels with their clients. Technology, the alignment of values, and personal connections with investors can, however, help," Carroll said.

The survey reveals Australian retail investors with a financial advisor are more trusting of the financial services industry; more than one in two people with an adviser (58%) trust the financial services industry, compared to less than half of those (39%) without an adviser. That compares to more than two-thirds of investors globally with an adviser (69%) who trust the financial services industry.

Retail investors also believe that having a financial adviser adds value. Among those with a financial adviser, 85% agreed that there is fair opportunity to profit by investing in capital markets (an increase from 81% in 2020), compared to 72% of those without an adviser (an increase from 57% in 2020). Of Australian retail investors, 86% agreed that there is a fair opportunity to profit.

However, retail investors in Australia are less trusting of financial advisers than their global peers. While 42% said they trust financial advisers, that jumps to 56% of all retail investors globally.

Most investors followed the advice of their adviser during the March 2020 downturn. Among those who were advised to significantly or slightly reduce risk/exposure to the market, 88% and 77% reduced risk, respectively. Among those who were advised to significantly or slightly increase risk/exposure to the market, 75% and 64% did increase risk as advised. However, 21% and 24% reduced risk, respectively. "Overall, having a trusted adviser to inform client decisions in stressed market conditions helped investors stick to their long-term investment plans," Carroll said.

The main reasons that Australian retail investors leave an adviser are underperformance (51%), followed by a lack of responsiveness (37%), inadequate data security (35%) and fees that are too high (35%).

Trust level in the financial industry among retail investors:

Market	2022	2020
Canada	59%	51%
US	64%	43%
UK	51%	33%
Singapore	62%	36%
Australia	45%	24%
Japan	45%	27%

Younger investors, particularly millennials, are leading the way in their use of technology. This investor cohort has relatively high trust in robo-advice, digital apps, and desire to invest in new investment opportunities. More than 70% of millennials prefer technology platforms and tools over having a human being to help navigate their investment strategy, compared with just 30% of those aged 65 or older, the survey found.

Advice is still the domain of humans, with 81% of Australian retail investors more likely to trust human advice versus robo-led advice. China is the only market where fewer than half of retail investors (34%) prefer a human adviser.

The CFA Societies Australia is running a free webinar on the investor trust survey on 18 May. Rebecca Fender, Head of Strategy and Governance for Research, Advocacy, and Standards at CFA Institute is presenting the results. Details and free registration can be found here.

Other key findings from the survey:

1. The survey reveals that most retail investors with financial advisers (58%) consider themselves early adopters when it comes to new investment products compared to around a third of retail investors (37%) without an adviser.

2. In terms of generational differences, the under-35s are nearly twice as likely as the over 65s to have a retail trading account (68% versus 37%, respectively), and are nearly three times more likely to trust digital nudges or technologies (92% versus 33% respectively). Overall, 71% of retail investors say that retail trading apps have increased their understanding of investing, and most say these apps have increased their frequency of trading (57%).

3. Most institutional investors (87%, up from 66%) and most retail investors (50%, up from 48%) say technology increases their trust in their asset manager or adviser – due to more transparency, simplified access to markets and products, and personalisation.

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5. Retail investors across all markets are either interested in or already using ESG investing strategies (77%). Climate change, clean energy, air and water pollution are the top concerns for retail investors, while data protection, sustainable supply chain management, and climate change are the top concerns for institutions.

6. Among institutional investors, best-in-class screening (cited by 57%) has overtaken engagement and active ownership as the most popular approach to ESG investing, and institutional investors show high levels of trust in ESG messaging and net-zero pledges (87% trust such messaging). In contrast, less than half (46%) of retail investors trust these pledges, illustrating some concerns over potential greenwashing.

7. Fewer than a quarter of retail investors in Australia and Canada (23% and 18%, respectively) say it is important to have an adviser who shares their values. This sentiment is highest in China, where 74% believe shared values are important.

Methodology
On behalf of CFA Institute, Coalition Greenwich conducted an online survey of 3,588 retail investors and 976 institutional investors in October and November 2021. Markets included were Australia, Brazil, Canada, China, France, Germany, Hong Kong SAR, India, Japan, Mexico, Singapore, South Africa, United Arab Emirates, UK and the US. Retail investors surveyed were 25 years or older, with investible assets of at least US$100,000, except in

India. Institutional investors included those with responsibility for investment decisions at organisations with assets under management of at least US$50 million, including public and private pension funds, endowments and foundations, insurance companies, and sovereign wealth funds. To view the full survey and results and including market-by-market data, visit: CFA Institute: Earning Investors' Trust.

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