

 PERSONAL CAPITAL

2017 Personal Capital Financial Trust Report

How Americans Feel About Trusting Financial
Advisors, Fees and Investment Performance

GO TO WWW.PERSONALCAPITAL.COM TO LEARN MORE ABOUT OUR FREE FINANCIAL TOOLS

Trust may not be the first word that comes to mind when most people think of financial service providers. In the last year, Americans have seen top banks such as Wells Fargo admit to opening millions of fraudulent accounts on behalf of their customers, celebrities like Johnny Depp lose millions by trusting a financial advisor who did not have his best interests in mind, Citi be charged with overbilling their investment clients and plenty of other financial service industry debacles. With events such as these becoming the norm, Personal Capital commissioned a survey, conducted online by Harris Poll, of over 2,000 U.S. adults ages 18+ to help better assess Americans' level of trust in financial advisors, awareness of investment account fees and outlook on their financial future. The following data reveal the results of the survey conducted.

THE BOTTOM LINE: Americans seem to be wary of financial services providers and unaware that financial advisors may not be working in their best interest.

Trusting Financial Advisors with Your Money

If a consumer is working with a financial advisor, they're likely assuming that their advisor has their best interests in mind. But with the implementation of the Department of Labor fiduciary ruling going into effect in June, but only covering retirement accounts, hidden investment fees and big bank scandals hitting the news on a regular basis, it's no surprise that Americans are beginning to have their doubts about whom they can really trust with their finances.

CONSUMERS ARE SUSPICIOUS OF FINANCIAL ADVISORS.



Approximately 32% of Americans believe that a financial advisor is likely to take advantage of them.



AMERICANS LOOK TO FINANCIAL ADVISORS AND FAMILY FOR INVESTMENT ADVICE OVER OTHER SOURCES.

Who reigns supreme when it comes to offering advice about managing investments? Americans have mixed feelings on this topic.

- > The most trusted source Americans turn to for investment advice is a financial advisor (38%), with a family member (31%) and a spouse or significant other (26%) following closely behind.
- > Age and trust go hand-in-hand, as adults aged 65+ are much more likely to place their trust in a financial advisor as the best source of advice than those under 65 (51% vs. 35%, respectively).

BIG BANK SCANDALS LEAVE CONSUMERS FEELING JADED AND UNTRUSTING.

- > 70% of Americans expressed that recent events in the financial industry have made them question the trustworthiness of financial professionals, with men being less forgiving than women on this issue (74% vs. 67%).
- > Americans feel very strongly when it comes to scandals and deceiving customers; nearly 4 in 5 (79%) say they would no longer trust their financial institution if they found out it was involved in a scandal, and 78% would even go so far as switching institutions if theirs was involved in a scandal.
- > Trust takes a bigger hit with men than women, with 82% of men saying they would no longer trust their financial institution if they heard it was involved in a scandal, versus 76% of women.

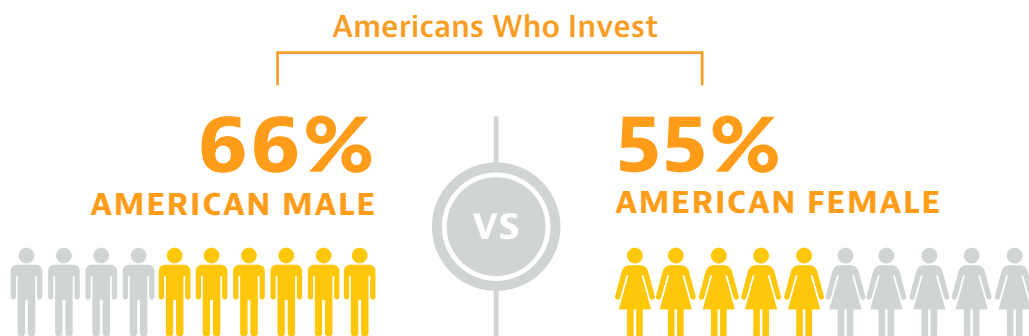
“ Nearly 4 in 5 say they would no longer trust their financial institution if they found out it was involved in a scandal (79%). ”

Knowing What You're Paying in Fees

Over the course of a lifetime, hidden investment and brokerage fees can cost an investor hundreds of thousands of dollars. If a broker or financial advisor is not a **fiduciary** — a financial advisor who is legally obligated to act in their client's best interest (not their own), they can legally get away with not acting in their client's best interest; hiding investment, transaction, account opening and other fees in the fine print; and pushing products that make brokers/advisors the most commissions.

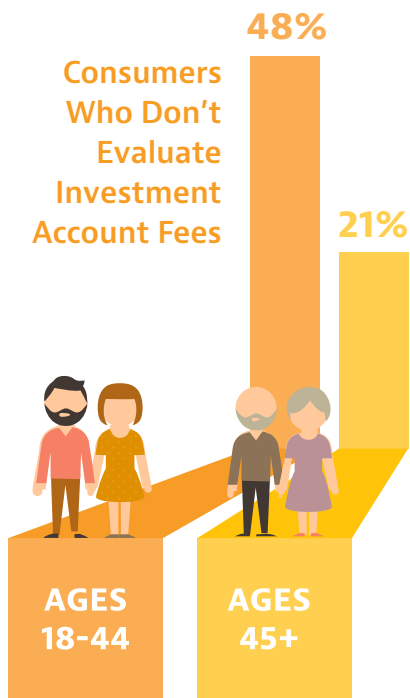
KNOWLEDGE OF FEES IS WOEFULLY LOW.

The data show that **60%** of Americans are investors (have at least one investment account), and that men are more likely to invest than women (**66% of men vs. 55% of women**). However, many investors overall are unsure what they actually pay for their investment accounts.



- > **21%** of investors know they pay fees on their investment accounts but are not sure what they pay in investment fees, while **10%** of investors don't even know if they pay any fees on their accounts.
- > Gender may play a factor when it comes to this knowledge: women are more than twice as likely as men to be unaware of if they pay any fees for their investment accounts (**15% vs. 6%**).

BELIEF THAT HIGHER FEES MEAN HIGHER RETURNS RUNS RAMPANT.



- > 32% of Americans believe higher fees for investment accounts generally result in higher returns.
- > Younger adults are more than twice as likely as older adults to believe that higher investment fees result in higher investment returns (48% of those ages 18-44 vs. 21% of those ages 45+).
- > 28% of American investors say they don't pay attention to fees when selecting investment accounts.

Younger adults are seemingly more willing to throw caution to the wind when it comes to examining account fees compared to older adults, with nearly half of 18-34 year olds (47%) saying they don't pay attention to fees versus only 24% of those ages 35+.

While Personal Capital does not recommend investing in mutual funds, they are a common high-fee investment vehicle selected by consumers. A recent report by *Morningstar** found that low mutual fund fees predict higher returns, the opposite of what consumers assume.

AMERICANS ARE TRUSTING FINANCIAL ADVISORS WHO ARE NOT WORKING IN THEIR BEST INTEREST.

When queried about their knowledge regarding **fiduciary** duty (meaning a financial advisor is legally required to provide investment advice in a client's best interest), Americans are painfully unaware.

- > Nearly half of Americans (46%) believe all financial advisors are required by law to always act in their client's best interests.
- > Nearly one third of Americans (31%) are not at all sure if all financial advisors are required by law to act in their client's best interests.

THE TRUTH

Only Financial Advisors who are **fiduciaries** (such as Registered Investment Advisors) are required by law to act in the best interests of their clients.

*SOURCE: <http://www.thinkadvisor.com/2016/05/09/low-mutual-fund-fees-predict-higher-returns-mornin>

How to Have Trust in Your Financial Future

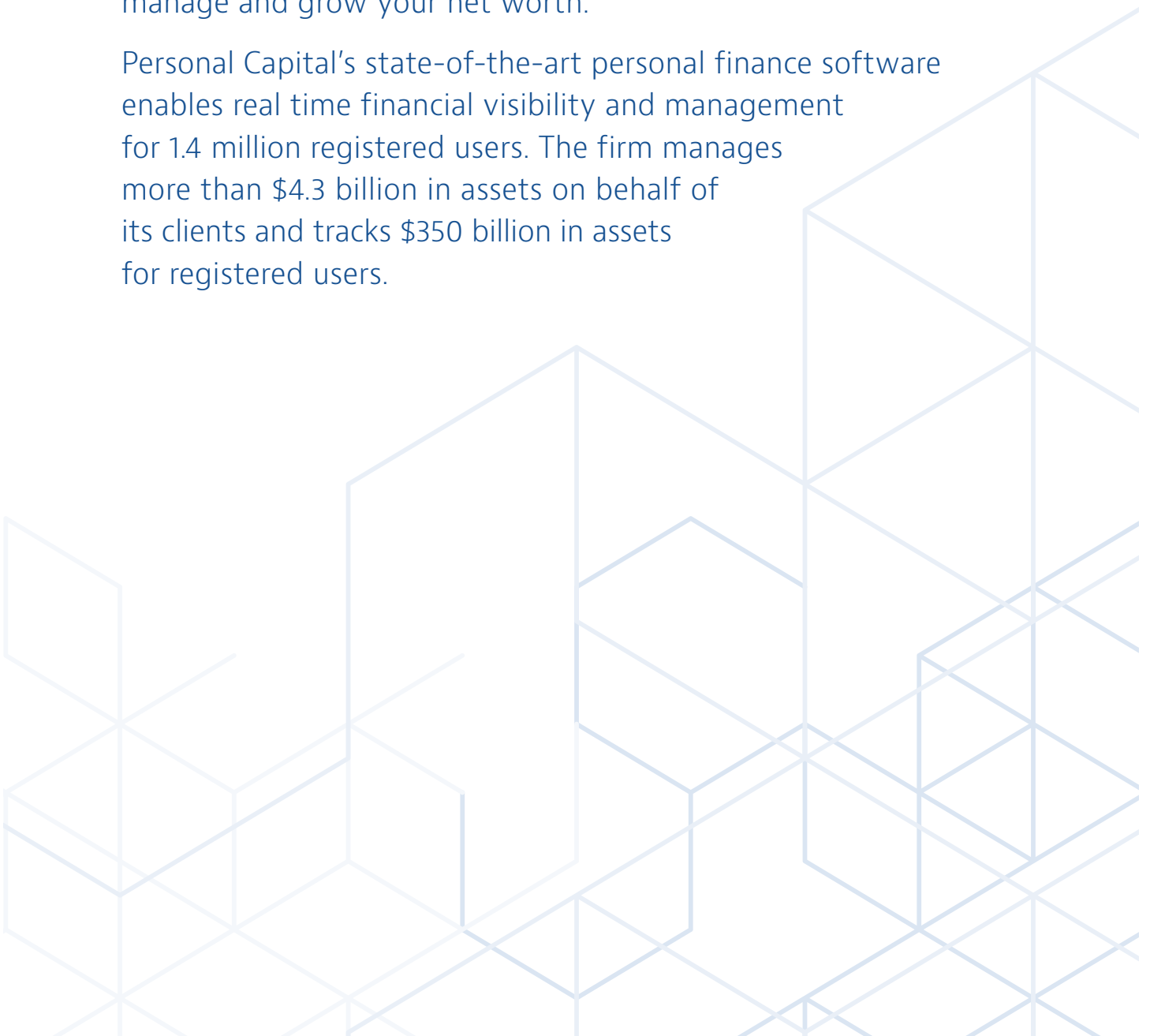
American investors face plenty of challenges when it comes to feeling confident about their finances, from finding a financial advisor they can trust to figuring out what they are really paying in fees. The good news is that free tools like Personal Capital will help any investor gain transparency into their investments, assess what they're paying in fees and start building a long-term financial plan. A strong financial plan starts with knowing where an investor stands today, formulating goals and taking stock of whether current spending and investing strategies will amount to a secure financial future. Unlike traditional investment advisors who may only see the investments a client holds with them, Personal Capital's digital wealth management service pairs expert advisors with a comprehensive and constantly updated view of the client's entire financial picture.

Even more importantly, when seeking financial advice, any investor should make sure that they are working with a **fiduciary**. For free tools that will help anyone track their personal finances or for a free consultation with a financial advisor who can assist in putting together a long-term financial plan, visit personalcapital.com.

About Personal Capital

Personal Capital is the smart way to track and manage your financial life. Personal Capital combines award-winning online financial tools that provide unprecedented transparency into your finances with personal attention from registered financial advisors. The result is a complete transformation in the way you understand, manage and grow your net worth.

Personal Capital's state-of-the-art personal finance software enables real time financial visibility and management for 1.4 million registered users. The firm manages more than \$4.3 billion in assets on behalf of its clients and tracks \$350 billion in assets for registered users.



PERSONAL CAPITAL

METHODOLOGY

This survey was conducted online within the United States by Harris Poll on behalf of Personal Capital from March 6-8, 2017 among 2,178 U.S. adults ages 18 and older. This online survey is not based on a probability sample and therefore no estimate of theoretical sampling error can be calculated. For complete survey methodology, including weighting variables, please contact Marianne Ahlmann at [marianne.ahlmann@personalcapital.com](mailto:atmarianne.ahlmann@personalcapital.com).

This guide and all data are for informational purposes only and do not constitute a recommendation to buy or sell securities. You should not rely on this information as the primary basis of your investment, financial, or tax planning decisions. You should consult your legal or tax professional regarding your specific situation. Third party data is obtained from sources believed to be reliable. However, PCAC cannot guarantee that data's currency, accuracy, timeliness, completeness or fitness for any particular purpose. Certain sections of this commentary may contain forward-looking statements that are based on our reasonable expectations, estimate, projections and assumptions. Forward-looking statements are not guarantees of future performance and involve certain risks and uncertainties, which are difficult to predict. Past performance is not a guarantee of future return, nor is it necessarily indicative of future performance. Keep in mind investing involves risk. The value of your investment will fluctuate over time and you may gain or lose money.



ONE CIRCLE STAR WAY, FIRST FLOOR
SAN CARLOS, CALIFORNIA 94070



999 18TH STREET, SUITE 800
DENVER, COLORADO 80202



250 MONTGOMERY ST, SUITE 700
SAN FRANCISCO, CA 94104

GO TO [PERSONALCAPITAL.COM](https://www.personalcapital.com) TO LEARN MORE ABOUT OUR FREE FINANCIAL TOOLS