THE AMERICAN COLLEGE OF FINANCIAL SERVICES

THE AMERICAN COLLEGE O. ALFRED GRANUM CENTER FOR FINANCIAL SECURITY

The 2022 Granum Center for Financial Security Consumer Survey

Why do consumers seek out the assistance of a professional advisor? What type of an advisor are they looking for? How often do they want to see a financial advisor, and do they prefer in-person meetings or are they fine with using Zoom? What value do they expect to receive from an advisor?

In early January, The American College O. Alfred Granum Center for Financial Security in collaboration with faculty from The American College Cary M. Maguire Center for Ethics in Financial Services and The American College Center for Women in Financial Services conducted a national online survey of 1,157 individuals with investible financial assets of at least $25,000. Results from the survey provide insight into the changing landscape of consumer demand for financial advice.

What characteristics do people want from an advisor?

Respondents were asked to “rank the most important characteristics you would look for” when selecting a financial advisor. The 12 characteristics listed included personal characteristics such as the ability to listen and understand goals, sharing personal values, trustworthiness, clear communication, personal appearance and valuing a client’s input. Other options included learned skills such as education and certifications, referrals, online reviews, and use of technology.

The most important characteristic consumers cited when seeking the services of a financial advisor was evidence of knowledge through education or certifications. 27.1% of respondents listed knowledge as the most important attribute and half (49.2%) listed it as one of their top three characteristics.

The second most important advisor characteristic is trustworthiness. 20.1% listed the ability to trust their advisor as the most important characteristics and 46.8% listed it in the top three characteristics. A close third most important is the ability to listen to and understand your financial goals. 18.9% chose this is their most important advisor characteristics, but a full 51.8% placed listening and understanding in the top three advisor characteristics. Although recommendations by others was only chosen by 8% of respondents as the top characteristics, 33.7% placed it in their top 3 characteristics.

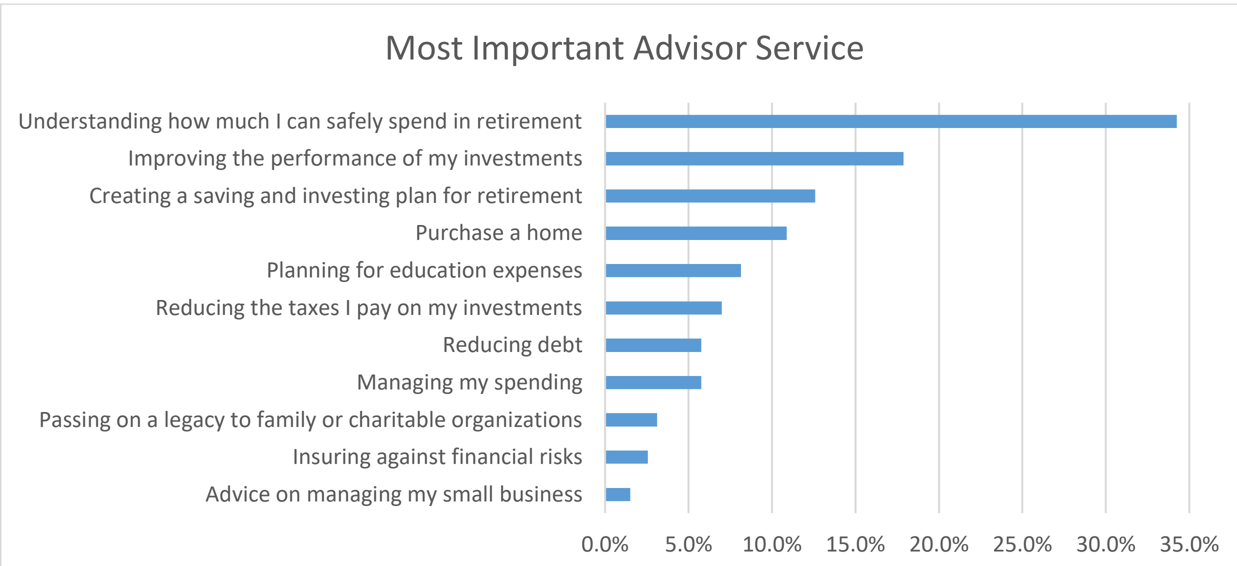
Advisor Characteristic You Would Look For	#1	#2	#3
Evidence of knowledge (education, certifications)	27.2%	11.7%	10.4%
Trustworthy	20.1%	13.5%	13.2%
Ability to listen to and understand your goals	18.9%	19.5%	13.5%
Clearly communicates financial concepts	10.8%	7.6%	9.5%
Positive recommendations by people you know	8.0%	12.8%	12.9%
Online reviews	4.4%	6.8%	7.5%

Values my input	2.2%	9.3%	12.2%

What services are consumers looking for when they seek out professional advice?

More consumers chose "understanding how much I can safely spend in retirement" as the number one service provided by a financial advisor than any other service, nearly twice as many (31.3%) as the "improving the performance of my investments," which was the second most popular choice (16.3%). Retirement income planning was the most popular service among younger and older consumers, among all categories of investible assets, and was equally popular among men and women.

The third most popular service was "creating a saving and investing plan for retirement," followed by assistance purchasing a home, education planning, and reducing taxes paid on investments.

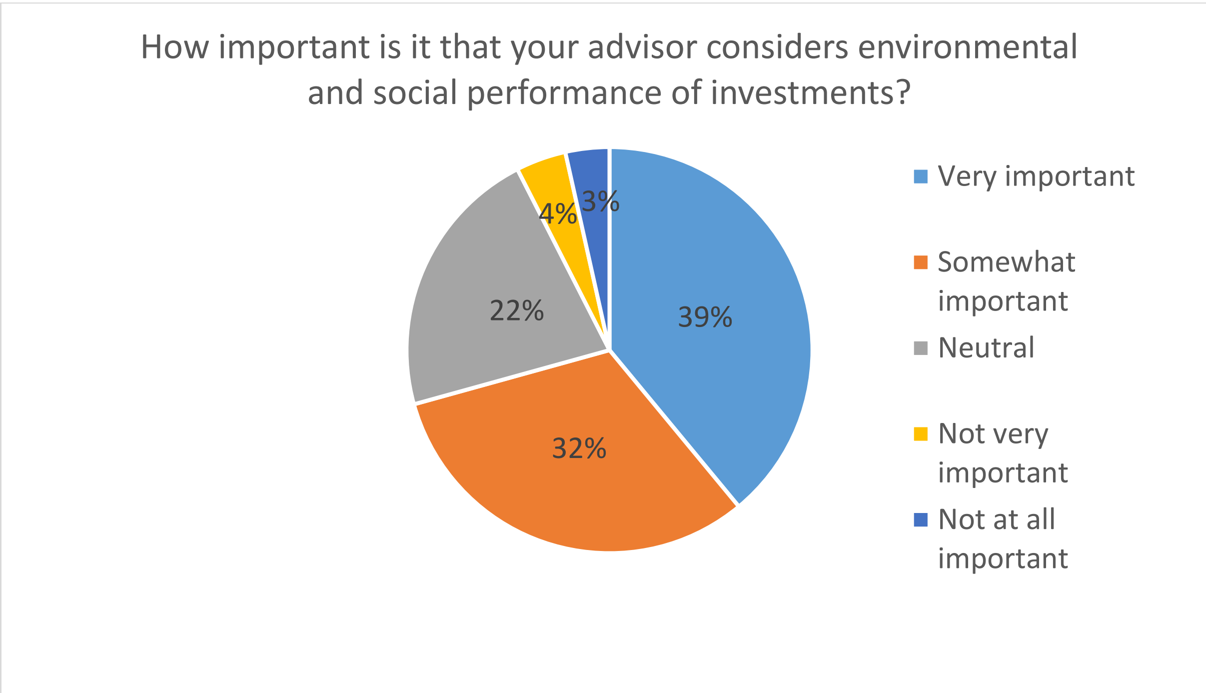


Do consumers seek out advisors who can evaluate investments and make portfolio recommendations, or are they primarily interested in an advisor who develops a plan to meet various financial goals? A higher percentage (52.5%) primarily sought assistance in meeting financial goals, while 47.5% felt that investment evaluation was a more valuable service.

Consumer expectations of advisor investment performance reflects increasing awareness that an advisors primary value lies outside of security selection. 59.1% of consumers now expect that "the investments my advisor recommends will perform about as well as the average return on popular indexes" while 40.9% expect the investments recommended by an advisor to outperform.

Importance of environmental, social and governance factors

When asked "how important is it that your advisor considers the environmental and social performance of the companies your will invest in" when selecting investments, 39% of consumers considered social and environmental performance "very important" and 32% considered them "somewhat important." Only 7% felt that environment and social performance were either "not very important" or "not important at all."



A majority of consumers (53.8%) also believe that an advisor's personal values influence their decision to do business with the financial advisor. Consideration of an advisor's values was highest among black, Hispanic and Asian respondents, and among those younger than age 50.

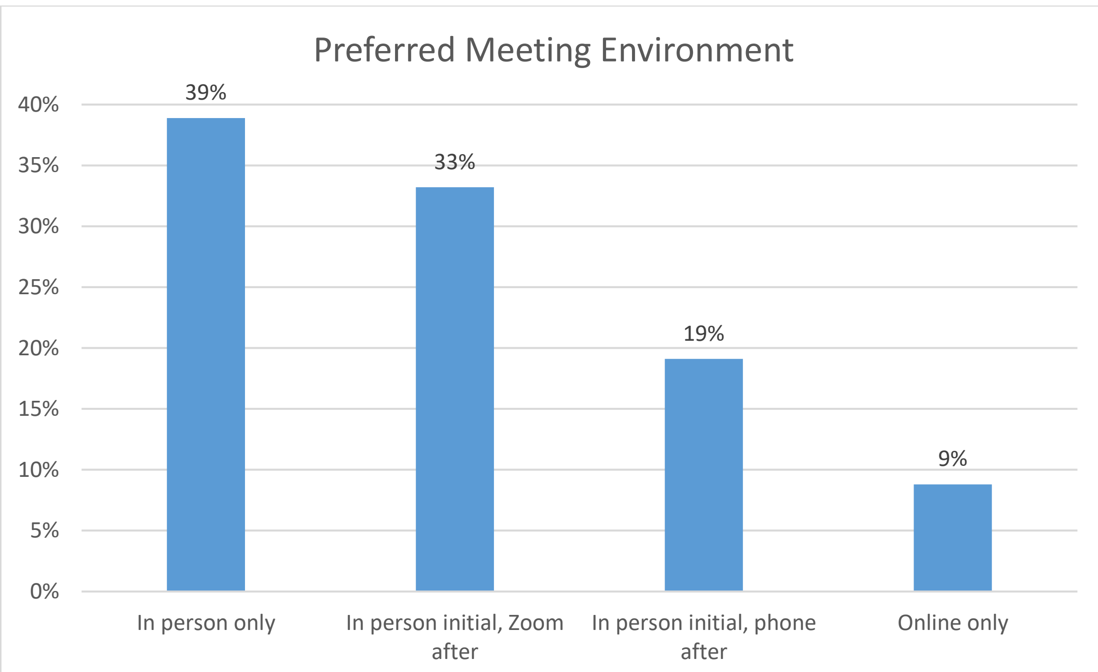
Advisor's values influence decision to do business	Yes
Full Sample	53.8%
Women	52.2%
White	49.2%
Black	61.0%
Hispanic	68.0%
Asian	63.5%
Age Less than 30	58.1%
30-39	61.1%
40-49	55.2%
50-59	45.5%

60-69	47.8%
70+	44.2%

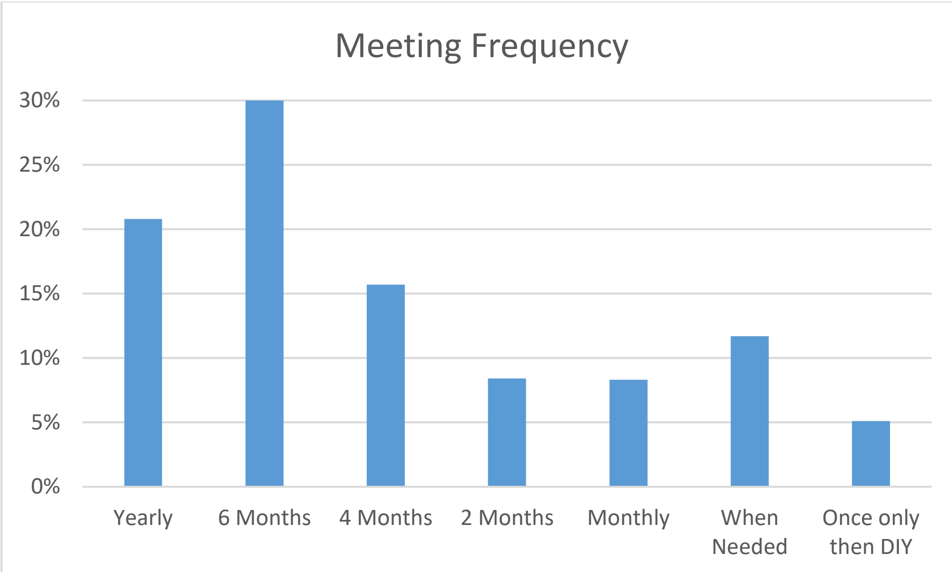
Did COVID change the importance of in-person advice?

The increase in online communication did not dampen consumer demand for initial in-person financial advice; however, more consumers prefer subsequent Zoom or telephone meetings rather than meeting in-person only. When asked “what is your preferred form of contact with a financial advisor,” 52.3% prefer an initial in-person meeting followed by subsequent Zoom or telephone meetings. 38.9% prefer in-person only.

There appeared to be a preference for meeting with an advisor when needed rather than at regular intervals. Over ¼ of respondents (25.8%) preferred an in-person initial meeting followed by subsequent Zoom meetings “when I request them.” 14.5% preferred an in-person initial meeting followed by subsequent phone calls when request, and 12% preferred an in-person initial meeting followed by regularly scheduled Zoom or phone meetings. Only 8.8% preferred to meet online initially and for all subsequent meetings.



When asked “how frequently would you like to meet with your financial advisor,” the most common response was every 6 months (30.0%), followed by annually (20.8%). 15.7% preferred to meet every 4 months, 8.4% every 2 months, and 8.3% monthly. 11.7% preferred to meet only when needed, and 5.1% prefer to meet once than then manage their own finances afterward.

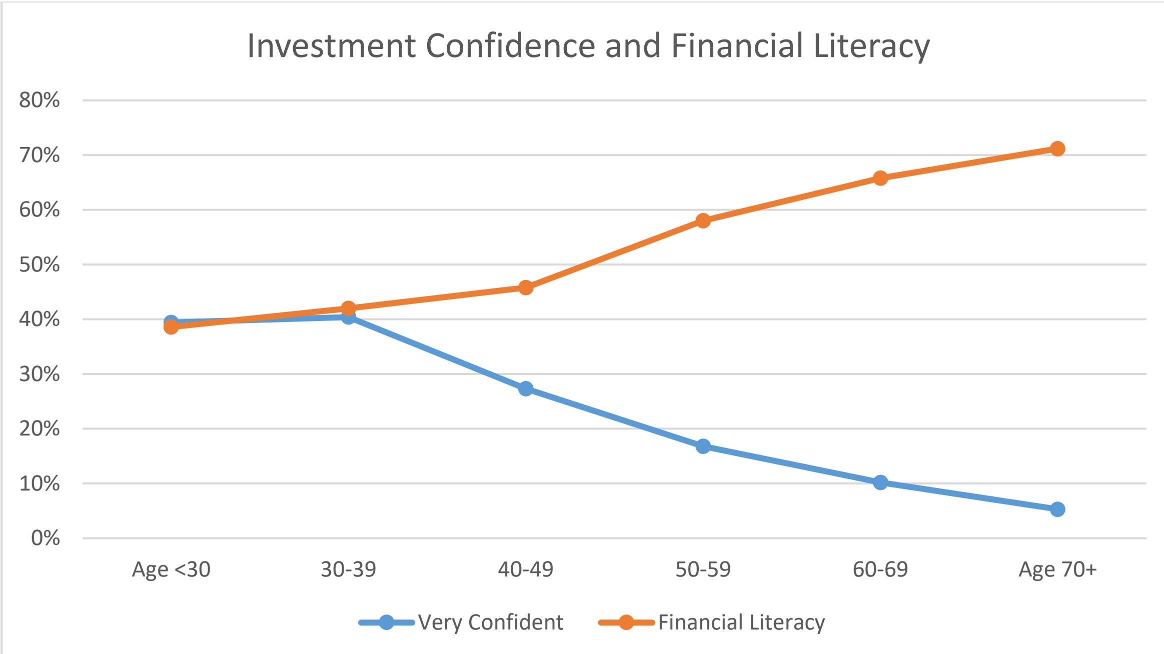


Are young investors overconfident?

Respondents are asked a series of 5 questions from the Annamaria Lusardi and Olivia Mitchell financial literacy big-5 assessment instrument to evaluate financial knowledge. They are also asked “Which best describes your level of confidence in analyzing and selecting investments?”

There is a surprisingly strong relationship between age and high confidence in one’s ability to pick investments. Consumers younger than age 40 are the most confident in their ability to analyze and select investments, but are also least able to answer basic financial literacy questions. Financial literacy scores increase with age from 38.6% correct for consumers under age 30, 42% for respondents in their 30s, 45.8% for those in their 40s, 58% for those in their 50s, 65.8% for those in their 60s, and 71.2% for individuals 70 and older. The percentage who indicated that they were “very confident” choosing investments fell with age from 40% for those under 40 to 10.2% for respondents in their 60s and just 5.3% for respondents in their 70s and older.

The recent bull market appears to have made young investors highly confident in their ability to pick investments, while older investors are more knowledgeable but less confident.



Conclusions

Consumers want advisors who are knowledgeable, trustworthy, and good listeners. Saving for retirement in employer-sponsored defined contribution plans rather than pensions has created a strong desire for knowledge of retirement income planning. Investors care that their advisor consider their social and environmental preferences when building an investment strategy.

More consumers prefer to attend regular meetings with their advisor either through Zoom or a phone call, but a strong majority still prefers to be physically present for initial meetings with an advisor.

Young investors are highly confident in their ability to choose investments, but also score lowest on a popular financial literacy scale. This may suggest that younger investors are vulnerable to overconfidence in their ability to manage investments following one of the longest bull markets in U.S. history.

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