

Survey Reveals Trust in Financial Services Falls

Most Australian Investors Believe in the Opportunity to Profit from Markets

SYDNEY, JUNE 30, 2020 – A new survey reveals that just one in four Australian retail investors (24%) trust the financial services industry, down from 31% in 2018, and compared to 47% globally, raising the importance of strengthening enforcement of the best interest duty, according to CFA Societies Australia.

The new data is based on a survey by the CFA Institute of retail and institutional investors in 15 markets globally that measured their level of trust in the investment industry. Their report, [*“Earning Investors’ Trust: How the Desire for Information, Innovation, and Influence is Shaping Client Relationships.”*](#) also reveals that just 37% of Australian retail investors believe their financial advisers always put their interests first, down from 44% in 2018.

Yet Australian investors clearly agree that having a financial adviser can add value. Whereas just 57% of retail investors without an adviser said they have a fair opportunity to profit by investing in capital markets, this jumped to 81% for those investors using an adviser.

“Although there is a lack of trust in the system, most Australian retail investors still believe they have a fair opportunity to profit by investing in the capital markets,” said Lisa Carroll, CEO of CFA Societies Australia. The organisation has developed [policy recommendations](#) to and continues to advocate for higher standards to improve levels of trust in the financial services industry.

“CFA Societies Australia continues to promote the importance of access to quality financial advice, particularly in times of market turbulence. We advocate for and support the continuing professionalisation of the industry, including a clear best interest duty and independence of advice,” said Carroll.

The survey found that, despite the negative news coverage surrounding the financial services industry during the 2019 Hayne Royal Commission, 66% of Australian investors do not plan to make any changes to the way they obtain advice in response to the commission’s findings. Many Australian retail investors, or 40% of those surveyed, believe the commission will lead to improved professional standards in the industry.

Trust level in the financial industry among retail investors:

Market	2020
Canada	51%
US	43%
UK	33%
Singapore	36%
Japan	27%
Australia	24%

According to Carroll, financial advisers can make a crucial difference to whether investors will succeed in meeting their investment goals. “With interest rates at low or negative levels in many places in the world, finding new opportunities to invest will be important to investors meeting their financial objectives, and those with an adviser are better equipped to consider these options,” she said. “Nearly two-thirds of retail investors with an adviser are interested in accessing new investment products, compared with only about one-third of retail investors without an adviser.”

The survey also revealed Australians put less importance on technology when making investments than their global counterparts do, with 62% of investors in Australia (versus 50% of investors globally) preferring to rely on a person rather than a technology platform to navigate investments. Reflecting that, 81% of investors in Australia would trust human advice over that of a robo-adviser (compared to 73% globally).

While trust in technology is essential for the growth of artificial intelligence and machine learning platforms, investors are wary about how data is used. The survey found 35% of retail investors would leave their firm over a data or confidentiality breach. More than one-third of retail investors in Australia said they were less willing to hand over their personal information on online platforms than they were three years ago.

Australian investors are, however, more motivated to invest according to personal values than their global counterparts. The survey revealed that 58% of investors would invest in investment products adhering to Environmental, Social, and Governance factors to express their personal values or to make a positive impact, compared to 47% of investors globally.

Key findings from the Australian survey

1. Only 24% of Australian retail investors trust the financial services industry, down from 31% since the last survey in 2018.
2. Investors without an adviser are sceptical of news about the markets, with just 39% saying news about financial markets is trustworthy, versus 61% of those with an adviser.
3. Most retail investors (75%) believe their adviser is legally required to put their interest above their own, but only 37% say their adviser always puts client interests first, compared to 35% globally. Among institutional investors, only 25% think their investment firms put clients first.
4. Performance and fees are important for investors, with 55% of retail investors saying underperformance would be a reason to leave an adviser, while 44% said fees being too high would be another consideration.
5. Perceptions of transparency have fallen over the past two years, with only 40% of institutional investors and 53% of retail investors saying their investment firm is very transparent in how they work overall.
6. Brand is a powerful signal of trust to younger retail investors, with 75% saying globally they would rather work with a firm with “a brand I can trust” than one with “people I can count on”. This compares to 51% of all investors globally. In Australia, on 41% of retail investors put brand above “people I can count on”.
7. Underscoring the need for ongoing education, 63% of institutional investors and 66% of retail investors say they would expect investment professionals acting on their behalf to

be able to better manage their portfolios if they undertook relevant continuous professional development each year.

Methodology

The Trust Survey was conducted with 3,525 retail investors and 921 institutional investors in October and November 2019. The markets surveyed were Australia, Brazil, Canada, Mainland China, France, Germany, India, Japan, Mexico, Singapore, South Africa, UAE, UK, US, and Hong Kong SAR, China. Retail investors were aged 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.

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

About CFA Societies Australia

CFA Societies Australia is part of the worldwide network of CFA Institute member societies that lead the investment profession globally by promoting the highest standards of ethics, education and professional excellence for the ultimate benefit of society. CFA Societies Australia represents the interests of over 3000 investment professionals through advocacy, education, events, and professional development. For more information visit www.cfas.org.au, or follow us on Twitter at @CFASocietiesAus, facebook at facebook.com/CFASocietiesAus or on LinkedIn.

About CFA Institute

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