Project note no 8-2015

Elaine Kempson

Financial advice

An overview of research on pre-purchase financial advice for consumers

SIFO

Project Note no 8 – 2015

NATIONAL INSTITUTE FOR CONSUMER RESEARCH
Sandakerveien 24 C, Building B
P.O. Box 4682 Nydalen
N-0405 Oslo
www.sifo.no

SIFO
Statens institutt for forbruksforskning
Postboks 4682, Nydalen,
0405 Oslo

Project note no. 8 - 2015

Tittel Financial advice	**Antall sider**	**Dato** 04.11.2015
Title Financial advice	**ISBN**	**ISSN**
Forfatter(e) Elaine Kempson	**Prosjektnummer** 11201014	**Faglig ansvarlig sign.**
Oppdragsgiver Norges Forskningsråd		
Sammendrag		
Summary		
Stikkord		
Keywords		

Financial advice

An overview of research on pre-purchase financial advice for consumers

By

Elaine Kempson

2015

STATENS INSTITUTT FOR FORBRUKSFORSKNING
postboks 4682 Nydalen, 0405 Oslo

Content

1 Introduction

Financialisation of social welfare places a considerable responsibility on individuals to select financial products that are appropriate to their needs. At the same time, liberalisation of financial markets has made those choices more complex to make and there is growing evi-dence from countries that have undertaken surveys of financial capability that consumers are unsophisticated when it comes to buying financial products. Most do not shop around for the best and most appropriate deal, indeed few even collect information on a range of products.

Growing numbers of consumers turn to financial advisers for help to find their way round the complexities of the financial marketplace. Financial advisers come in many forms and vary in the number of companies whose products they cover and in the extent to which their remuneration depends on the products they recommend. At their best, they are truly independent of all financial service providers, consider products from across the market to find the one(s) that best meet their clients' needs and they do not sell or have any financial stake in the sale of the products they recommend. But such advice usually incurs a fee, which many consumers are unable or unwilling to pay. At its worst, advisers are conflicted as a result of the way they are remunerated and are restricted to advising on the products offered by a single provider. In such cases the lines between advice and selling become blurred. Potentially this leaves a gap in the market for advice to consumers who cannot afford truly impartial advice or for whom the costs are not commensurate with the products they are buying.

This working paper begins with a short overview of the different types of financial 'advice' in the financial services marketplace. It then considers the research evidence on the way that consumers select the financial products they buy and the role that financial advisers play in this process. Thirdly, it reviews the evidence on the quality of and impact of commercial financial advice and how this can be influenced by the way an adviser is paid and concludes that there may be an 'advice gap' for impartial advice.

2 An overview of the financial advice market

Traditionally most banks and other financial services companies have employed financial 'advisers' – who advise solely on their own products and generally sell products as well. This is often referred to as ‘tied’ advice. Although such advisers are typically paid a salary by their employer, increasingly part of that salary is determined by the number and types of products they sell. Often there are different levels of payment for different types of product.

In most countries, there are intermediaries (sometimes known as agents or brokers) who offer a service finding appropriate financial product for consumers. These advisers vary in the number of product providers that they act as an agent for - from just one company to a wide range of companies. Where they act for just one or a very limited number of providers, they too, are often considered to be 'tied’ advisers. They are paid by commission from the firms to whom they refer customers.

A number of countries also have commercial 'independent' financial advisers, who provide advice to clients both on managing financial affairs and on product purchase, but are not linked to specific financial product providers. They typically provide advice on products across the whole marketplace and do not have contractual arrangements of any kind with specific providers. In a minority of countries, the UK and the Netherlands being good examples, independent advisers have grown in number, expertise and professionalism over recent decades; and they provide advice across a wide range of products including mortgages ,investments, insurance and pensions. In other countries, this sector is much less well developed and mainly deals with investments. In some countries, anyone calling themselves an 'independent' financial adviser must charge a fee for the advice they give; in others they can receive commission from the providers whose products they sell, although even here, there is often the option for a consumer to pay a fee. In the later case they cannot be considered truly independent as there is always the risk that they may be influenced in the products they recommend by the level of commission they will earn from the sale.

2.1 Consumer interpretation of ‘advice’ and ‘advisers’

There is also evidence that consumers interpret the word 'advice' quite broadly and in a much broader way than it is defined in regulations. Swedish research shows that both consumers and advisers are uncertain about where the boundaries lie between advising and selling (Eriksson et al, 2009). And Danish research indicates that bank advisers (including those with performance-related pay) believe that their customers regard them as advisers rather than a salesperson for their bank (Juul, 2006). While, in the UK, many consumers think they have been advised and that they can rely on the appropriateness of the product they were persuaded to buy, even when, in reality, they have merely been sold a product and not advised at all (Hurman and Costain, 2012).

Even though there is a large independent financial advice sector in the UK and the US, there is considerable evidence that consumers in both countries do not differentiate between different types of advice or advisers in practice and frequently used the term ‘independent advice’ or 'financial planner' even when they are referring to an adviser or broker who was tied to a specific product provider (Financial Services Consumer Panel, 2008; Finke et al 2009; Finney and Kempson, 2008 ;Hung and Yoong, 2008; Hurman and Costain, 2012; IFAP, 2006; Illuminas, 2008; TNS-BMRB, 2011).

2.2 Defining 'financial advice'?

The term 'financial advice' is used very broadly and covers a range of rather different models of provision, from 'advice' that is, in reality, little more than recommended sales to advice that is completely separate from any purchase that the consumer might make and is free of any conflicts of interest through the way that the adviser is paid. Only the latter can be considered truly 'independent' advice, with the adviser being able to recommend products from across all providers in the market place (or none at all if that is more appropriate) and having no remuneration that is directly linked to the products sold to consumers. In between these extremes, are models of advice where the independence and impartiality is challenged either by the fact that the 'adviser' can cover only the products of a single or limited number of providers and/or the way that the adviser is paid is linked to the product that they recommend.

The situation is complicated still further by the fact that consumers often do not and cannot distinguish between different types of adviser and discuss them as if they are broadly equivalent. Moreover, as we shall see in the following sections, some of the research into the efficacy of financial advice reflects the confusion in consumers' minds.

3 Levels and nature of use of financial advisers

The research that we have suggests that levels of use of financial advisers varies both across countries and across types of financial products. It does, however, need to be interpreted in the light of the consumer confusion just discussed.

Research in the UK has found that almost half of all financial services purchases are made following the guidance of a professional adviser (Association of Independent Financial Advisers 2009). Advice seeking appears to be particularly common among people buying investments, including pensions. A study in the EU has found that 80 per cent of people buying an investment product sought financial advice before doing so (Chater et al, 2010). In Germany more than 80 per cent of investors consulted a financial adviser before making a financial investment decision (DAB Bank, 2004) and 73 per cent of potential investors in the US did likewise (Hung and Yoong, 2008). There is more limited evidence relating to the use of advice when purchasing a mortgage but it tends to suggest that it is less common than among people buying an investment product. A Eurobarometer survey found that, across the 27 countries of the EU, 29 per cent of people who had bought a mortgage said that they had done so through an adviser or intermediary. The proportion varied greatly across countries, with very low rates in Finland (2 per cent) and Sweden (5 per cent), while in the UK almost half of mortgages (47 per cent) had been bought in this way. (EFA Project, 2007).

There is little research that attempts to distinguish between the types of financial adviser consulted and this shows a wide variation in the level of use of independent financial advice. Research in the UK found that four in ten advised purchases involved independent financial adviser (43 per cent); just over a third (35 per cent) an adviser based at a bank or building society (Association of Independent Financial Advisers 2009). The most popular topics on which people in the UK sought independent (as opposed to tied) financial advice were pensions and retirement (nearly half of all consultations), mortgages and investments (both nearly one third) (Association of Independent Financial Advisers 2008).

Among German investors who had sought advice, more than two thirds had obtained it from their bank, only 20 per cent had consulted an independent financial adviser (DAB Bank, 2004). While a Danish study found that among people who were mortgaging their home and had sought advice, half (51 per cent) had received it from their mortgage lender and over four in ten (44 per cent) from their bank (33 per cent). Only a very small number (5 per cent) had consulted some other kind of adviser, which would have included brokers and independent financial advisers (Andersen and Juul, 2005). In contrast, four in ten people buying a mortgage in Ireland had consulted a broker or independent adviser before making the purchase (O'Donnell and Keeney, 2009).

3.1 Who is most likely to seek advice?

Regression analysis of the US Survey of Consumer Finances has found that the most significant variables relating to consulting a financial adviser were: age, education, employment status, income and net worth, with all except age having a positive correlation (West, 2012). While other research has shown that, all other things being equal, women are more likely to seek advice than men – a finding attributed to overconfidence among men (Lachance and Tong. 2012).

Exploring the link between consumer incomes and use of financial advisers further, qualitative research on pension advice to people on low-to-middle incomes in the UK concluded that few people on lower incomes would be willing to pay for fee-based independent advice. At the same time, the levels of commission payable on the products they buy were too low for other financial advisers to look for their custom either (Kempson and Collard, 2005). Similar conclusions were reached in quantitative research in the US which found that 'a combination of lower aggregate costs per investor and higher expected fee income motivates advisers to target higher-net worth investors' (West, 2012).

Also of interest is the fact that advisers were more often consulted by people who perceived the financial services marketplace to be complex than by those who did not share this perception, whether they were buying investments (Georgarakos and Inderst, 2011; Hackethal et al, 2011) or mortgages (Chang, 2005; Finke et al 2011).

There are some important differences between financial products in the characteristics of people most likely to seek advice. Research in the US shows that people who sought finan-cial advice prior to taking a loan were more evenly spread across different age groups and income levels compared with people seeking advice on other products (Elmerick et al, 2002). In contrast, regression analysis has shown that (all other things being equal) age had a far bigger effect on having sought advice on a mortgage or loan, compared with advice sought on saving/investment; tax planning; insurance or debt counselling. And there were similar findings for marital status, gender and (generally speaking) income (Lachance and Tang, 2012).

Turning now to who uses the different types of financial adviser, we find that independent (as opposed to tied) financial advisers were used most by people with higher incomes and who were older and more risk averse. Women also made higher levels of use of independent advisers than men (Association of Independent Financial Advisers 2008; Association of Independent Financial Advisers 2009; Battacharya et al 2012; Bluethen et al 2008; Finke et al 2011). Among younger people the internet is now the most popular choice, with 52 per cent of 18-24 year olds claiming it is their primary source of financial 'advice' (Aviva, 2011).

So, although 'advice' seeking is relatively widely reported by consumers who have bought financial products, it is much more common among people who are better off. And it is these same people who most often receive (and can afford to pay for) completely independent advice, as opposed to advice that is limited in the range of products it can cover or where the adviser's remuneration is linked to, and determined by, the number and type of products they actually sell to customers.

4 Consumer trust in financial advisers

The economic crisis might be expected to have affected the level of trust in financial institutions and advisers . A Financial Services Trust Index, complied by the University of Nottingham, shows that UK consumers are moderately trusting of financial institutions but there was a decline in institutional trust between 2007 and 2008, when the effects of the Global Financial Crisis began to be felt (Ennew 2008). It has remained at much the same level since, albeit with some non-systematic variation (Devlin 2013). This index also shows that levels of trust vary across different types of institution. In particular, they are consistently higher for firms of independent financial advisers and mutual financial service providers (building societies) than they are for insurance companies, credit card providers and particularly commercial banks (Ennew 2008; Devlin 2013, Indeed independent financial advice firms are the only group for whom trust did not decline between 2007 and 2008; while banks saw the most notable decrease (Ennew 2008). It is also interesting to note that consumers' generalised trust in financial institutions is lower than it is for institutions which they use personally. When this is disaggregated by types of staff, the difference disappears for front-line staff and only persists for managers (Ennew, 2012)

Consumer views of individual financial advisers are rather negative and levels of interper-sonal trust low, even in the UK, which has one of the highest levels of independent advice provision in Europe. Research has shown that they were commonly seen as ‘young, fairly flash/arrogant, relatively inexperienced and lacking in expertise’ although views of inde-pendent financial advisers were likely to be more positive (Financial Services Consumer Panel, 2008). While in another (qualitative) study participants often described the advice process as 'confusing, full of jargon and long-winded, pressurised towards sales', particularly if they were less confident (Sillence and Briggs 2004).

There is also a high level of cynicism and distrust among UK consumers. Only four in ten of recent purchasers of mortgages, pensions, investments or complex insurance products agreed that they ‘tend to trust financial providers and accept what they recommend’ (Finney and Kempson, 2008). Moreover, levels of trust seem to be in decline ‘as consumers lose their traditional deference to authority’(Financial Services Consumer Panel, 2008).

A US study has investigated the issue of trust of financial advisers in more detail, drawing a distinction between cognitive trust (a customer’s perception of a service provider’s competence and reliability) and affective trust (a customer’s perception of the extent to which a provider is concerned about the interests of its customers) (Johnson and Grayson, 2005). The research concluded that although these two forms of trust are highly correlated, they are empirically distinguishable and that it is cognitive trust that most affects sales effectiveness (Johnson and Grayson, 2005). They also identify a third facet of trust - behavioural trust (or the extent to which people say they trust financial advisers in practice) - as the consequence of cognitive and affective trust. Others have concluded that trust appears to be driven by professional standards (cognitive trust), while distrust is driven by advisers putting profits before the interest of their customer and not acting in the customer’s best interest (affective trust) (Financial Services Consumer Panel, 2008; TNS-BMRB, 2011).

The UK Financial Services Trust Index shows that financial institutions as a whole tend to get higher scores for cognitive trust (competence and reliability) than they do for affective trust (acting in their customers’ best interest). In general firms of independent financial advisers had higher index scores than other types of financial institution for both dimensions of trust, but especially so for affective trust , although the gap has narrowed in 2013 (Association of Financial Advisers, 2009; Devlin, 2013; Ennew, 2008). This is confirmed by other UK research, showing that eight in ten people who had used an independent financial adviser in the previous three years trusted them to treat them fairly (78 per cent) and put their interests first (80 per cent) (Association of Financial Advisers, 2009; YouGov, 2008). On the whole, it was levels of affective trust that were impacted by the financial crisis; cognitive trust was relatively unaffected (Ennew 2008) alt

4.1 What explains levels of consumer trust in financial advisers?

Regression analysis to understand the drivers of consumer trust in financial advisers identi-fied three variables as having the greatest effect: age, willingness to take investment risk and having previously received advice (Lachance and Tang, 20112). In contrast, income and wealth were much less significant in explaining levels of trust. Age had a negative effect on trust and the authors suggest as an explanation that, with experience, people become more sceptical about the value of financial advice. Willingness to take risk was, in contrast, positively associated with trust, although the authors note that replies to the question designed to capture risk appetite were likely also to be capturing people's experience or beliefs about the riskiness of products. Further analysis led them to the conclusion that a common set of beliefs underlies both trust and risk aversion.

The third highly significant variable, having previously used financial advice, was also problematic in that it is not clear which way the causality runs. Do people trust financial advisers more because they have used them? Or do they use them more because they trust them? The research was not able to rule out either of these explanations (Lachance and Tang, 2012). The authors also undertook regression analysis of use of financial advice for different purposes in the past five years (including, mortgages or loans, saving and investment products; tax planning; insurance and debt counselling). This focussed on the effect of trust levels and was undertaken both with and without other control variables (eg demographics, financial exposure and willingness to take risk). In both instances trust was highly significant in explaining the use of financial advisers across all five types of advice and had a large effect compared with other variables. This effect was especially large for saving and investment advice but also large for mortgage advice. It was slightly less so for insurance and tax planning and least of all for debt counselling. However, financial exposure had an even larger effect, and particularly so for mortgage advice. And compared with saving and investment advice, age had a larger (negative) effect on mortgage advice while a willingness to take risk had a far smaller (positive) effect (Lachance and Tang, 2012). Similar effects of trust on advice seeking were found by the same authors but using discriminant analysis (Tang and Lachance,2012)

4.2 Importance of independence to consumers

The independence of advice is considered important by consumers. In general, consumers in the UK thought that independent advice was better than advice from an employee of a bank or other financial services provider and most stated that they would prefer to use an independent adviser (Financial Services Authority, 2002).

A study of recent purchasers of investment products explored what might encourage those who had not sought advice to do so in the future. Knowing that the advice would be completely unbiased was by far the strongest incentive (76 per cent said that this would encourage them 'a lot'). Next in importance was knowing that the adviser could give advice about all the products on the market (59 per cent). Knowing that the adviser had a professional qualification or knowing in advance how much the advice would cost were rather less influential (49 per cent and 42 per cent respectively) (TNS-BMRB, 2011). However, there is a high level of scepticism that truly independent advice exists – primarily because at that time most UK advisers were paid commission by the firm whose products they recommended (Financial Services Authority 2002). Moreover, consumers in another study admitted that independence was not top of their mind when they selected a financial adviser to consult (Financial Services Consumer Panel, 2008). And, as discussed in section2.1, on the whole, consumers do not and cannot identify truly independent advice from advice where there are conflicts of interest or, worse still from 'advice' that is little more than selling.

5 The quality of financial advice-giving

Earlier sections have shown that advice is rarely completely independent so a key consideration is whether the potential conflicts of interest result in poor quality advice. Measuring the quality of advice in a robust way is not easy, and much of the work to date has assessed the advice process. This often involves mystery shopping, either using real shoppers to report their experiences or researchers posing as shoppers and working from a script. To provide analysable data these assessments often focus on a particular aspect of the advice process. Regulators have the advantage that they can gain access to the files of firms to review the advice process - but such exercises are limited by what the adviser has committed to paper, which may not always reflect the totality of the exchange they had with the customer.

The UK Financial Services Authority has undertaken a large number of assessments of the quality of advice across a range of products, using reviews of case files in firms, mystery shopping or a combination of the two. They have consistently found that significant num-bers of advisers fail to gather sufficient information about customers' needs and circum-stances to allow the suitability of the product recommended to be fully assessed and also to give customers an adequate explanation of the product they have recommended (Financial Services Authority 2005a-2005f and 2006a-2006j, 2008b). Research in Australia reached similar conclusions (Australian Securities and Investments Commission, 2003). And research in Denmark identified that a quarter of financial advisers had been found culpable of misconduct (Juul, 2006).

Most of the research in this area relates to the quality of advice relating to investments. A study of the advice given by German financial advisers in banks found serious shortcomings in both their information gathering and the information they gave to their clients (Oehler and Kohlert, 2009). A third of advisers failed to ascertain their client's knowledge of types of investment and even where they did the extent of their assessment was often limited. The assessment of risk tolerance was generally perfunctory and 11 per cent of advisers did not discuss it at all with their clients. Just half (51 per cent) discussed income at all and only one in ten (10 per cent) assessed the client's disposable income. Equally worrying is the fact that advisers were found to put less effort into collecting information, providing information and their recommendation where the client's knowledge was low and the need for advice the greatest. Moreover, there was no discernible difference in the content of the advice process with either the socio-economic or demographic status of the client; the authors describe this lack of differentiation 'alarming'.

A second study of advisers in a large German bank and their customers also found evidence that advisers underestimated the true risk aversion of customers (Jansen et al, 2008). This was highest on their measure of risk tolerance (where 73 per cent of advisers underestimated the consumers' appetite for risk); and slightly lower for their willingness to take risks for high returns (59 per cent) and lower still for their desire for protection against risk (53 per cent). Moreover, it was found that almost half (35 per cent) of customers underestimated the proportion of their portfolio with this particular bank that was invested in equities, when compared with the bank records. A further 24 per cent were unable to make an assessment at all, even though they were only asked to choose between five asset classes (ranging from under 20 per cent to over 80 per cent of their portfolio). Only a quarter of customers made a correct assessment. Regression analysis identified three important influences on the unsuitability of a client's asset allocation. First, more experienced advisers were less likely to give unsuitable advice. Secondly, the greater the disparity between the adviser's and consumer's assessment of their appetite for risk, the less suitable the advice was. And thirdly pay incentive structures had a negative effect on the suitability of advice (a point that is covered in detail in the following section).

So, both poor information gathering and poor risk assessment by advisers seriously impede the suitability of the products they recommend. The lowest risk of unsuitable advice is when the client is relatively knowledgeable and has a similar appetite for risk as the adviser. Such consumers are relatively rare and tend to be found among better-off and experienced consumers. Low-and middle-income consumers with limited experience of the purchase of financial products are at much higher risk of poor advice.

6 The outcomes of financial advice

The evidence on the impact of financial advice on the outcomes for consumers is mixed.
Several studies of investment advice have shown that advised consumers tend to have more diversified portfolios than those who have not been advised. (Bluethgen, 2008 et al; Kramer 2012; Sharia and Venezia, 2001). In contrast, other studies of investment advice have shown a negative relationship between portfolio performance and receipt of advice. A study of a large German bank found that the involvement of the bank's financial advisers does not contribute either to better account performance or to better asset allocation (Karabulut 2010). It does, however, show some benefits of financial advice. In particular, advisers help their customers to mitigate some of the most common investment mistakes.

Research into advice on life insurance in the US found that consumers who relied primarily on independent financial planners were more likely to have adequate life insurance cover compared with those seeking no advice; but that use of brokers was not related to optimal levels of life insurance cover (Finke et al 2009).

Looking more narrowly at the impact of advice on mortgage rate choice (fixed versus adjustable rate) Swedish research has shown that lower-income and vulnerable borrowers who perceived themselves as having been influenced by a bank adviser were less likely to have adjustable rate mortgages, and to have protected themselves against sudden changes in mortgage expenditure. But, as the researchers note, despite fluctuations in interest rates over the period 2002 to 2013, the gap between adjustable and fixed rates in Sweden has remained small so any risk has not materialised. Moreover, the research did not, however, look at the negative aspects of fixed rate mortgages, such as the fees incurred when closing an account before the end of the fixed term (Hullgren, 2013).

One of the more extensive studies of this kind was, again, conducted in Germany and looked at both independent financial advisers and bank advisers. Using datasets from a large brokerage and a major bank, they showed the two groups of adviser had broadly similar impacts on the performance of accounts held by their clients. In both cases, advised accounts offered lower returns than those held by similar investors who had not been advised. In part this was a result of the level of fees and commissions paid to the adviser. But the outcomes were also linked to the way that the adviser was paid (see below). Indeed, they concluded that many financial advisers collect fees that exceed the value that they add to their client's accounts (Hackethal et al, 2012a).

Similar conclusions were reached in another study, comparing the portfolios of investors who were advised by brokers with those of investors who received no advice and a counterfactual of portfolios that were constructed using a popular default option. This found that the brokers' clients' portfolios were significantly riskier than those of the other two groups. And that the level of riskiness was higher when broker fees were higher. In other words, consumers were guided by advisers who were, themselves, influenced by the level of commission they could earn from different options. Moreover, once fees were taken into account the broker-advised portfolios under-performed the other two options (Chalmers and Reuter, 2012).

A paper reviewing the evidence on the relationship between the remuneration of advisers and the impact of financial advice has concluded that financial advisers improve financial outcomes when the interests of the adviser and the consumer are aligned. But financial advice can harm consumers where 'conflicts of interest create high agency costs' (Finke, 2012).

Based on their findings, the authors of these studies have advocated higher levels of qualification for advisers, tighter regulation of the advice process, and more extensive supervision and compliance monitoring by regulators.

6.1 Does the way advisers are paid affect the impartiality of the advice that they provide?

We saw above that advisers' remuneration is often linked to the sales that they make, either through incentive payments from the bank or other provider that employs them or through commission paid to advisers acting as an agent for one or more financial services companies. In many countries only a minority of advisers are paid a fee by the consumer.

There is growing evidence that the way that advisers are paid and regulated can have im-portant effects on the independence of the advice that they provide to their clients. A survey across European Union member countries found that two thirds (64 per cent) of members of the CFA (Chartered Financial Analysts) Institute believed that sales are influenced by the prevailing fee structure for advisers rather than a product’s suitability for a consumer (CFA Institute 2009). Consumers in the UK expressed concern that advisers sell products that earn them the largest sums in commission rather than ones that are best suited to the needs of their client (Financial Services Consumer Panel, 2000).

Compliance monitoring by the UK Financial Services Authority with 22 firms (both large and small and covering banks, investment companies and insurers) found that, despite a 'years of warnings', incentives paid to the staff of banks and other financial services firms could have a negative effect on the advice they give and result in mis-selling. They report that.

> … we have seen a sales person intentionally lie about the price of a product to increase his bonus; another adviser cut corners to rush through six sales in the last few days of a quarter to avoid his pay being reduced; and staff able to double their bonuses even if they were mis-selling. Incentives may also be used to skew sales to more profitable products, for example, we have seen advisers at one firm earn a significantly higher incentive for the more profitable profits. This culture must change'

They found that most firms had incentive schemes that could drive mis-selling and did not have effective systems and control in place to manage the risks. The likelihood of mis-selling increased when the value of incentives available to staff increased, or when incentives made up a large proportion of a remuneration package for staff. If poor quality advice or mis-selling were not adequately reflected in the eligibility for, or level of, incentives the likelihood was higher still. They identified a large number of incentive scheme features that significantly increase the risk of mis-selling, including: disproportionate rewards for marginal sales; stepped payments (high rate of incentive for higher volume of sales); inappropriate incentive bias between products; variable salaries (with basic pay being reduced if sales targets are not met); inappropriate requirements (eg quotas for different types of sales) determining whether incentives earned are actually paid; 100% variable pay/commission only; and inappropriate levels of incentives for the sale of additional products. Other features that they identified as increasing the risk of mis-selling included: minimum sales thresholds before incentives are paid; incentives linked to the level or type of premium, investment amount or length of term of an investment or mortgage; competitions or promotions designed to increase sales volumes (Financial Services Authority, 2012b).

The Central Bank of Ireland conducted a similar review, covering the sale of insurance, loans and investments, and reached very similar conclusions. Across all three sectors the incentive schemes examined were found to have the potential to encourage poor advice and sales, through the use of commission, bonuses or salary increases linked to the volume of sales. They, too, found inadequate management and control, with inadequate use of penalties or deterrents against poor advice and sales practices and sales managers being remunerated on the performance of the staff they supervised. Like the UK regulator they also identified shortcomings related to governance, oversight and monitoring (Central Bank of Ireland, 2014).

Compliance monitoring of commission-based sales (intermediaries and independent finan-cial advisers), also undertaken by the UK regulator, explored the risk that such advisers ignore their customers’ best interests and seek to secure higher levels of initial and recurring commission

income, and whether this could potentially lead to the provision of unsuitable advice (Financial Services Authority, 2012a). In doing so, they identified the following poor practices:
• failing to consider customers' wider financial circumstances resulting in financial detri-ment;
• recommending switching to new products without due consideration of the associated costs;
• inadequate or inappropriate documentation of suitability;
• failing to fully consider customers' risk appetite or capacity for loss;
• failing to obtain full information about customers' circumstances; and
• failing to consider fully alternate tax efficient solutions.

A research study using regression analysis of data from the loan book of a large sub-prime lender in the United States found a clear statistical link between the level of profits made by a broker and the level of delinquency of the loans they had arranged, all other things being equal (Berndt et al, 2010). In addition, the research also found a clear link between profits and the level of regulation a broker was subject to. So higher profits were made in States where regulation was lax and there were lax or no licensing requirements.

Using data from a large German bank, researchers have found that customers who reported that they relied heavily on advisers bought significantly more investment products for which the adviser had sales targets. This finding held true even where other factors such as portfolio size, income, risk attitude, education and financial knowledge and interest were controlled for (Hackethal, et al 2011). A recent controlled experiment, based on mystery shopping, showed that investment advisers in the US tend to push consumers towards funds with higher fees with little change in portfolio diversification (Mullainathan et al, 2012). And research using a data set from a large German bank found that financial advisers had an incentive to promote equity-concentrated asset allocations that were not commensurate with investors' appetite for risk (Jansen et al, 2008).

A number of research studies have investigated the relationship between the quality of the advice given to consumers and the way that an adviser is paid for giving that advice. The earliest of these was in 1994 and was a comparative analysis of commission- and fee-based remuneration. This showed that advice was poorer if it was commission-based. However, the author concludes that this does not necessarily mean that a fee-based service is preferable, as consumers may only be willing to pay modest fees, which might restrict the quality of advice (Gravelle, 1994). A study conducted by the Australian regulator similarly found that the quality of advice given to consumers was better where it was fee- rather than commission-based (Australian Securities and Investments Commission, 2003) as did a survey of 260 financial advisers in Germany (Bluethgen et al, 2008) and an investigation of mortgage advice in the Netherlands (De Bas et al, 2004).

Research in Denmark has shown that the brokerage fees paid by consumers who invest in investment associations or mutual funds reduce the assets held in their investments by 4 per cent. Moreover, the structure of remuneration paid to banks incentivised them to recommend mutual funds even when direct investments would have been to the consumer's advantage. And within the portfolio of mutual funds it incentivised the recommendation of actively managed (and therefore more expensive) funds and more risky specialised mutual funds (Bechmann and Wendt, 2012).

The most extensive academic work in this area has been undertaken by two economists who have developed a series of models (Inderst and Ottaviani, 2008; Inderst and Ottaviani, 2009; Inderst and Ottaviani, 2010; Inderst and Ottaviani, 2011; Inderst and Ottaviani, 2012). They found that advisers have every incentive not to disclose the amount they receive in commission and, in doing so, exploit naïve users. Using a simple modelling framework, they conclude that a cap on the level of commission an adviser can receive – and even mandatory disclosure of commission – could result in poorer levels of advice to consumers (Inderst and Ottaviani, 2008). They have also concluded that the risk of mis-selling is increased when advice is commission-based (Inderst and Ottaviani, 2009). And, while fee-based advice would potentially benefit consumers who are ‘naïve’ about the true conflict of interest that is created in commission-based advice it might not do so for ‘wary’ ones. From this they conclude that any policy intervention should be based on a clear understanding of consumers’ knowledge and behaviour (Inderst and Ottaviani, 2011).

Work in the Netherlands, that has built on these models concluded that the higher the level of commission an adviser is paid, the poorer the advice given to the consumer and that moving to fee-based advice would lead to more impartial advice. At the same time, the author notes that interviews with financial advisers showed mixed views on this. Some agreed that fee-based advice would improve impartiality and be beneficial; others feared that there could be unintended consequences of consumers not being willing to pay directly for financial advice (van Boxtel, 2011).

An experimental study with financial advisers compared the impact of individual incentive schemes with team-based ones. This showed that team incentives led to lower quality recommendations, particularly where the team affiliation was strong - as would tend to be the case in 'real life' (Danilov et al, 2013).

In theory at least, these effects could be mitigated if consumers are aware of the way that an adviser is paid, and the possible conflicts of interest that might follow from this. In many jurisdictions advisers are required to provide consumers with details of both how they are paid and the type of advice they can offer (in other words whether they are tied to a particular provider or can offer advice across the marketplace.) And research has shown that such disclosure can, indeed, protect more 'naïve' consumers (Inderst and Ottaviani 2012).

But studies undertaken by the Financial Services Authority in the UK, using reviews of case files in firms, mystery shopping or a combination of the two, consistently show that advisers often fail to disclose these two important pieces of information (Financial Services Authority 2005a-2005f and 2006a-2006j, 2008b). Research in Australia reached similar conclusions (Australian Securities and Investments Commission, 2003).

This led to the Retail Distribution and Mortgage Market Reviews in the UK and proposals from the Financial Services Authority that disclosure alone is unlikely to provide the level of consumer protection required and that independent advice should be clearly distinguished from tied advice. Initially this applies only to investment advice, but there are proposals to extend it to mortgage advice too. These proposals have the broad support of the Association of Independent Financial Advisers - the body that represents independent financial advisers in the UK. They have concluded, from the evidence on consumers' inability to distinguish between independent and tied advice, and the potential for commission and sales incentives to affect the impartiality of the advice consumers receive, that there needs to be a clear separation of independent advice from 'tied' advice linked to sales in order to restore consumer trust in advice-giving (Association of Independent Financial Advisers, 2009).

Similar discussions have been held in the Netherlands and there the regulator ended com-mission-based financial advice from 2013. Since that date, all financial advice is paid for by fees charged to the consumer (van Boxtel, 2011). Other regulators (including in France, Italy and Denmark) have implemented, or plan to introduce regulation relating to remuneration for investment advice.

These developments have given rise to concerns about the impact on consumers whose disposable incomes are limited, or who are buying mass-market products such as mortgages or loans, and who may not be able or willing to pay for independent advice. The limited research evidence available shows that those most willing to pay for professional financial advice are more likely to be women, relatively older, wealthier and highly educated but not to have a high level of self-reported knowledge about financial issues (Finke et al 2011). These are the same groups as are, currently, most likely to seek independent financial advice (see section 3.1 above).

This raises the prospect of a growing divide in the advice services consumers can access - with independent and impartial advice available for those able and willing to pay and potentially biased advice for those who are not. This has stimulated a debate in some countries about a potential 'advice gap' for impartial advice and role that non-commercial generic advice services might play (see for example Hurman and Costain, 2012).

6.2 The influence of consumers on the impact of advice

The responses of consumers to the advice they are given can also affect the outcomes of the advice-giving process. For example, research with one of the largest brokerages in Germany found that customers who accepted an offer of independent advice often failed to follow the advice given and did not improve their portfolio efficiency by much (Bhattacharya et al 2012). Wealthier consumers and those with lower-risk portfolios tended to follow the advice most often and where they did so they improved their portfolio efficiency. The researchers were unable to identify why customers had failed to follow the advice they received, although their analysis was able to rule out some obvious explanations, such as lack of trust, the consumer's level of financial sophistication or because the advice called for a dramatic rise in the level of investments held. But their data did not allow them to rule out other possible influences such as inertia or bounded rationality or the possibility that the consumer rejected advice when it was poor quality.

It is, however, clear that when consumers actively seek advice they are more likely to act on it. The provision of unsolicited advice in relation to pensions has been found to have no effect on pension-saving behaviour, when compared with people who received no advice. If, however, the advice was optional, it had a positive effect on the saving behaviour of people who opted to accept it compared with those who received unsolicited advice. On the other hand, the people who opted out of receiving advice were less likely to increase their level of saving compared with those who received no advice at all. In other words, people who shun advice when it is offered may be the very ones who need it most (Hung and Yoong 2010).

In summary, the evidence in this section shows that the fees and commission paid to advis-ers can outweigh any value added by the advice they have given to consumers. And any links between the salary received by an adviser and either the number or type of products sold carries a high risk of inappropriate advice being given. In both respects, it is lower-income, younger and inexperienced consumers who face the greatest risk. As such, it pro-vides evidence on the need for completely independent advice where such conflicts of interest do not arise. Yet the people who need it most (lower income, young, inexperienced consumers)are also the ones who would be least likely to be willing and able to afford to pay the fees that independent adviser have to charge.

7 Conclusion

The point of departure for this working paper was the growing need for consumers to make informed decisions about the purchase of financial products, as state welfare provision is cut back. It has shown, however, that the majority of consumers are ill-equipped to make such decisions and many therefore turn to financial advisers of different kinds. These range from employees of financial institutions who are, primarily, sales staff at one extreme to independent advisers, with no links to particular financial institutions, who are able to look across the marketplace to find the best product for an individual customer's needs at the other. In most countries, the majority of consumers who seek advice will consult an adviser who has a potential conflict of interest because their salary is linked either to the number or type of products recommended. There is very limited supply of completely independent advice that puts the needs of the consumer first.

It is a matter for concern, therefore, that consumers generally are unable to identify when the advice they have received is truly independent and when the 'adviser' is either able to recommend only a narrow range of products from a narrow range of providers or experi-ences a conflict of interest from the way that his or her salary is linked to the number and types of products sold. Indeed, consumers often trust the recommendations made by financial advisers whose primary role is not to provide advice but to sell them one of their company's products. This situation is made worse because regulations requiring full disclo-sure to a consumer of how an adviser is paid are not always followed. Research has also shown that different groups of consumer have varying levels of trust in financial advisers. People who are risk-takers and younger (and less experienced) consumers tend to exhibit the highest levels of trust - trust that might well be unwarranted.

It is also of some concern that research has identified major shortcomings in both the financial advice process and the outcomes of financial advice, with some evidence that both are more problematic where advisers have a conflict of interest arising from links between their salary and the products they sell. Indeed, there is a growing body of research showing that the way financial advisers are remunerated can adversely affect the suitability of the advice they give to consumers. Advice tends to be poorest where advisers are restricted in the range of products they can recommend or where there is a direct link between given their salary and the products they sell. These are the types of adviser typically used by low- and middle-income consumers. Those who can afford to pay for independent advice, and are buying products that would justify the fees, receive advice that is far more likely to be impartial and to result in the purchase of products that are appropriate to their needs. In some jurisdictions, regulators have acted to remove the conflicts of interest faced by many financial advisers and required all financial advice to be fee-charging. This runs the risk that only the well-off will be able and willing to pay for impartial advice.

All the evidence suggests, therefore, that there is a need for more independent advice. But that advice almost invariably carries a fee that people on lower incomes would find it difficult to afford. There is, therefore, a serious gap in the provision of truly independent financial advice to help low- and middle-income consumers negotiate the growing complexity of the financial services marketplace. In most jurisdictions they receive 'advice' that is far from impartial but fail to recognise the lack of impartiality. But any moves to outlaw these conflicts of interest runs the risk of pricing them out of the market altogether. An active policy debate is needed on how best to fill that gap to prevent growing numbers of casualties of mis-selling. Leaving it to the marketplace is unlikely to solve the problem.

References

Agarwal, S, Amromin, G, Ben-David, I, Chomsisengphet, S and Evanoff, D (2009a) *Do financial counseling mandates improve mortgage choice?* Federal Deposit Insurance Corporation Center for Financial Research. (Working paper 2009-04).

Agarwal, S, Amromin, G, Ben-David, I, Chomsisengphet, S and Evanoff, D (2009b) *Learning to cope: voluntary financial education programs and loan performance during a housing crisis.* Charles A Dice Center. (Working paper 2009-13).

Andersen, LL and Juu, H (2005) *Hvor går lånerne hen? Fra standardprodukt til rådgivningstunge lån.* Copenhagen: Gjellerup.

Association of Independent Financial Advisers (2008) *Financial advice: worth the money?* London: Association of Independent Financial Advisers.

Association of Independent Financial Advisers (2009) *Restoring trust in financial services: build on that which works.* London: Association of Independent Financial Advisers.

Atkinson, A and Messy, F (2012) *Measuring Financial Literacy: Results of the OECD / International Network on Financial Education (INFE) Pilot Study.* Paris: OECD Publishing. (OECD Working Papers on Finance, Insurance and Private Pensions, No. 15).

Atkinson, A, McKay, S, Kempson, E and Collard, C (2006) *Levels of finanical capability in the UK: results of a baseline survey.* London: Financial Services Authority.

Australian Securities and Investments Commission (2003) *Survey on the quality of financial planning advice.* Canberra: Australian Securities and Investments Commission.

Aviva (2011) *The value of financial advice.* Norwich: Aviva.

Barron, J and Staten, M (2012) *Is technology-enhanced credit counselling as effective as in-person delivery?* Working paper available at http://ssrn.com/abstract=2086917.

Bechmann, K L amd Wendt, P (2012) *Formidlingsprovision ved investeringsbeviser*. Copenhagen: Penge- og Pensionspanelet.

Berndt, A, Hollifield, B and Sandas, P (2010) *The role of mortgage brokers in the sub-prime crisis*. Charlottesville, McIIntire Center for Financial Innovation.

Bhattacharya, U, Hackethal, A, Kaesler, S, Loos, B and Meyer, S (2012) 'Is unbiased financial advice to retail investors sufficient: answers from a large field study' *The Review of Financial Studies* 25 (4) pp 975-1032.

Bluethgen, R, Gintschel, A, Hackethal, A and Muller, A (2008) *Financial advice and individual investors portfolios.* Oestrich-Winkel: European Business School. (Working paper).

CFA Institute (2009) *European Union member poll on retail investment products.* Charlottesville: McIntire Center for Financial Innovation.

Carswell, A (2009) 'Does housing counselling change consumer financial behaviors?' *Journal of Family and Economic Issues* 30 94) pp 339-356.

Central Bank of Ireland (2014) *Guidelines on variable remuneration arrangments for sales staff.* Dublin: Central Bank of Ireland.

Chalmers, J and Reuter, J (2012) *What is the impact of financial advisers on retirement portfolio choices and outcomes?* Cambridge Mass.National Bureau of Economic Research. (NBER Working paper no 18158)

Citizens Advice (2011) *Financial capability survey: a profile of bureau financial skills work*. London: Citizens Advice.

Collard, S (2012) *Quids in: the impact of financial skills training for social housing tenants.* London: Citizens Advice.

Cook, N, Smith, S and Searle, B (2009) 'Mortgage markets and cultures of consumption' *Consumption, markets and culture.* 12(2) June 2009 pp 133-154.

DAB Bank (2004) *Faszination Wertpapier: Fakten und Hintergrunde zum Anlegerverhalten in Deutschland.* Munich: DABBank.

Danilov, A, Biemann, T, Kring, T and Sliwka, D (2013) 'The dark side of team incentives: experimental evidence on advice quality from financial services professionals' *Journal of Economic Behavior and Organization* 93 pp266-272.

De Bas P, Bruggert F, van der Lijn N(2004) Marktwerking op de markt voor hypothecaire kredietverlening (Market forces on the market for mortgage lending). Report for the Ministry of Finance. Rotterdam: ECORYS-NEI.

Elmerick, S, Montalto, C and Fox, J (2002) 'Use of finanical planners by US households'. *Financial services Review* 11 pp 217-231.

Ennew, C (2011) *The Trust Index 20011 Q1.* Nottingham: University of Nottingham.

Eriksson, K, Persson, A and Söderberg, I (2009) *Bankrådgivningsrelationen och rådgivningslagen . Stockholm: Centrum för Bank and Finans, Kungliga Tekniska Högskolan.*

European Commission (2003) *Eurobarometer 60.2, November 2003.* Brussels: European Commission.

The European Financial Planning Association (2007) *EFA Project: reviewing existing financial education programmes in Europe*. Brussels: European Union Education and Culture DG.

Financial Services Authority (2001) *Choosing a mortgage: reports of a research review and qualitative research on the mortgage buying process.* London: Financial Services Authority.

Financial Services Authority (2002) *Polarisation: consumer research.* London: Financial Services Authority.

Financial Services Authority (2004) *Building financial capability in the UK: the role of advice*. London: Financial Services Authority.

Financial Services Authority (2005) *Building financial capability in the UK: developing the role of generic financial advice*. London: Financial Services Authority.

Financial Services Authority (2005a) *Equity release mystery shopping results.* London: Financial Services Authority (Assessment details).

Financial Services Authority (2005b) *Mystery shopping exercise.* London: Financial Services Authority (Briefing note BN005/2005 – Equity release).

Financial Services Authority (2005c) *Mortgage disclosure: mystery customer research report. Prepared for the Financial Services Authority by Research International.* London: Financial Services Authority (Consumer Research 42).

Financial Services Authority (2005d) *Quality and suitability of mortgage advice.* London: Financial Services Authority (Factsheet).

Financial Services Authority (2005e) *The sale of protection insurance: mystery shopping results. Prepared for the Financial Services Authority by GfK NOP.* London: Financial Services Authority (Consumer Research 45).

Financial Services Authority (2005f) *The sale of protection insurance: results of thematic work.* London: Financial Services Authority.

Financial Services Authority (2005g) *The sale of self-certification mortgages: mystery shopping results. Prepared for the Financial Services Authority by GfK NOP.* London: Financial Services Authority. (Consumer Research 46).

Financial Services Authority (2006a) *Consumers and mortgage disclosure documentation. Prepared for the Financial Services Authority by BMRB Social Research.* London: Financial Services Authority.

Financial Services Authority (2006b) *Depolarisation disclosure: mystery shopping results. Prepared for the Financial Services Authority by TNS.* London: Financial Services Authority. (Consumer research 48).

Financial Services Authority (2006c) *Mortgage disclosure documents: quality is improving.* London: Financial Services Authority. (FSA/PN/064/2006).

Financial Services Authority (2006d) *Mortgage effectiveness review: stage 1 report.* London: Financial Services Authority.

Financial Services Authority (2006e) *Quality and suitability of mortgage advice.* London: Financial Services Authority (Factsheet).

Financial Services Authority (2006f) *Quality of advice in firms offering financial advice: findings of mystery shopping.* London: Financial Services Authority (Consumer Research 52).

Financial Services Authority (2006g) *Quality of advice process in firms offering financial advice: findings of mystery shopping.* London: Financial Services Authority (Consumer Research 52).

Financial Services Authority (2006h) *The sale of critical illness cover: mystery shopping results.* FSA. (Consumer Research 49).
Financial Services Authority (2006i) *The sale of critical illness cover: results of thematic work.* London: Financial Services Authority.
Financial Services Authority (2006j) *The sale of lifetime mortgage products: mystery shopping results. Prepared for the Financial Services Authority by GfK NOP.* London: Financial Services Authority. (Consumer Research 53).
Financial Services Authority (2012a) *Retail Distribution Review Newsletter* No 6 June 2012. London: Financial Services Authority.
Financial Services Authority (2012b) *Risks to consumers from financial incentives.* London: Financial Services Authority.
Financial Services Authority (2013a) *Risks to customers from financial incentives: final guidance.*. London: Financial Services Authority.
Financial Services Authority (2013b) *Risks to customers from financial incentives: summary of feedback received.* London: Financial Services Authority.
Financial Services Consumer Panel (1999) *Financial Services Consumer Panel mortgage research study.* London: Financial Services Consumer Panel.
Financial Services Consumer Panel (2000) *Consumer panel annual survey report.* London: Financial Services Consumer Panel.
Financial Services Consumer Panel (2008) *Exploration of consumer attitudes and behaviour with regard to financial advice and the implications of RDRD proposals* . London: Financial Services Consumer Panel.
Finke, M, Huston, S, and Walker, W (2009) 'Do contracts impact comprehensive financial advice?' *Financial Services Review* 18 (2) pp 177-194.
Finke, M, Huston, S, and Winchester, D (2011) *Financial advice: who pays?* Working paper available at http://ssrn.com/abstract=2061296
Finke, M (2012) *Financial advice: does it make a difference?* Working paper available at http://ssrn.com/abstract=2051382
Finney, A and Kempson, E (2008) *Consumer purchasing outcome survey.* London: Financial Services Authority.
Georgarakos, D and Inderst, R (2011) *Financial advice and stock market participation.* Frankfurt: European Central Bank. (Working paper no 1296.)
Gravelle, H (1994) 'Remunerating information providers: commissions versus fees in life insurance' *The Journal of Risk and Insurance* 61 (3) pp 425-457.
Hackethal, A , Inderst, R and Meyer, S (2011) *Trading on advice.* Working paper available at http://ssrn.com/abstract=1701777
Hackethal, A, Haliassos , M and Jappelli, T (2012) 'Financial advisers: a case of babysitters?' *Journal of Banking and Finance* (36) pp 509-524.
Hartarska, V and Gonzales-Vega, C (2005) 'Credit counselling and mortgage termination by low-income households' *Journal of Real Estate Finance ands Economics* 30 (3) pp 227-243.
Hartarska, V and Gonzales-Vega, C (2006) 'Evidence on the effect of credit counselling on mortgage loan default by low-income households ' *Journal of Housing Economics* 15 (1) pp 63-79.
Hirad, A and Zorn, P (2002) 'A little knowledge is a good thing: empirical evidence of the effectiveness of pre-purchase home ownership counselling'. in Retsina, N and Belsky, E (eds), *Low-income home-ownership: examining the unexamined goal.* Washington DC: Brookings Institution Press.
Hullgren, M (2013) *Essays on mortgage rate choice in Sweden.* Stockholm: Centre for Banking and Finance, Royal Institute of Technology.
Hung, A and Yoong, J (2010) *Asking for help: survey and experimental evidence on financial advice and behavior change.* RAND Corporation. (Working paper WR-714-1).
Hurman, N and Costain, I (2012) *Researching the "advice gap"* . London: Financial Services Consumer Panel.

Hveem, D J (2009) , ‘Bankers ansvar ved rådgivning og kredittgivning’, in *Finansiella kriser – betalingssystem och skuldförhållanden*, eds. L. Gorton & G. Millqvist. (Uppsala: Iustus Förlag AB
IFF Research (2009) *Describing advice services and adviser charging.* London: Financial Services Authority.
Inderst, R and Ottaviani, M (2008) *Commissions and advice.* Frankfurt: University of Frankfurt and Evanston: Kellogg School of Management, Northwestern University.
Inderst, R and Ottaviani, M (2009) ‘Misselling through agents.’ *American Economic Review* 99 (3) pp 883-908.
Inderst, R and Ottaviani, M (2010) ‘Consumer protection in markets with advice’ *Competition Policy International* 6(1) pp 47-64.
Inderst, R and Ottaviani, M (2011) 'How (not)to pay for advice: a framework for consumer financial protection'. *Journal of Financial Economics* 105 (2) pp 393-411.
IFAP Annual Survey (2006) London: IFA Promotions.
Illuminas (2008) *Disclosure in the prime mortgage market.* London: Financial Services Authority.
Jansen, C, Fischer, R and Hackethal, A (2008) *The influence of financial advice on the asset allocation of individual investors.* Working paper available at http://ssrn.com/abstract=1102092
Johnson, D and Grayson, K (2005) ‘Cognitive and affective trust in service relationships’. *Journal of Business Research* 58 pp 500-507.
Juul, H. (2006) *Pris og kvalitet på kundeområdet.*. Copenhagen: Gjellerup.

Karabulut, Y (2012) *Financial advice: an improvement or worse.* Working paper, available at http://ssrn.com/abstract=1710634
Kempson, E and Collard, C (2005) *Advice on pensions and saving for retirement: qualitative research with financial intermediaries.* London: Department for Work and Pensions. (Research report 289).
Kempson, E and Collard, C (2010) *Money Guidance Pathfinder: a report to the FSA.* London: Consumer Financial Education Body. (Evaluation Report 01).
Kramer, M (2012) ‘Financial advice and individual investor portfolio performance’. *Financial Management* pp 395-428.
Lachance, M-E and Tang, N (2012a) ‘Financial advice and trust’ *Financial Services Review* 21 pp209-226.
Lachance, M-E and Tang, N (2012b) ‘Financial advice: what about low income consumers? *Journal of Personal Finance* 11 92) pp121-158.
Mullainathan, S, Noeth, M and Schoar, A (2012) *The market for financial advice: an audit study.* ambridge MA: National Bureau of Economic Research (Working paper 17929).
O'Donnell, N and Keeney, M (2009) *Financial capability: new evidence for Ireland.* Dublin: Central Bank and Financial Services Authority of Ireland.
Oehler, A and Kohlert, D (2009) ‘Financial advice giving and taking- where are the market’s self-healing powers and a functioning legal framework when we need them?’. *Journal of Consumer Policy* 32 pp 91-116.
Quercia, R and Spader, J (2008) 'Does homeownership counseling affect the prepayment and default behavior of affordable mortgage borrowers?' *Journal of Policy Analysis and management* 27 (2) pp 303-325.
Shapira , Z and Venzia, I (2001) ‘Patterns of behavior of professionally managed and independent investors’ *Journal of banking and Finance* (25) pp 1573-1587.
Sillence, A and Biggs, P (2004) 'Please advise: using the Internet for health and financial advice' *Computers in Human Behaviour* 23 pp 727-748.
Skinner, C and Ford, J (2000) *Planning postponing or hesitating: understanding financial planning.* York: Centre for Housing Policy.
Thoresen, O (2008) *Thoresen review of generic financial advice: final report*. London, HM Treasury.

TNS-BMRB (2011) *Consumer purchasing and outcomes survey2010: TNS-BMRB Report for the Financial Services Authority.* London: TNS-BMRB.
Van Boxtel, J (2011) *The effects of compensation on the quality of financial advice.* A thesis submitted to the Department of Economics and operations research at Tilburg University.
West, J (2012) 'Financial adviser participation rates and low net worth investors.' *Journal of Financial Services Marketing.* 17 pp50-66.
YouGov (2008) *Consumer research on behalf of AIFA.* Unpublished.

SIFO is a non-bias governmental institute that conducts consumer research and testing. The board of directors is appointed by the Ministry of Children and Equality Affairs which also provides the basic funding. SIFO currently has a staff of 40. The scientific staff is comprised of researchers and other highly qualified personnel from social and natural sciences. SIFO's projects are organized into three categories: Consumption and economy, Market and politics and Technology and environment.

SIFO

National Institute for
Consumer Research

SIFO P.O Box 4682 N-0405 Oslo.
Visiting adress: Sandakerveien 24C.
Phone: +47 22 04 35 00 **Fax:** +47 22 04 35 04
E-mail: sifo@sifo.no **Internett:** www.sifo.no