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 Australia compare to those globally.

### Australian Investors Are Less Trusting of Financial Services

On average, Australian investors are older than respondents in other markets. This may partially explain lower trust levels, as younger investors globally are more trusting of financial services.

### A Do-It-Yourself Culture in Australia

Although Australian investors feel the markets are fair, retail investors are much less likely to work with financial advisers than investors in other countries.

**Trust in Financial Services by Age**

<table>
<thead>
<tr>
<th>Age</th>
<th>AUSTRALIA</th>
<th>GLOBAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>25–34</td>
<td>55%</td>
<td>49%</td>
</tr>
<tr>
<td>35–44</td>
<td>35%</td>
<td>40%</td>
</tr>
<tr>
<td>45–54</td>
<td>40%</td>
<td>40%</td>
</tr>
<tr>
<td>55–64</td>
<td>40%</td>
<td>40%</td>
</tr>
<tr>
<td>65+</td>
<td>40%</td>
<td>40%</td>
</tr>
</tbody>
</table>

Although Australians do not have a significant amount of trust in the system, a majority do believe that they have a fair opportunity to profit in the capital markets.

**Investors that believe they have a fair opportunity to profit in the capital markets**

<table>
<thead>
<tr>
<th></th>
<th>AUSTRALIA</th>
<th>GLOBAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>64%</td>
<td>69%</td>
</tr>
</tbody>
</table>

**40% of Australian investors surveyed work with a financial adviser versus 54% of investors globally**

 Compared to 33% of investors globally, only 26% of Australia’s investors are “extremely confident” in their ability to make investment decisions, yet few find need for professional advice.
Trust and ethics are important for getting new clients, and returns matter most for keeping clients. Trust continues to be a very important factor throughout the client life cycle. In the five years we have been conducting this study, trust has consistently been the greatest determinant in selecting a financial adviser by an almost 2:1 margin globally over investment performance. Ability to achieve high returns are far from the most important attribute for Australian investors when hiring a financial adviser.

**MOST IMPORTANT ATTRIBUTE FOR AUSTRALIANS WHEN HIRING AN INVESTMENT FIRM**

- Trusted to act in my best interest: 38%
- Recommended by someone I trust: 24%
- Commitment to ethical conduct: 12%
- Ability to achieve high returns: 9%

However, for Australian investors, like global investors, underperformance is the number one reason they would leave an investment firm.

**REASONS AUSTRALIAN INVESTORS WOULD LEAVE THEIR INVESTMENT FIRM**

- Underperformance: 58%
- Lack of communication/responsiveness: 45%
- Data/Confidentiality breach: 41%
- Departure of financial adviser from firm: 35%

Australian investors are less fearful of a financial crisis. Trust is tested in times of crisis, and advisers should be aware of whether their clients fear a crisis and market volatility. Australia's retail investors fear an impending crisis less than investors globally.

**INVESTORS WHO EXPECT A FINANCIAL CRISIS IN THE NEXT THREE YEARS**

- **AUSTRALIA**: 27%
- **GLOBAL**: 38%

But Australian investors have some different reasons for why a crisis could occur, with concerns about politics and housing prices in particular.

**POSSIBLE SOURCES OF NEXT FINANCIAL CRISIS**

- National/global politics: 48%
- Housing bubble / mortgage crisis: 43%
- Governments defaulting on debt: 27%
- Unscrupulous banking practices: 24%
- Terrorist attack: 24%

About half believe that their investment firm is well prepared to handle market turbulence:

- **49%** of Australian investors believe their investment firm is "well or very well prepared" to handle the next financial crisis.
Technology Increases Trust

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

In Australia, human advisers are still more important than technology.

<table>
<thead>
<tr>
<th></th>
<th>AUSTRALIA</th>
<th>GLOBAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>CREDIBILITY</td>
<td>64%</td>
<td>52%</td>
</tr>
<tr>
<td>PROFESSIONALISM</td>
<td>76%</td>
<td>79%</td>
</tr>
<tr>
<td>VALUE</td>
<td>81%</td>
<td></td>
</tr>
</tbody>
</table>
In 2017, CFA Institute and Greenwich Associates conducted a global survey of 3,127 retail investors and 829 institutional investors, including 250 retail investors and 61 institutional investors in Australia. 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 $50 million in assets under management, from public and private pension funds, endowments and foundations, insurance companies, and sovereign wealth funds.

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 interests 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](http://nextgentrust.cfainstitute.org)