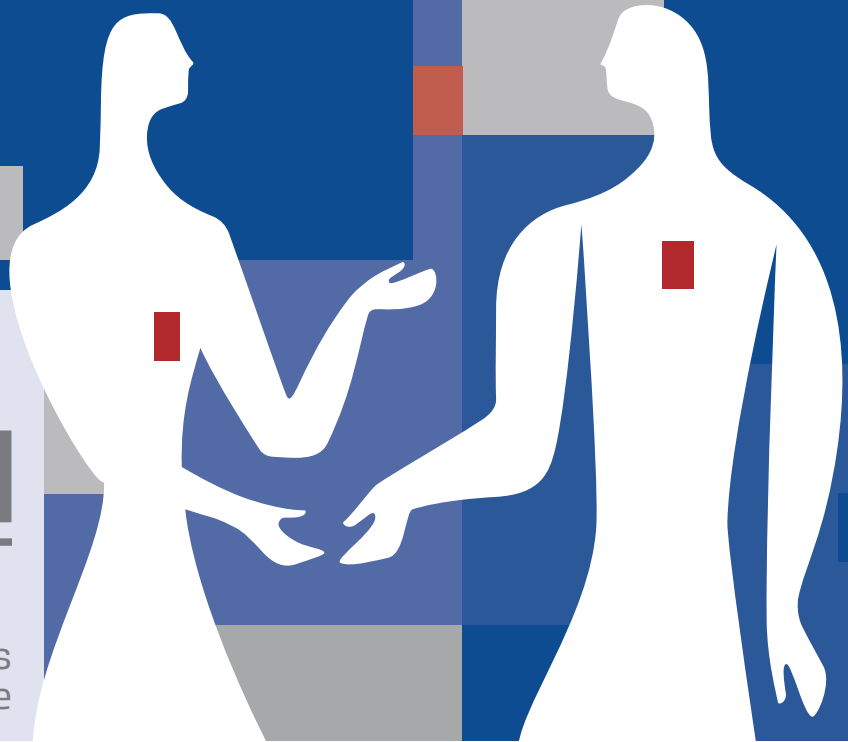


THE NEXT GENERATION OF TRUST

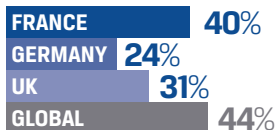
Investor Trust in Financial Services in Europe



Trust is essential in the world of finance, where well-functioning markets are necessary to create value, and in investment services, where experts work to safeguard and grow the financial wealth of their clients. In this, the third CFA Institute investor trust study, we look at the trends in investor trust and provide recommendations for investment practitioners on how to improve trust with clients. We find that the nature of trust is changing because of a new generation of investors and a new generation of investing tools. This report outlines how individual investors in Europe compare to those globally.



In Europe, Trust in Financial Services Remains Low

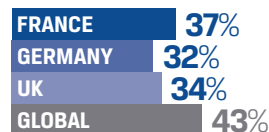


Investors that "completely trust or trust" the financial services sector

Since 2016, investor trust globally has increased slightly, and this is also the case in the UK and France. German investors, however, are less trusting of financial services now versus 2016.

Lower trust levels may also be related to concerns about conflicts of interest and transparency.

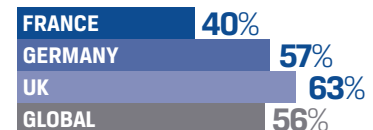
INVESTORS THAT SAY FINANCIAL ADVISERS ARE FORTHRIGHT ABOUT DISCLOSING AND MANAGING CONFLICTS OF INTEREST



Another area of difference was in willingness to recommend their financial adviser. In Germany, **83%** would recommend theirs, versus **69%** in the UK (same as globally) and just **56%** of French investors.

Fee transparency is a particular concern to French investors.

INVESTORS THAT BELIEVE THEIR ADVISER IS TRANSPARENT ABOUT FEES





Investor Goals and the Value of Advice

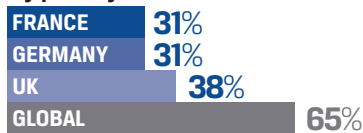
Globally, the most important investor goal is retirement, ranking first for 56% of investors

While investors surveyed in Europe also had retirement as their primary investment goal, this was most evident in the UK, where 71% said retirement is their top goal, versus 40% in Germany and 27% in France.

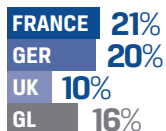
In France and Germany, about a quarter said emergency funds are their priority. Investors in all three markets chose *My primary financial adviser* as their primary source of advice; however, *Friends and family* are important sources of input in France and Germany.

MOST TRUSTED SOURCE OF INVESTMENT ADVICE

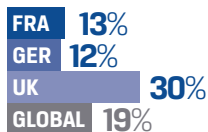
My primary financial adviser



Friends and family

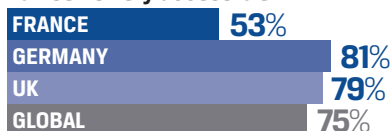


Online research



It is noteworthy that French investors said their adviser is less accessible for questions and concerns than investors in other markets.

Adviser is very accessible



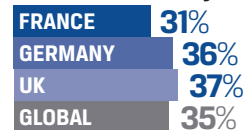
Trust and the Client Life Cycle

Trust continues to be an important factor throughout the client life cycle

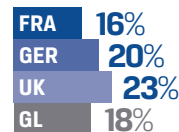
Trust is important for all European investors, though the value of recommendations is higher in the UK and Germany than in France.

MOST IMPORTANT ATTRIBUTE FOR INVESTORS IN EUROPE WHEN HIRING AN INVESTMENT FIRM

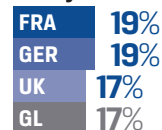
Trusted to act in my best interest



Recommended by someone I trust

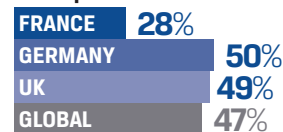


Ability to achieve high returns

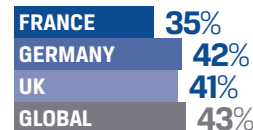


PRIMARY REASONS INVESTORS IN EUROPE LEAVE THEIR INVESTMENT FIRM

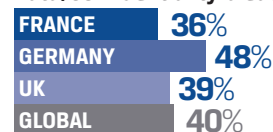
Underperformance



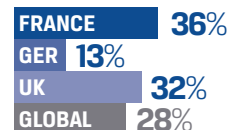
Lack of communication/responsiveness



Data/Confidentiality breach

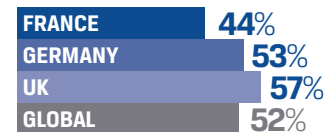


Increase in fees



Technology Increases Trust

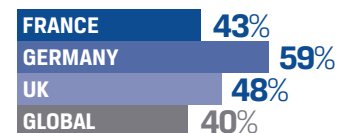
Technology is a game changer for financial services firms, and the best firms differentiate themselves through effective use of technology



Investors that say in three years it will be more important to have a person to help navigate what is best for me than technology tools to execute their own strategy

While working with people is still highly valued in Europe, the trend is for investors to want more technology. The use of technology by investment firms, however, can increase trust in their people, and 50% of investors in France, 44% of investors in Germany, and 28% of investors in the UK agree that increased use of technology has increased their level of trust.

However, European investors are very skeptical about robo-advisers.



of investors that said that they "distrust or completely distrust" the robo-adviser industry. Furthermore, very few investors would take advice from a robo-adviser over a human (just 8% in France, 6% in Germany, 5% in the UK).

THE BUILDING BLOCKS OF TRUST

The CFA Institute Trust Equation outlines the building blocks of trust. Trust is tied to value and together they are a function of credibility and professionalism.



Credibility, which provides confidence that the investment professional or organization is qualified to provide the required service, encompasses experience, reputation, and credentials, and is closely linked to brand. Trust in the industry requires that regulators and the public view it as bringing value to society.

CREDENTIALS



Investors that believe it is important for investment professionals to have credentials from respected industry organizations

TRACK RECORD



Investors that believe it is important that investment professionals generate returns similar to or better than a target benchmark



Investors that believe it is important that fees that reflect the value they get from the relationship

BRAND



Investors that prefer "People I can count on" over a "Brand I can trust"

VOLUNTARY CODE OF CONDUCT



Investors that would trust an adviser more if his or her firm adhered to a voluntary code of conduct

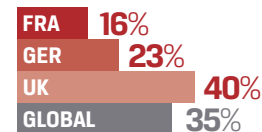
Professionalism is harder to quantify, but includes the trust-building elements of competency and values such as empathy, transparency, honesty, and alignment of interests.

COMPETENCY

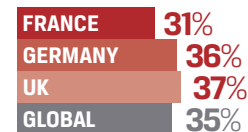


Investors that would be more trusting of investment firms that promote continuing professional development

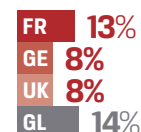
VALUES



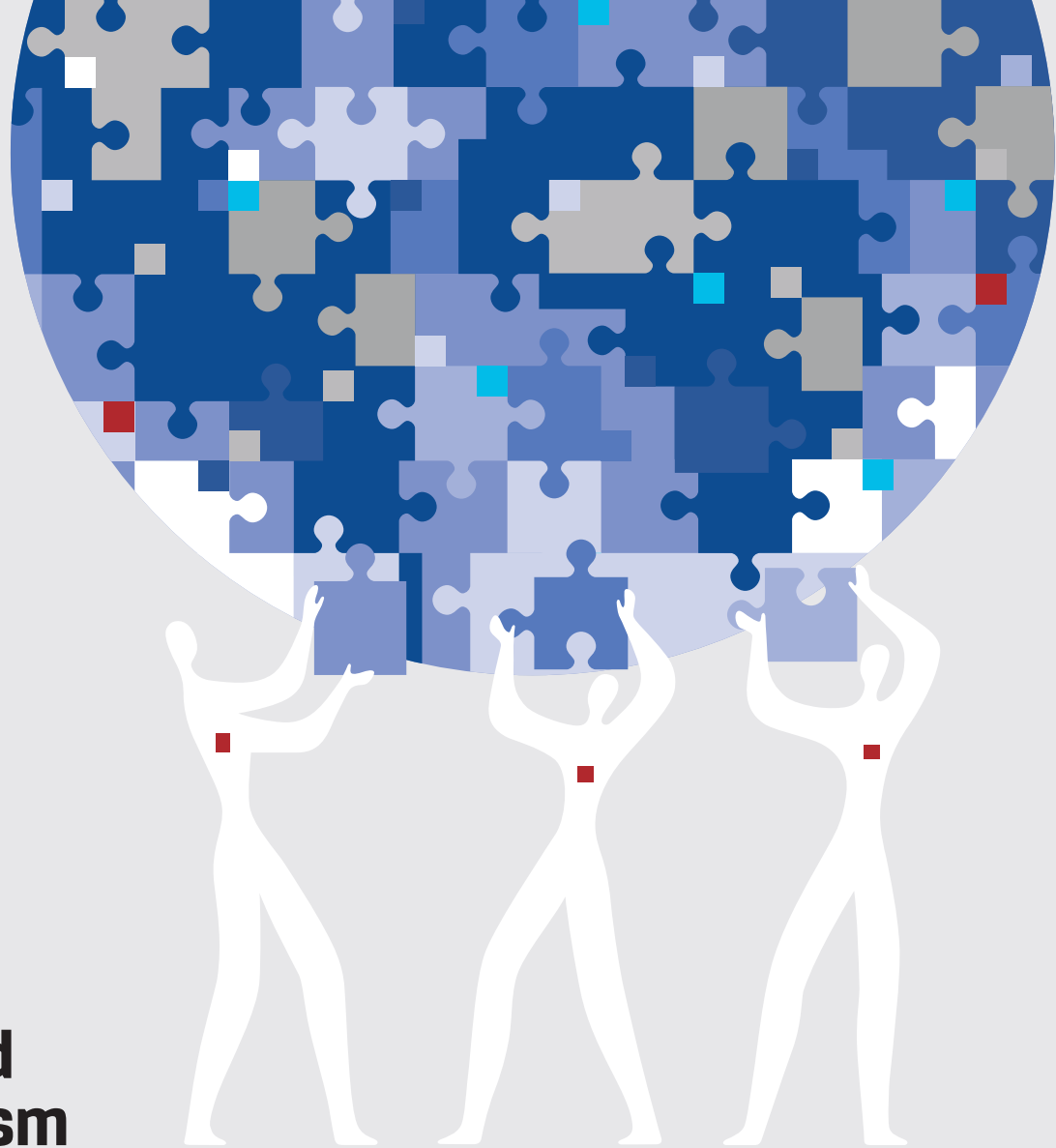
Investors that believe that their adviser always puts its clients' interests first



Investors that say the top attribute in selecting an adviser is someone trusted to act in their best interest



Investors that believe ethical conduct is the most important factor in choosing an adviser



8 Steps to Increasing Credibility and Professionalism

Credibility

- 1 Maintain strong brand identity and follow through on brand promises
- 2 Employ professionals with credentials from respected industry organizations
- 3 Stay focused on building a long-term track record to demonstrate competence and deliver value for money
- 4 Adopt a code of conduct to reinforce your firm's commitment to ethics

Professionalism

- 5 Improve transparency and clarity regarding fees, security, and conflicts of interest
- 6 Use clear language to demonstrate that client concerns come first
- 7 Showcase your ongoing professional development to improve investment knowledge
- 8 Demonstrate your dedication to the values that clients hold dear

To learn more, visit nextgentrust.cfainstitute.org

METHODOLOGY In 2017, CFA Institute and Greenwich Associates conducted a global survey of 3,127 retail investors and 829 institutional investors, including 200 retail investors and 75 institutional investors in France, 250 retail investors and 76 institutional investors in Germany, and 501 retail investors and 50 institutional investors in the UK. The study focused on retail investors who were 25 years or older with investible assets of at least US\$100,000 and institutional investors with at least US\$50 million in assets under management, from public and private pension funds, endowments and foundations, insurance companies, and sovereign wealth funds. This summary only includes views from retail investors.



CFA Institute

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