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 North America compare to those globally.

In North America, Personal Relationships Drive Success in Financial Services

Trust in financial services is stronger in the US and Canada than many other markets. This is despite the fact that the average investor in these markets is older, and younger investors tend to be more trusting of the financial services industry.

Investors in North America also value personal relationships more than a firm’s brand or their use of technology.

62% of US investors and 66% of Canadian investors work with a financial adviser compared with 54% of investors globally.

Investment advice in North America focuses on retirement

Due to the aging populations in both the US and Canada it is not surprising that their primary investment goals and concerns are retirement related.

Similar to Australia and the UK, no other investment goal is a close second.
**Trust and the Client Life Cycle**

Trust continues to be an 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 over investment performance.

**MOST IMPORTANT ATTRIBUTE FOR INVESTORS FROM NORTH AMERICA WHEN HIRING AN INVESTMENT FIRM**

- **Trusted to act in my best interest**
  - US: 40%
  - Canada: 40%
  - Global: 35%

- **Ability to achieve high returns**
  - US: 17%
  - Canada: 17%
  - Global: 17%

- **Recommended by someone I trust**
  - US: 17%
  - Canada: 15%
  - Global: 18%

- **Commitment to ethical conduct**
  - US: 15%
  - Canada: 11%
  - Global: 14%

When selecting an adviser, US and Canadian investors put more emphasis on personal trustworthiness and ethical conduct than an adviser’s ability to produce returns.

**Why investors switch firms**

US and Canadian investors are most likely to switch firms due to underperformance and lack of communication, similar to the average of investors globally.

**REASONS INVESTORS FROM THE US AND CANADA LEAVE THEIR INVESTMENT FIRM**

- **Lack of communication/responsiveness**
  - US: 50%
  - Canada: 43%
  - Global: 43%

- **Underperformance**
  - US: 45%
  - Canada: 53%
  - Global: 47%

- **Data/Confidentiality breach**
  - US: 39%
  - Canada: 36%
  - Global: 40%

**Navigating Uncertainty**

Canadian investors are less fearful of a financial crisis than US and global investors. Trust is tested in times of crisis, and advisers should be aware of whether their clients fear a crisis and market volatility.

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

- US: 39%
- Canada: 26%
- Global: 38%

Many investors from both countries believe that their advisers are well prepared to handle a crisis.

63% of US investors, 55% of Canadian investors, and 55% of investors globally believe their advisers are well or very well prepared to handle the next crisis.

After national or global politics, US and Canadian investors differ on the possible causes of the next financial crisis.

**POSSIBLE SOURCES OF NEXT FINANCIAL CRISIS**

- National/Global politics
  - US: 48%
  - A major cyberattack/hacking
    - US: 36%
  - Terrorist attack
    - US: 34%
  - Governments defaulting on debt
    - US: 28%
  - National/Global politics
    - Canada: 59%
  - Housing bubble / Mortgage crisis
    - Canada: 37%
  - Consumer credit
    - Canada: 27%
  - A major cyberattack/hacking
    - Canada: 26%
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.

**Technology Increases Trust**

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

Although the US and Canada still favor human advisers, technology is becoming more important, and change is happening quickly.

<table>
<thead>
<tr>
<th>Year</th>
<th>US</th>
<th>Canada</th>
<th>Global</th>
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<tbody>
<tr>
<td>2016</td>
<td>73%</td>
<td>81%</td>
<td>62%</td>
</tr>
<tr>
<td>2018</td>
<td>60%</td>
<td>69%</td>
<td>52%</td>
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</tbody>
</table>

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

The good news for advisers is that the use of technology by investment firms can increase trust. In the US, 37% of investors say they trust their adviser more because of the use of technology, and the same is true of 23% of Canadian investors. Tech does not detract from trust, but it is also not a substitute.

US and Canadian investors are very skeptical about robo-advisers.

<table>
<thead>
<tr>
<th>Country</th>
<th>US</th>
<th>Canada</th>
<th>Global</th>
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<tbody>
<tr>
<td>US</td>
<td>42%</td>
<td>45%</td>
<td>40%</td>
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</table>

Investors in the US and Canada who “distrust or completely distrust” the robo-adviser industry.

**Credibility**

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.

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<tr>
<th>Country</th>
<th>US</th>
<th>Canada</th>
<th>Global</th>
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<tbody>
<tr>
<td>US</td>
<td>78%</td>
<td>80%</td>
<td>73%</td>
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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.

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<th>Country</th>
<th>US</th>
<th>Canada</th>
<th>Global</th>
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</thead>
<tbody>
<tr>
<td>US</td>
<td>83%</td>
<td>86%</td>
<td>78%</td>
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Investors who believe their adviser always puts its clients’ interests first.

**Values**

<table>
<thead>
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<th>Country</th>
<th>US</th>
<th>Canada</th>
<th>Global</th>
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</thead>
<tbody>
<tr>
<td>US</td>
<td>61%</td>
<td>68%</td>
<td>54%</td>
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</table>

Investors who prefer “People I can count on” over a “Brand I can trust”.

**Voluntary Code of Conduct**

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

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<th>Country</th>
<th>US</th>
<th>Canada</th>
<th>Global</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>71%</td>
<td>65%</td>
<td>64%</td>
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</table>
In 2017, CFA Institute and Greenwich Associates conducted a global survey of 3,127 retail investors and 829 institutional investors, including 500 retail investors and 150 institutional investors from the US and 501 retail investors and 36 institutional investors from Canada. 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.

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
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