

**PERSONAL CAPITAL**

# 2017 Personal Capital Financial Trust Report

How Americans Feel About Trusting Financial  
Advisors, Fees and the Future

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Buying a vacation home is often called “lifestyle investing” because a vacation home is not just a piece of real estate - it’s a lifestyle choice. If you’re considering making this purchase, you’ll want to consider several factors that can impact your decision. Speaking to a financial advisor can also be helpful to determine whether this type of lifestyle investment fits into your financial plans and investing strategy.

It’s often tempting to think about real estate from a speculative position, but, as with homeownership in general, ownership can be riddled with costs like Realtor commissions (on both sides of the transaction), mortgage interest, insurance, maintenance, property taxes, etc. that can cut deep into the profit of a transaction even in the fastest appreciating geographies. It’s often best, then, to make a decision based on your intention to actually utilize your vacation property.

Anyone who has owned a vacation home can likely attest that with ownership comes a lot of – but it’s not without its potential drawbacks. Before making the leap, make sure you’ve done so with careful consideration.

# 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 rule delayed, 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 one third of Americans (**32%**) believe that a financial advisor is likely to take advantage of them



THOSE WHO **DO NOT** WORK WITH FINANCIAL ADVISORS

**45%**

Among the **54%** of Americans who do not work with a financial advisor, close to half (**45%**) say the primary reason is a lack of trust.

THOSE WHO **DO** WORK WITH FINANCIAL ADVISORS

**89%**

Just under half of Americans (**46%**) report that they work with a financial advisor, and among them, nearly all (**89%**) say they trust their financial advisor will act in their best interest when managing their money.

## 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 sources Americans turn to for financial advice include 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 say they would no longer trust their financial institution if they found out it was involved in a scandal (79%), and 78% would even go so far as switching institutions.
- > Trust takes a bigger hit with men than women, with 82% of men saying they would lose trust in their financial institution if they were involved in a scandal, versus 76% of women.

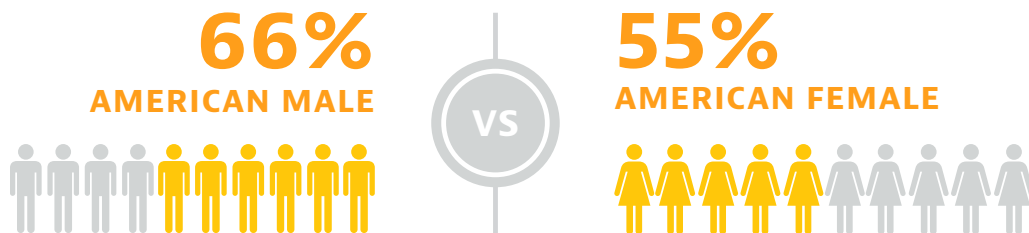
“ Nearly 4 in 5 say they would no longer trust their financial institution if they found out it was involved in a scandal (79%). ”

# 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, both male and female investors are unsure what they actually pay for their investment accounts.



- > **21%** of investors 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 what they pay in fees (**15% vs. 6%**).

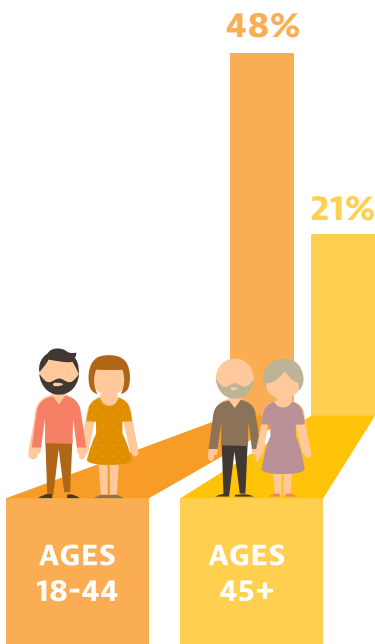
## BELIEF THAT HIGHER FEES MEAN HIGHER RETURNS RUNS RAMPANT.

> 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 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 (46%) of Americans believe all financial advisors are required by law to always act in their client's best interests.

> Nearly one third (31%) of Americans are not sure if all financial advisors are required to act in their client's best interest.

### THE TRUTH

Only Financial Advisors who are **fiduciaries** (such as like 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

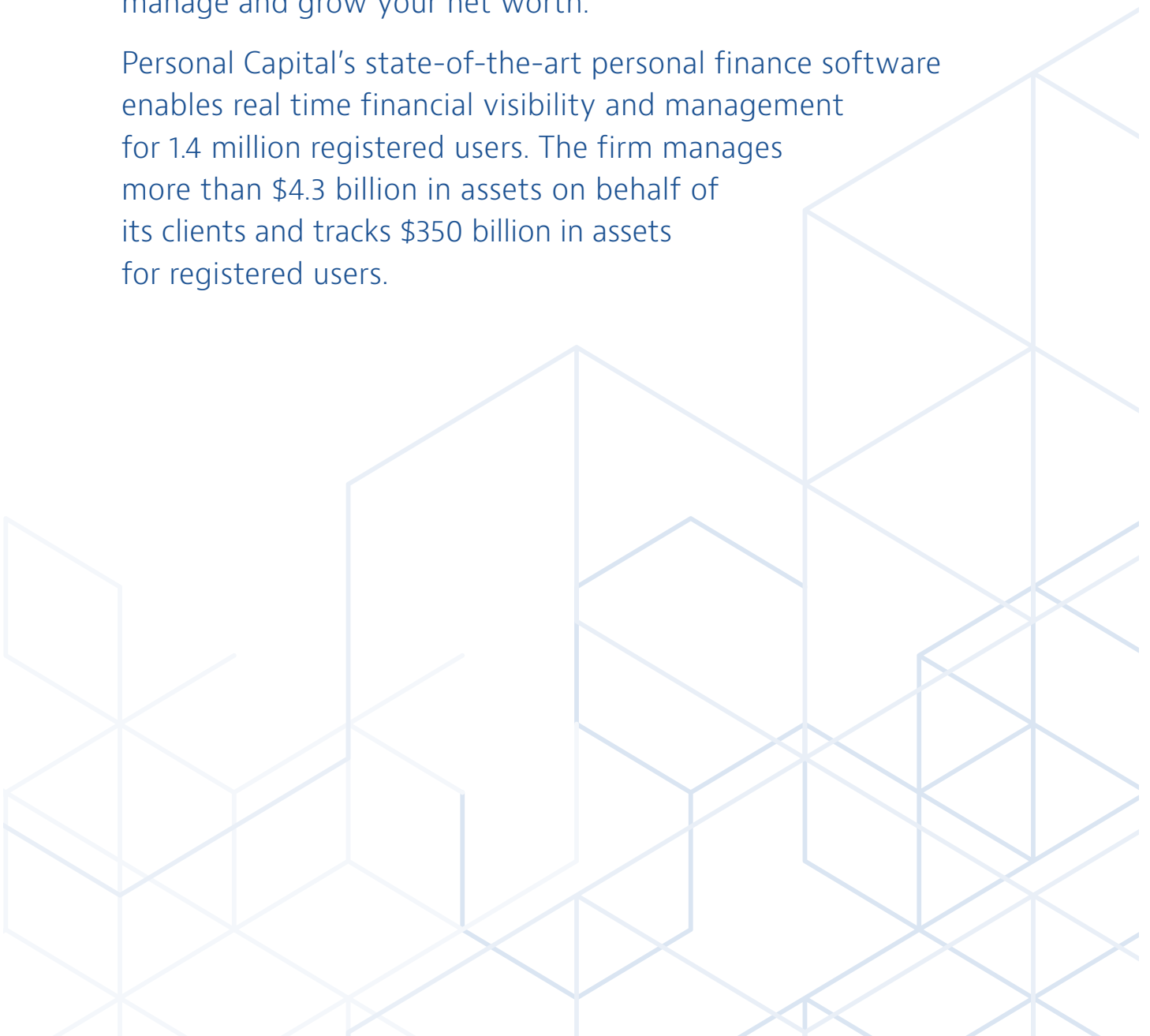
American investors face plenty of challenges when it comes to feeling confident about their finances, from finding a financial advisor they can trust to figuring out what they are really paying in fees. The good news is that free tools like Personal Capital will help any investor gain transparency into 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](https://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.





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## 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, among whom 1,301 have at least one investment account. For complete survey methodology, including weighting variables, please contact Marianne Ahlmann at [press@personalcapital.com](mailto:press@personalcapital.com).

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