CFA Institute Survey: Trust in Investment Management More Valuable Than Ever

Investors, institutions and the advisers that act on their behalf are having to adapt, but those with a trusted relationship are much better equipped to navigate market disruption

Investors are looking for more information, innovation, and influence in their interactions with the investment management industry

The two significant components of trust that investment firms and advisers should build are credibility and professionalism

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CFA Institute, the global association of investment management professionals, released the fourth edition of its trust survey, *Earning Investors' Trust: How the Desire for Information, Innovation, and Influence is Shaping Client Relationships.*

The survey measured the opinions of both retail and institutional investors in 15 markets globally. In this report, CFA Institute analyzes the dimensions of trust at the system, industry and firm level and finds that investors seek more information, innovation, and influence in their interactions with the investment management industry.

The two significant components of trust are credibility and professionalism, and the study supplies eight action steps organizations and professionals can take to build trust. These can be used as tools for businesses and improve outcomes for investors.

"This time of heightened market volatility sets up a very different path for those who will succeed in meeting their investment goals and those who will not. Fear and panic can obscure sound investment decision-making," said Margaret Franklin, CFA, President, and CEO of CFA Institute. "In this climate, the need for trust in institutions and in the advisers who act on behalf of investors, as well as the financial system in which they operate, becomes starkly apparent."

Topline findings:

- The financial services industry ranks in the middle tier of trust among the surveyed industries, and retail investors trust medicine more than any other industry.
- Half of retail investors value access to technology over access to humans for investment management; this is up markedly from 38% in 2016 and 48% in 2018.
- However, advice is still the domain of humans, with 73% saying they trust recommendations from a human adviser more than a robo-adviser.
- Most retail investors (75%) believe their financial adviser is legally required to act in the client's interest above their own, but only 35% say their adviser always puts their interests first. Among institutional investors, only 25% think their investment firms put client interests first.
- Brand is increasingly used as a signal of trust, and among younger investors 75% say they would rather work with a firm with "a brand I can trust" than one with "people I can count on."

- Trust is the number one factor for retail investors when hiring an adviser, and for institutional investors trust and performance are the most valued when hiring an asset manager.
- Only 57% of retail investors without an adviser say they have a fair opportunity to profit from investing in capital markets, but this percentage increases to 81% for those with an adviser.

"Trust in the investment management industry during this time is more valuable than ever," said Rebecca Fender, CFA, Senior Director, Future of Finance Research at CFA Institute. "What does it take for someone to put their capital at risk and trust their funds to someone else to manage? Investment professionals who understand and navigate the layers of investor trust will be better equipped to serve their clients and demonstrate how the investment industry can better serve society."

Key Survey Findings

Trust is a multi-layered concept: it is dependent on information (the basis for decisions), innovation (the ability to meet investors' needs), and influence (the extent to which investors can exert control).

Information

- Retail investors with a financial adviser are more than twice as likely to trust investment management firms as those without an adviser.
- 83% of retail investors and 75% of institutional investors agree that one of the most important factors in creating a trusted relationship is fully disclosing fees and other costs.
- Despite more tools that support better communications and transparency, investor perceptions of transparency have decreased since 2018.

Innovation

- Two-thirds of investors say they trust their investment firm more because of increased use of technology.
- Two-thirds of retail investors with an adviser say they are likely to be early adopters of new investment products, compared with just one third of those without an adviser.
- 71% of institutional investors are eager to invest in funds that employ artificial intelligence, and among early adopters nearly half (48%) say they would be more interested in investing in a new product created by a big tech firm such as Amazon, Google, or Alibaba versus a financial institution.

Influence

- The ability to invest in line with one's values is also of interest, with 76% of institutional and 69% of retail investors having an interest in ESG investing. Two-thirds of institutional investors think the growth of ESG investing has increased trust in the financial services industry.
- Although 73% of investors believe the fees they pay are fair, high fees are one of the top reasons investors give for leaving an investment firm.
- There is significant interest in more customized products, and nearly half of all retail investors—especially younger investors—would pay more for them.

Regional Findings:

Of the 15 markets surveyed, retail respondents in India reported the highest levels of trust in the financial services industry at 87%, while Australia ranked last among the 15 markets, with only 24% of respondents saying they trust the industry. Trust increased most in Hong Kong SAR, India, the UAE, and Brazil, and trust decreased most in Singapore and Australia.

To review the complete report and survey results, including market-by-market data, visit trust.cfainstitute.org

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About the Research

On behalf of CFA Institute, Greenwich Associates conducted an online survey of 3,525 retail investors and 921 institutional investors in October and November 2019. Markets included were Australia, Brazil, Canada, Mainland China, France, Germany, India, Japan, Mexico, Singapore, South Africa, UAE, UK, US, and Hong Kong SAR. Retail investors were 25 years or older with investible assets of at least US$100,000, except in India, where the minimum was adjusted to 500,000 rupees. Institutional investors included individuals responsible for investment decisions with at least US$50 million assets under management, from public and private pension funds, endowments and foundations, insurance companies, and sovereign wealth funds. The margin of error for total retail investors is +/-1.8% and for total institutional investors is +/-2.0% at a 95% confidence level. View the survey and related data available at trust.cfainstitute.org

CFA Institute
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