Enhancing Investors' Trust

2022 CFA Institute Investor Trust Study

A Divided Landscape ÷

The Trust Multiplier ×

The Plus Factors +

CFA Institute

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Executive Summary

Trust, in some form, is at the center of all financial transactions.

Investors must have confidence in the financial system overall, and trust is especially important for investment management, since client outcomes manifest only over a future horizon. Industry leaders must understand the drivers of investor trust so they can deliver the most value.

In the 2022 CFA Institute Investor Trust Study, the fifth in our biennial series, we found that trust levels in financial services among retail and institutional investors have increased significantly since 2020. Institutional investors—such as insurance companies, pension funds, endowments, and others—generally have high trust levels in the firms that manage their assets and are satisfied with the value these firms provide. Retail investors also express high trust levels overall, though trust is lower for them than among institutional investors, and importantly, satisfaction differs between retail investors with an adviser and those without an adviser.

A Divided Landscape

In Section II, we examine the **trust divide** among investor cohorts, including differences across geographic markets, between generations, and between retail investors with and without an adviser.

The Trust Multiplier

In Section III, we discuss how **technology can be a trust multiplier** in the provision of investment services. For the first time, we found that most retail investors believe access to the latest technology tools to manage their investments will be more important than access to a human being in the next three years. Half of retail investors and more than four-fifths of institutional investors reported that expanded use of technology has increased trust in their adviser or asset manager.

The Plus Factors

In Section IV, we look at the **plus factors of values and personal connection** in building and maintaining trust. Personalization is additive to trust, and advisers can increase their effectiveness if they understand their clients personally and provide investment products that align with clients' personal values and beliefs. Investment products and strategies that incorporate sustainability preferences continue to play an important role in this regard, and direct indexing is an emerging area for growth.

We conclude with a summary of actions for financial advisers and investment firms to take to build trust for the long term. Trust enhancers include such things as new technology and related product innovations and a better alignment of interests between firms and clients that incorporates client values and broader expectations for how their funds are invested. Strong brands can also enhance trust, along with client communications that adapt in high-trust situations, such as the onset of an advisory relationship or in changing market conditions.

I. Methodology and Demographics

Coalition Greenwich surveyed 3,588 retail investors and 976 institutional investors in October and November 2021 from 15 markets across the globe. **Exhibit 1** shows the breakdown by market. All subsequent references to market-level data are for retail investors. Institutional investor data are reported in aggregate because of lower sample sizes.

EXHIBIT 1

RESPONDENT PROFILE BY MARKET

MARKET	RETAIL	INSTITUTIONAL
Australia	**250**	**61**
Brazil	**324**	**85**
Canada	**501**	**37**
China*	**200**	**79**
France	**200**	**76**
Germany	**250**	**75**
Hong Kong SAR**	**100**	**35**
India	**200**	**75**
Japan	**100**	**50**
Mexico	**100**	**53**
Singapore	**101**	**40**
South Africa	**100**	**25**
United Arab Emirates	**162**	**59**
United Kingdom	**500**	**75**
United States	**500**	**151**
Total respondents	**3,588**	**976**

**In this report, "China" refers to mainland China.*
***In this report, "Hong Kong SAR" refers to Hong Kong, a special administrative region (SAR) of China.*

Retail Investor Respondent Demographics

Retail investors were 25 years or older with investible assets of at least USD100,000, except in India, where the minimum asset level was INR5,00,000 (5 lakh rupees). Investible assets include retirement plans, stocks, bonds, mutual funds, and other financial instruments. The age distribution was spread across generations (see **Exhibit 2**), and the breakdown by gender was 62.9% male, 37.0% female, and 0.1% for nonbinary individuals and those who prefer not to disclose.

EXHIBIT 2

RETAIL RESPONDENT PROFILE BY AGE

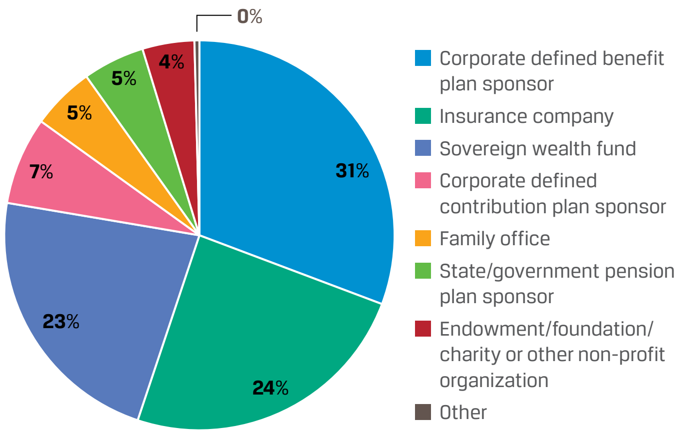
AGE	PERCENTAGE
25–34	**20%**
35–44	**26%**
45–54	**18%**
55–64	**17%**
65+	**19%**
Grand Total	**100%**

Institutional Investor Respondent Demographics

Institutional investors included individuals responsible for investment decisions with assets under management of at least USD50 million from public and private pension funds, endowments and foundations, insurance companies, and sovereign wealth funds. **Exhibit 3** shows the breakdown by type of institutional investor.

EXHIBIT 3

INSTITUTIONAL INVESTOR PROFILE BY ORGANIZATION TYPE



II. A Divided Landscape: The State of Investor Trust

Investor Trust by Industry

Trust levels across all industries have increased from 2020, and trust in financial services is at an all-time high. Institutional investor trust levels are greater than 80% for every industry we surveyed. Retail investors are much more varied in their levels of trust; there was a 44 percentage point difference between the top-ranked medicine industry and the lowest-ranked media industry, as shown in **Exhibit 4**.

Trust in Financial Services: Retail vs. Institutional Investors

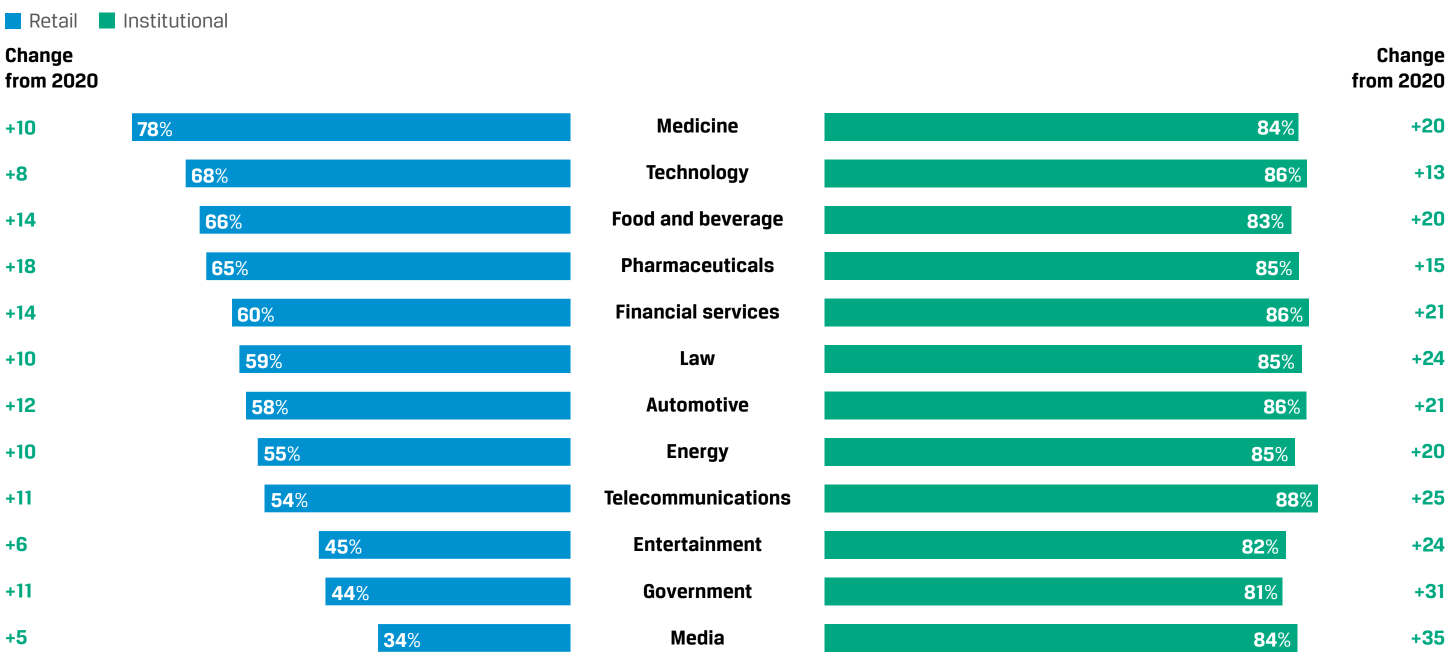
As **Exhibit 5** shows, trust in financial services has increased to 60% among retail investors and 86% among institutional investors. There are meaningful differences in how retail investors and institutional investors view the financial services industry and its effectiveness.

Exhibit 6 shows that the most trusted segment of the financial services industry among retail investors is consumer banks (57% trust or completely trust this segment). This finding is consistent with consumer banking being a core service that most depend on for everyday activities. At the opposite end of the trust spectrum are robo-advisers; less than one-third trust or completely trust robo-advisers, although this proportion has increased from just over a quarter in 2020.

Trust in financial advisers is at 56%, and trust in investment management firms is at 53%. We will explore these areas

EXHIBIT 4

WHAT IS YOUR LEVEL OF TRUST IN THE FOLLOWING INDUSTRIES? (PERCENTAGE OF INVESTORS WHO TRUST)



Note: The exhibit shows the percentage of respondents selecting 4 or 5 on a scale of 1 (completely distrust) to 5 (completely trust).

EXHIBIT 5

TRUST IN FINANCIAL SERVICES AMONG RETAIL AND INSTITUTIONAL INVESTORS

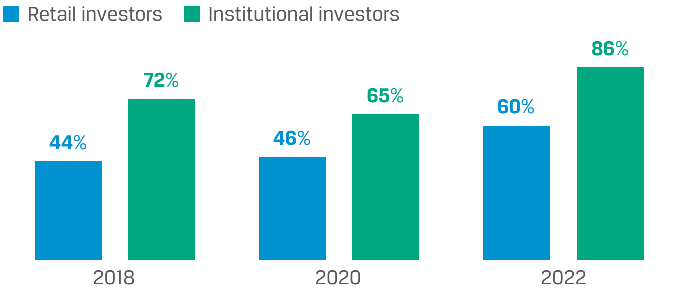


EXHIBIT 6

THINKING OF THE FINANCIAL SERVICES INDUSTRY, WHAT IS YOUR LEVEL OF TRUST IN THE FOLLOWING SUB-INDUSTRIES? (RETAIL INVESTORS)

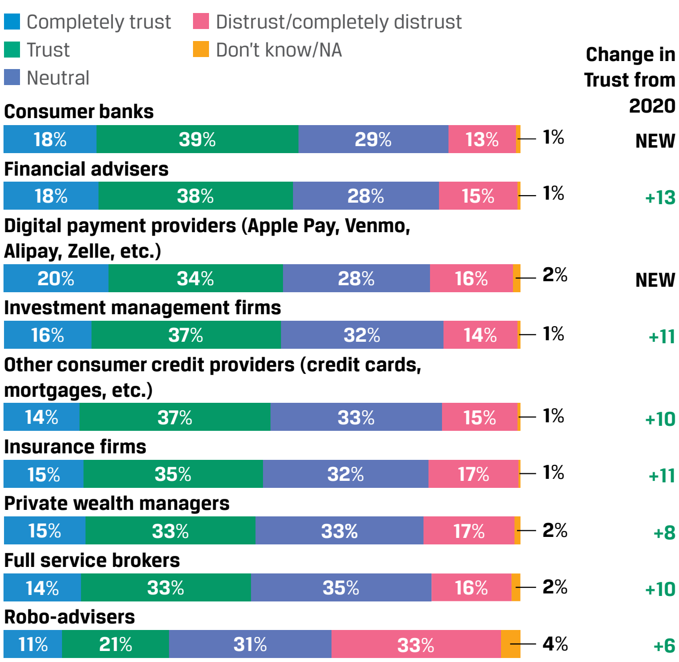
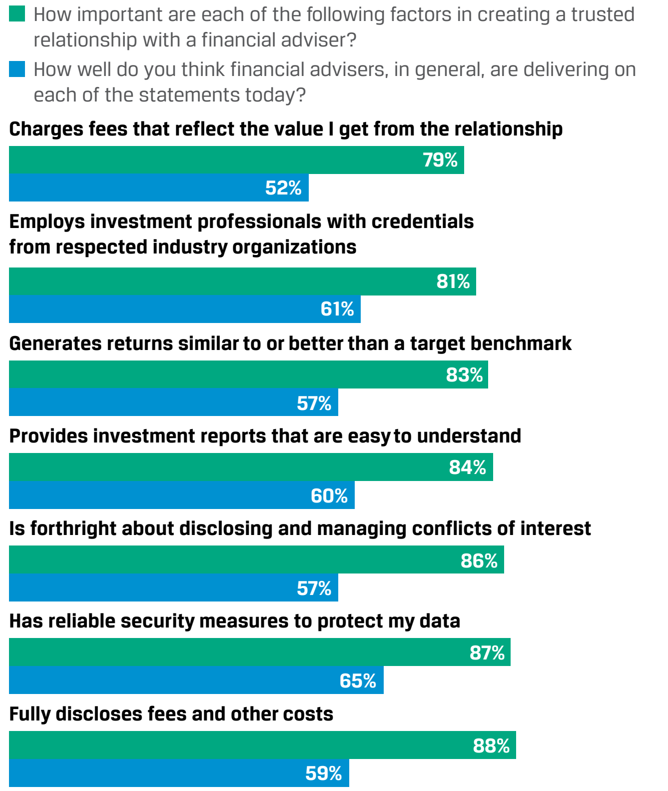


EXHIBIT 7

IMPORTANCE OF ADVISER TRUST FACTORS AND HOW WELL ADVISERS ARE DELIVERING ON THOSE FACTORS



Note: The exhibit shows the percentage of respondents selecting 4 or 5 on a scale of 1 (not at all important/not at all well) to 5 (very important/very well).

in more detail, with a focus on how trust is related to expectations around specific actions and attributes.

With respect to retail investors with advisers, gaps remain between what investors believe is important to get from their advisers and what advisers are actually delivering, though the gaps have narrowed from an average of 31 percentage points (pps) in 2020 to 25 pps in 2022. The two largest remaining gaps now—both at 29 pps—relate to expectations around disclosures of conflicts of interest and fee disclosure (see **Exhibit 7**). Fee disclosure remains of highest importance, but the gap between the importance of full fee disclosure and how well financial advisers are doing in disclosing fees has narrowed from 34 pps in 2020.

Institutional investors, meanwhile, did not report a meaningful gap between expectations and delivery. They are satisfied with their investment firms. Furthermore, the influence that institutional investors have had on industry practices through their bargaining power may be part of the reason that the gaps among retail investors are narrowing.

For example, a significant majority (84%) of institutional investors have renegotiated the fees they pay managers within the last year, compared to 65% in 2020. In 2020, 73% of both retail and institutional investors said the fees they pay are fair. The data in this report demonstrate that those numbers have risen to 93% among institutional investors and 79% among retail investors.

In addition, there are attributes that investors look for when hiring an adviser or firm, and these are strongly related to trust. We have consistently seen over time that retail investors most value someone who will be "trusted to act in my best interest." An ability to achieve high returns is important; the importance of achieving high returns has increased the most among adviser hiring considerations since 2020. But it remains a distant second to being "trusted to act in my best interest," as shown in **Exhibit 8**.

Among institutional investors, various factors are more evenly valued, with ability to achieve high returns (19%), trusted to act in my best interest (18%), and compliance with industry best practices (18%) as the top three responses. Compliance has increased in importance the most since 2020, indicating a rising focus on standards and ethics in the industry.

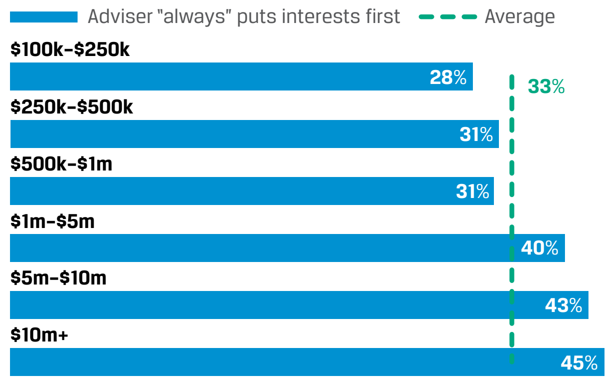
To examine how the industry is doing as it relates to acting in the best interests of investors, we asked, "Do you believe your financial adviser or asset managers put your interests first?" In prior years, only about a quarter of institutional investors and a third of retail investors said their adviser or managers always put their interests first. In 2022, the institutional investor level has increased to match that of retail investors, though this still means that just one-third say their interests are fully aligned. As **Exhibit 9** shows, investors with higher asset levels (greater than USD1 million) are much more likely than investors with lower asset levels to say their adviser always puts their interests first.

EXHIBIT 8

MOST IMPORTANT ATTRIBUTE WHEN MAKING A DECISION TO HIRE A FINANCIAL ADVISER (RETAIL INVESTORS)

EXHIBIT 9

PERCENTAGE OF INVESTORS WHO SAY THEIR ADVISER PUTS THEIR INTERESTS FIRST, BY ASSET LEVEL



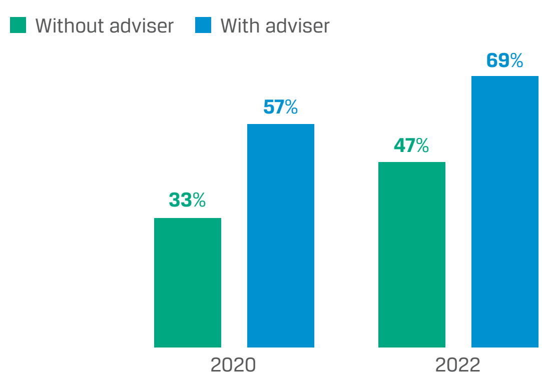
Trust in Financial Services: Retail Investors with and without Advisers

Retail investors who have an adviser have a much different view of the financial services industry and have different investment expectations compared with those who do not have an adviser. More than two-thirds of those with an adviser trust the financial services industry, while less than half of those without an adviser trust it. **Exhibit 10** shows that for both groups, however, trust has increased significantly since 2020.

Those with an adviser are more likely to be very confident in their ability to make good investment decisions (36% of those with an adviser compared to 23% of those without an adviser). Perhaps because of strong market performance

EXHIBIT 10

TRUST IN FINANCIAL SERVICES FOR THOSE WITH AND WITHOUT AN ADVISER



in 2021, views have converged for these two retail investor groups on whether there is a fair opportunity to profit by investing in capital markets. Among those with an adviser, 85% agreed (an increase from 81% in 2020) that there is a fair opportunity to profit, compared to 72% of those without an adviser (an increase from 57% in 2020).

Two-thirds of those with an adviser said that their adviser is their most trusted source of advice (see **Exhibit 11**), which we view as a measure of the effectiveness of the industry. This number is slightly higher than in 2020, when the proportion was 59%. The rest rely on the same sources of information as those without advisers—primarily online research and friends and family.

Despite the rise of meme stocks (i.e., stocks that gain popularity among retail investors by way of social media), relatively few investors rely on media or social media for advice. Trust in financial news has grown in 2022, with 70% of those with advisers and 55% of those without advisers saying financial news is trustworthy.

Although there are many reasons that a retail investor may not have an adviser, including different asset levels or different levels of investment knowledge, one factor is trust in advisers. As **Exhibit 12** shows, those with an adviser consider them the *most* trustworthy group after doctors, but those without an adviser consider financial advisers the *least* trustworthy group other than politicians. This dichotomy of trust presents a challenge to the growth of the adviser industry.

Another important difference between retail investors with advisers and those without an adviser is that those with an adviser are more willing to try new investments. **Exhibit 13** shows that a majority of retail investors with advisers (58%) consider themselves early adopters when it comes to new investment products. Slightly more than a third of retail investors without an adviser are early adopters, and among the rest, most view new products as too risky.

Access to new products is an attractive reason to use an adviser, and these response patterns are consistent when specific types of new investments are considered. A majority of investors with advisers would like personalized products and would be willing to pay for them, but only

EXHIBIT 11

WHO OR WHAT DO YOU TRUST MOST TO GIVE YOU INVESTMENT ADVICE?

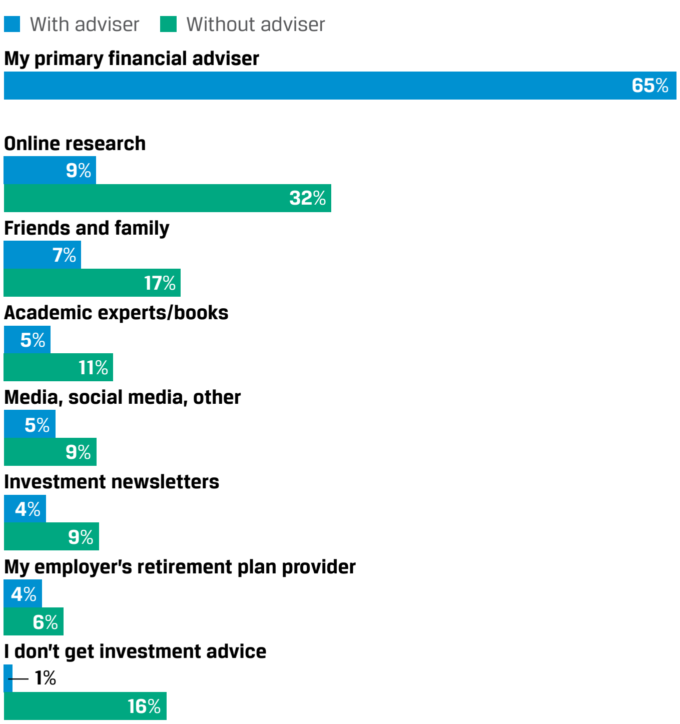


EXHIBIT 12

WHICH OF THE FOLLOWING TYPES OF PEOPLE DO YOU CONSIDER TO BE MORE TRUSTWORTHY?

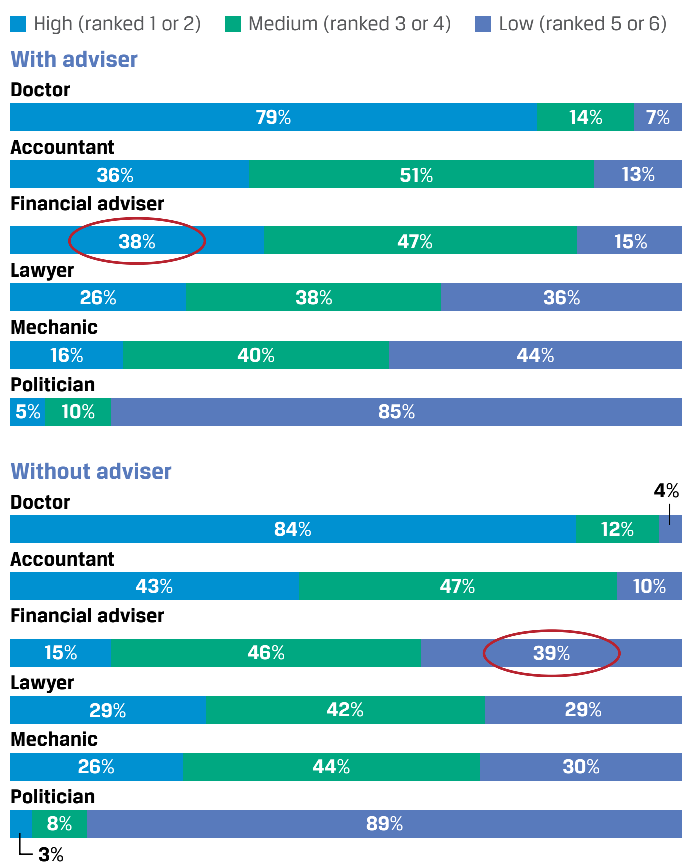
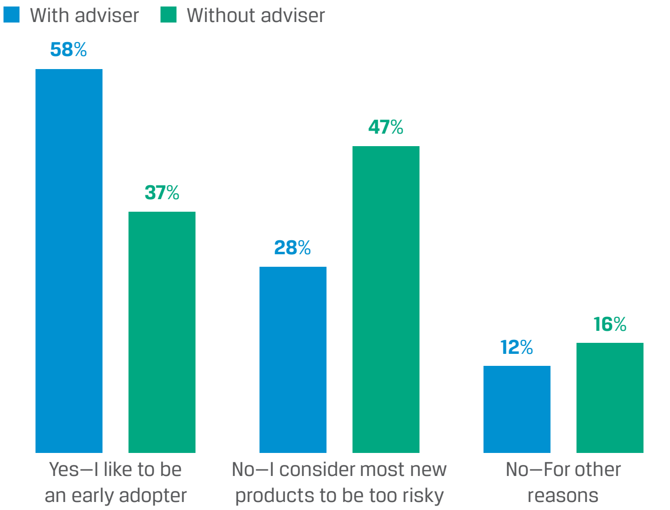


EXHIBIT 13

IS IT IMPORTANT TO YOU THAT YOUR FINANCIAL ADVISER GIVES YOU ACCESS TO NEW INVESTMENT PRODUCTS BEFORE THEY BECOME WIDELY AVAILABLE?



a minority of those without an adviser mention this (see **Exhibit 14**). Direct indexing and impact funds are examples of personalized products with significant potential among retail investors with advisers. Products driven by artificial intelligence (AI) and cryptocurrencies are also of more interest to retail investors with advisers than to those without an adviser.

EXHIBIT 14

IMPACT OF ADVISERS ON DEMAND FOR PERSONALIZATION

	HAS ADVISER	NO ADVISER	PERCENTAGE POINT DIFFERENCE
Would like personalized products and is willing to pay additional fees for them	**62%**	**43%**	**19**
Interest in an index personalized for my specific investment needs (e.g., direct indexing)	**56%**	**46%**	**10**
Interest in a personalized impact fund (that has an objective to achieve a specific real-world benefit)	**53%**	**41%**	**12**
Would invest in a fund that primarily uses AI to select investments	**44%**	**31%**	**13**
Invests in cryptocurrencies	**39%**	**22%**	**17**

Trust in Financial Services: Global Differences

There have been significant changes in trust levels in financial services around the world. Retail trust levels in financial services have increased in every market except for India, which continues to have the highest trust level of any market. As **Exhibit 15** shows, the United States and Singapore have experienced two of the largest increases in trust levels, bringing them from below the average to above average. Canada and Hong Kong SAR have had only modest increases in trust levels and are now slightly lower than the global average of 60%.

Otherwise, there is consistency in the highest-trust markets, with India, the United Arab Emirates, and China in the top three. Australia, which had the lowest trust level in 2020, experienced a significant increase in trust but remains at the low end of the trust spectrum, along with Germany and Japan.

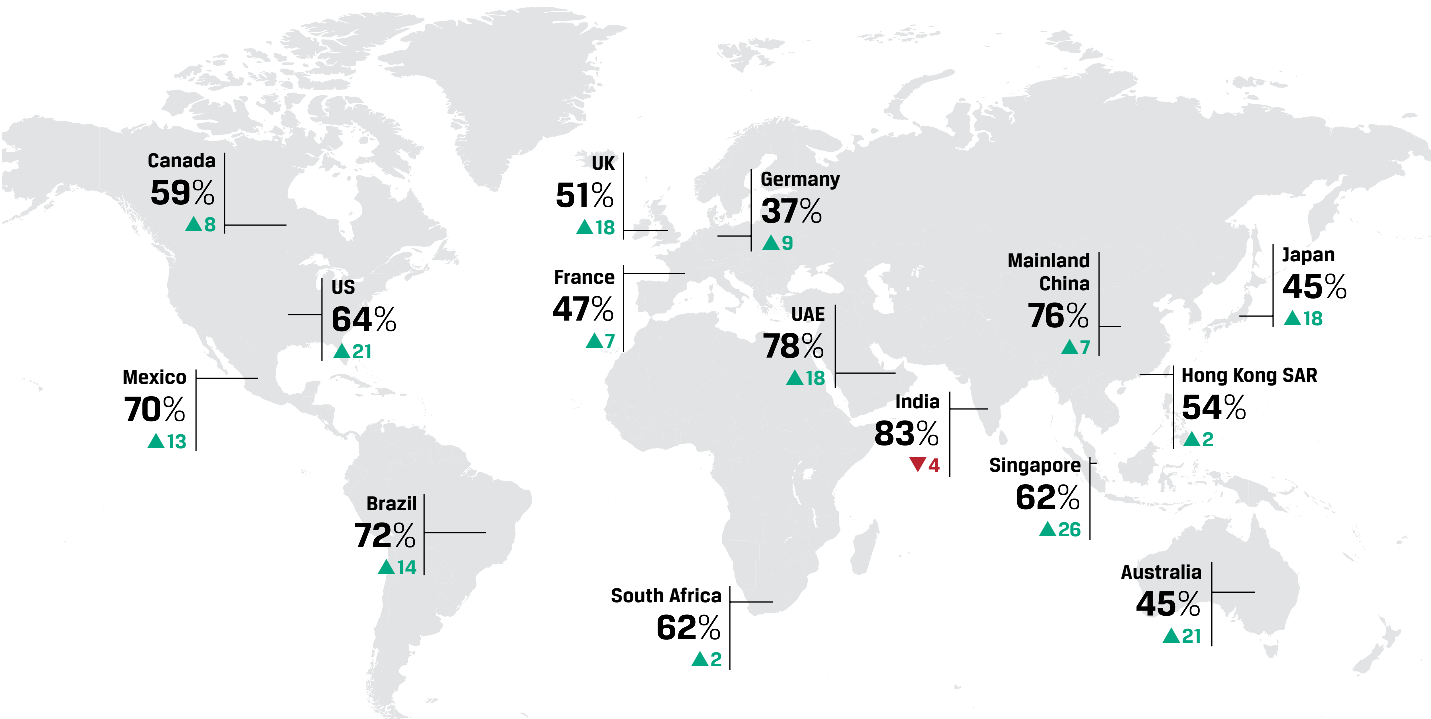
Factors Affecting Trust

Five main factors appear to be contributing to the higher levels of trust in this report.

1. **Strong market performance:** S&P 500 and NASDAQ returns averaged over 20% a year the past two years, and high returns could conceal trust issues that may arise in a market contraction.
2. **Fee compression:** Passive investing and zero-commission trading improved the fee environment for retail investors, reducing barriers to entry and enabling access to investment products.
3. **Technology-enabled transparency:** Increased adoption and integration of technology resulted in more information and better transparency, improving investor understanding and confidence in markets.
4. **Greater access to markets:** New apps and tools made it easier to gain access to markets, especially at smaller asset levels and for an increasingly younger investor base, who have higher trust levels.
5. **New personalized products:** The introduction of new personalized investment products gave investors a greater connection to how their money is being put to work.

EXHIBIT 15

TRUST IN FINANCIAL SERVICES BY MARKET



Note: The exhibit shows the percentage of respondents selecting 4 or 5 on a scale of 1 (completely distrust) to 5 (completely trust).

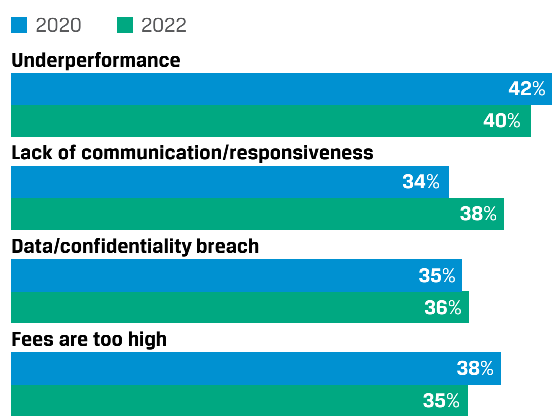
The Factors That Break Trust

The factors that break trust are diverging. Retail investors have consistently ranked the same four items at the top of the list for reasons to leave an adviser: underperformance, fees that are too high, inadequate data security, and a lack of adviser responsiveness. Following the COVID-19 disruption to communication, it is not surprising that responsiveness was the item that increased most as a concern in 2022 (see **Exhibit 16**).

The reasons that institutional investors cite for leaving an investment firm are much more varied, and their top concerns have changed in priority in 2022. In fact, the top two reasons from 2020—underperformance and high fees—shared the largest decrease in priority in 2022. These have both been de-emphasized following strong performance and a trend toward fee compression.

EXHIBIT 16

TOP REASONS TO LEAVE AN ADVISER (RETAIL INVESTORS)



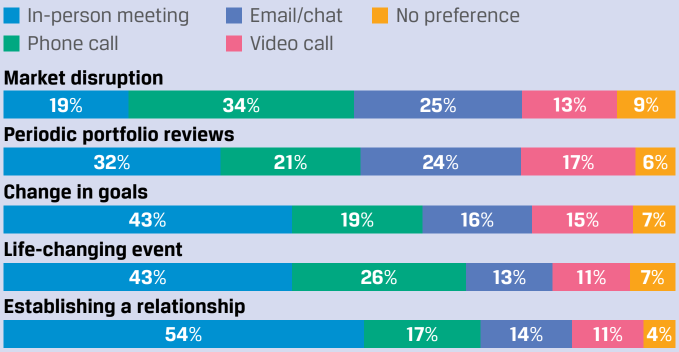
Note: Respondents could select up to three items.

Trust in Action: How Modes of Communication Matter in a Hybrid World of Work

To explore the role of communication in trust, we asked investors about their preferred modes of communication in several high-trust situations. **Exhibit 17** shows that just under two-thirds of respondents indicated that periodic portfolio reviews can be done effectively on a remote basis, but the start of a working relationship is the most important time to establish a basis of trust in an adviser through in-person interaction.

EXHIBIT 17

IN EACH OF THE FOLLOWING SITUATIONS, WHICH OF THESE MODES OF COMMUNICATION WOULD YOU PREFER YOUR FINANCIAL ADVISER TO USE WITH YOU?



In the Future of Work in Investment Management report series,[1] we surveyed client-facing investment professionals on their expectations for communication in the future. They indicated that travel will decrease and the use of video calls will increase significantly, though we cautioned that video calls cannot fully substitute for in-person interactions in all cases.

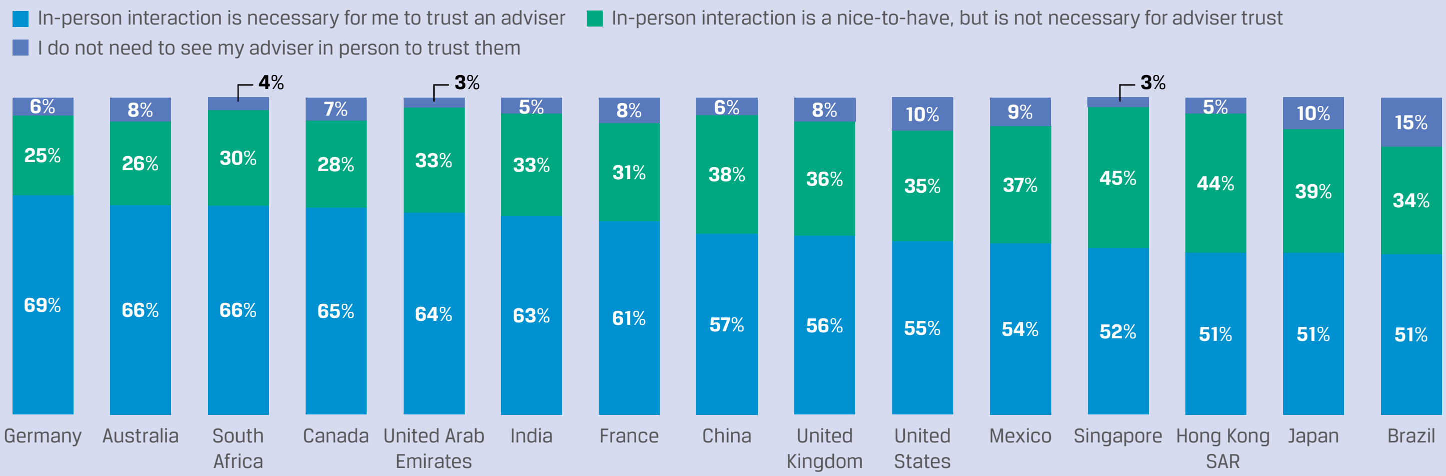
Given the high usage of video calls during the pandemic, it is notable that only about 15% of investors prefer this mode of communication. Telephone calls, emails, or chat updates are preferable for most clients of financial advisers.

As **Exhibit 18** shows, a majority of retail investors in every market said that in-person interaction is necessary to trust an adviser.

Respondents in the two lowest-trust markets—Germany and Australia—find in-person interaction to be more important than those in other markets do, but more generally, responses are not correlated with trust levels of the industry. While markets differ, there is not a clear distinction between regions. Responses are also similar across age ranges.

EXHIBIT 18

COULD YOU TRUST AN ADVISER YOU HAVE NEVER MET IN PERSON?



In 2022, for the first time, the top reason why institutional investors would stop working with an asset manager is a failure to adopt a standard voluntary code of conduct for the industry (see **Exhibit 19**). This focus on investment firm conduct follows a period of heightened attention to employee issues and ethics. The second-biggest reason for ending a relationship is that the firm and the investor have divergent public views on various issues, and this reflects the greater focus on social and political issues in corporate messaging. Other factors that rose in importance were mostly related to staff turnover; the "great resignation" is a risk for investment firms to maintain clients.

Testing Trust: Investor Views on Market Crises

In a crisis, investment performance may be challenged, decisions must be made quickly, and client questions are frequent. Unsurprisingly, a crisis is a time when adviser trust is often tested the most.

The March 2020 time period offers an interesting example of how retail investors reacted to a market downturn and the impact of having a trusted adviser to inform client decisions in stressed conditions. We found that most investors followed the advice of their adviser during the March 2020 downturn, as indicated in the green boxes in **Exhibit 20**. Among those who

EXHIBIT 19

REASONS TO STOP WORKING WITH AN INVESTMENT MANAGEMENT FIRM (INSTITUTIONAL INVESTORS)

EXHIBIT 20

INVESTMENT ADVICE GIVEN TO RETAIL INVESTORS IN MARCH 2020 AND THE ACTIONS THEY TOOK

What was the advice of your adviser/investment consultant to the market downturn in March 2020 (at the time)?	How did you react to the market downturn in March 2020, at the time? →	Significantly increased market exposure/risk N = 67	Slightly increased market exposure/risk N = 293	Did nothing N = 739	Slightly reduced market exposure/risk N = 640	Significantly reduced market exposure/risk N = 280	Total N = 2,019
	To significantly increase exposure/risk to the market N = 53	**49%**	26%	4%	2%	19%	100%
	To slightly increase exposure/risk to market N = 279	6%	**58%**	12%	18%	6%	100%
	Do nothing N = 725	1%	6%	**83%**	7%	2%	100%
	To slightly reduce exposure/risk to market N = 662	1%	10%	13%	**66%**	11%	100%
	To significantly reduce exposure/risk to market N = 300	3%	3%	7%	33%	**55%**	100%

were advised to significantly or slightly reduce risk/exposure to the market, 88% and 77% reduced risk (to either extent), respectively. Because reducing risk in a downturn is the more natural behavioral reaction—though not usually the most profitable—it is not surprising that most followed this advice.

Among those who were advised to significantly or slightly *increase* risk/exposure to the market, 75% and 64% did increase risk (to either extent), respectively. However, 21% and 24% reduced risk, respectively. Of those who received the most strongly contrarian advice, about a quarter moderated it but still increased risk slightly, as indicated in the orange box, and a fifth did the complete opposite, with a significant reduction in risk exposure, as indicated in the pink box, suggesting that they strongly disagreed with their adviser's guidance.

Overall, 70% of retail investors and 84% of institutional investors said they are very satisfied or extremely satisfied with how their adviser has managed their portfolio during COVID-19.

Looking ahead, when asked about the risk of a market crisis in the next three years, retail and institutional investors expressed differing views, underscoring the investor divide. **Exhibit 21** shows that a much higher proportion of institutional investors than retail investors believe a crisis is likely in the next three years. In fact, only 40% of retail investors said a crisis is "very likely" or "extremely likely" in the next three years, down from 49% in 2020.

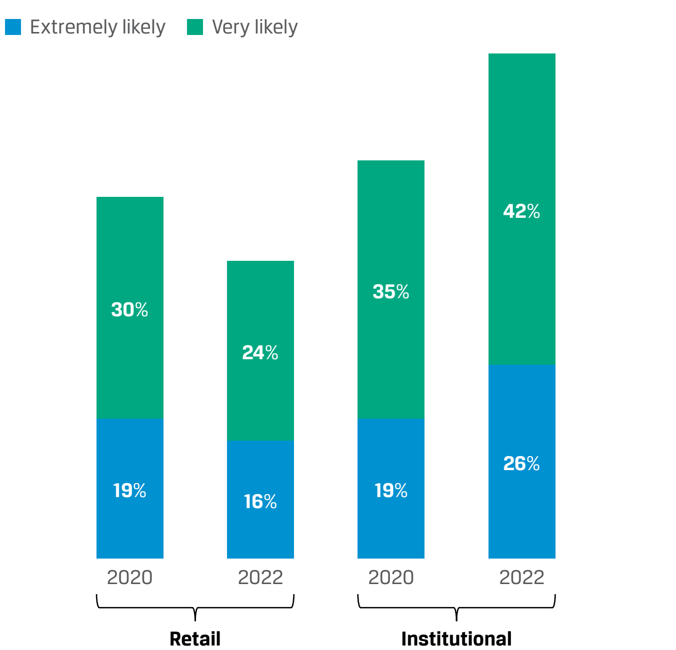
Conversely, institutional investors are more wary of the future than they were two years ago, with 68% anticipating a crisis in the next three years compared to 54% in 2020.

Fortunately, 84% of institutional investors believe their investment firms are well prepared to handle a crisis, but only 43% of retail investors agree.

In terms of likely sources of a potential financial crisis, retail investors cite inflation (39%) and global politics (29%) as their biggest concerns, while institutional investors remain concerned with ongoing pandemic challenges (27%) and the overhang of government indebtedness (24%). It remains to be seen how investors will respond to these concerns over the medium term through their asset allocation decisions.

EXHIBIT 21

HOW LIKELY DO YOU THINK IT IS THAT THERE WILL BE ANOTHER FINANCIAL CRISIS IN THE NEXT THREE YEARS?



Trust in Financial Services: Generational Differences

As **Exhibit 22** shows, investor trust in financial services has increased in 2022 across all generations, and millennials continue to have the highest trust levels. Although Generation X has had the largest increase in trust since 2020, millennials are the generation that is driving trust levels upward.

Even the least trusted area of the industry—robo-advisers—is trusted by a majority of investors aged 25–34 (see **Exhibit 23**).

EXHIBIT 22

TRUST IN FINANCIAL SERVICES BY AGE, 2020 AND 2022

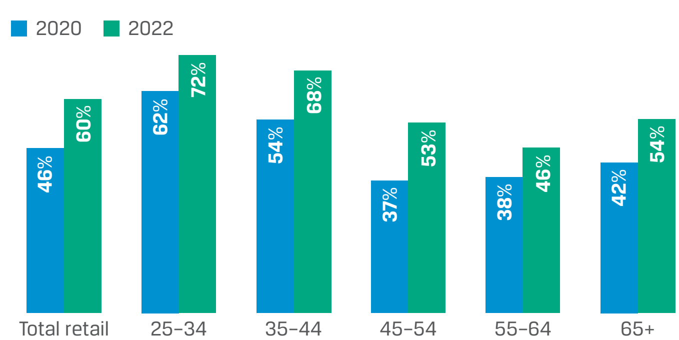
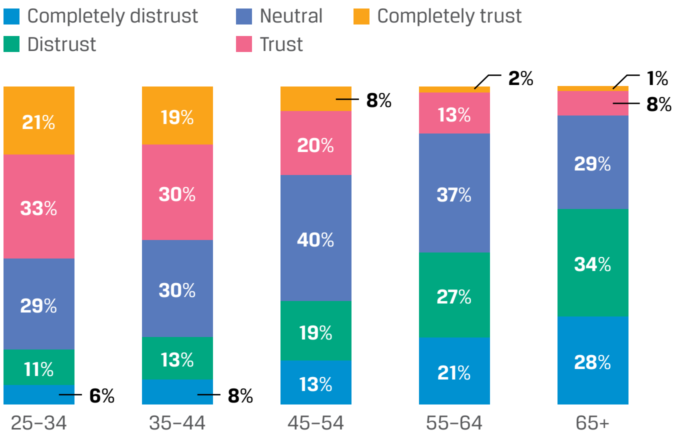


EXHIBIT 23

LEVEL OF TRUST IN ROBO-ADVISERS BY AGE



Furthermore, millennial investors are nearly three times more likely than baby boomers to consider financial advisers to be the most trusted type of professional.

These higher trust levels translate into greater interest in new financial products, and millennials' comfort with technology means they can often navigate new tools well to find financial information and gain a better understanding of their investments.

Trust and Investor Goals: Applications for Pensions and Retirement

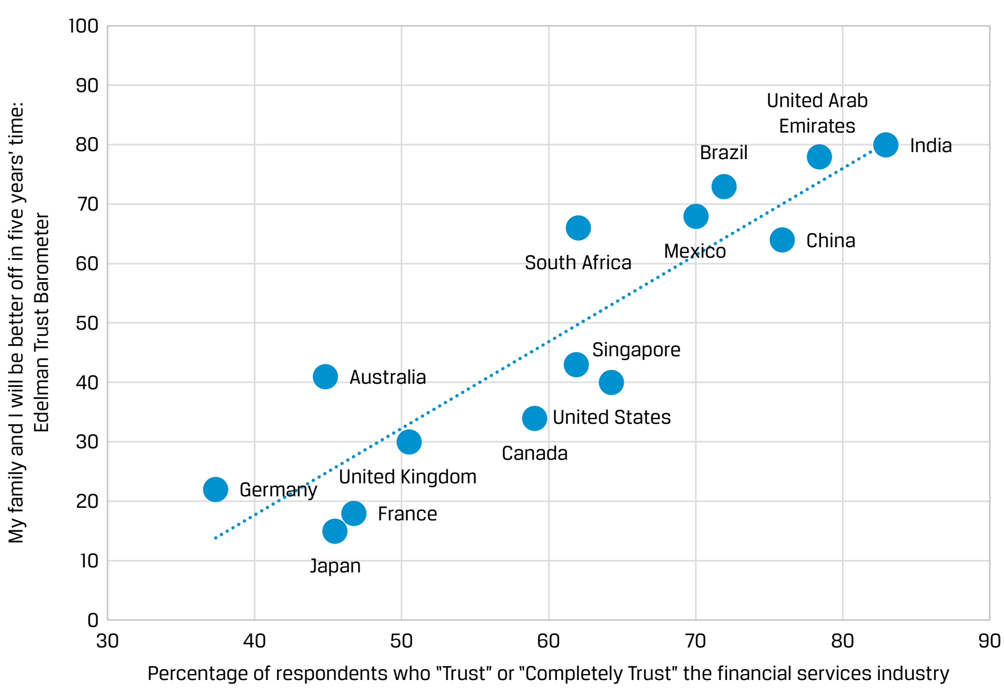
Trust in financial services and confidence in economic outcomes are correlated, and confidence levels have remained high. One key indicator of economic confidence is the response in the Edelman Trust Barometer to the following statement: "My family and I will be better off in five years' time." **Exhibit 24** shows that individuals' responses to that statement are highly correlated with levels of trust in the financial services industry, indicating that trust is a primary factor in one's economic outlook.

Although retirement remains the number one investment goal for retail investors, as **Exhibit 25** shows, there is a shift toward shorter-term outcomes and away from retirement.

Among retail investors, 84% believe it is likely (60%–80% likelihood) or very likely (greater than 80% likelihood) that they will attain their most important investment goal, an increase from 79% in 2020. Of retail investors who have retirement as their primary goal, there is even greater confidence: 86% believe it is likely or very likely that they will attain their target goal (see **Exhibit 26**).

EXHIBIT 24

CORRELATION OF TRUST IN FINANCIAL SERVICES WITH PERSONAL ECONOMIC OUTLOOK, BY MARKET



Source: 2022 Edelman Trust Barometer.[2]

EXHIBIT 25

MOST IMPORTANT RETAIL INVESTOR GOAL

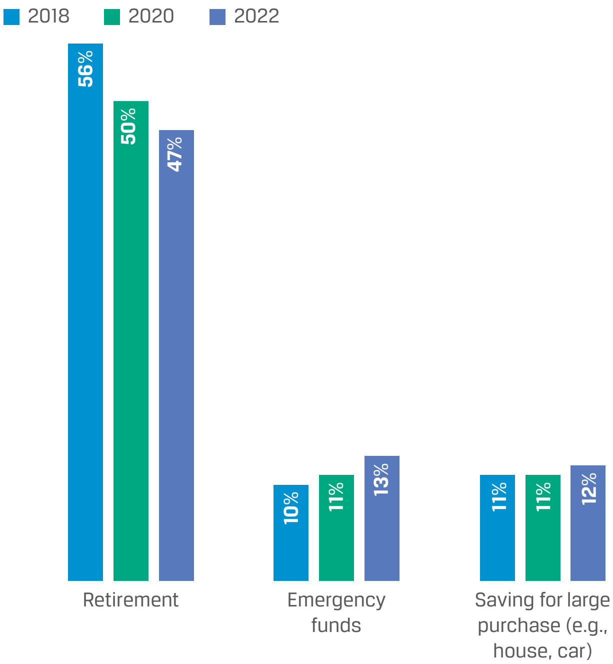
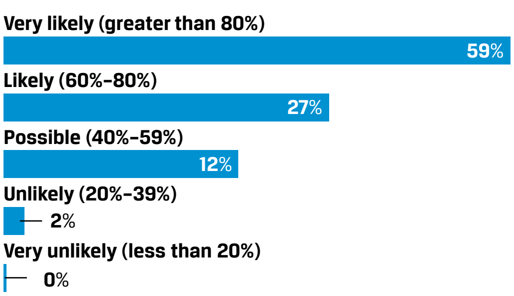


EXHIBIT 26

WHAT DO YOU THINK THE LIKELIHOOD IS OF BEING ABLE TO ATTAIN YOUR RETIREMENT GOAL? (RETAIL INVESTORS)



Additionally, 69% of retail investors trust government-provided retirement benefits will pay out as promised, as **Exhibit 27** shows.

Among institutional investors, confidence in attaining their return target has held steady, with 57% saying it is likely or very likely, versus 58% two years ago. Meanwhile, institutional investors have raised their expectations for annual returns: 87% are targeting more than a 5% nominal return, up from 68% in 2020.

Despite this confidence, 96% of those overseeing defined benefit plans believe there is a greater than 40% chance they will need to adjust benefits downward in the next

EXHIBIT 27

IF YOU ARE ELIGIBLE FOR FINANCIAL BENEFITS FROM THE GOVERNMENT IN OLD AGE, DO YOU TRUST IT WILL PAY OUT BENEFITS AS PROMISED? (RETAIL INVESTORS)

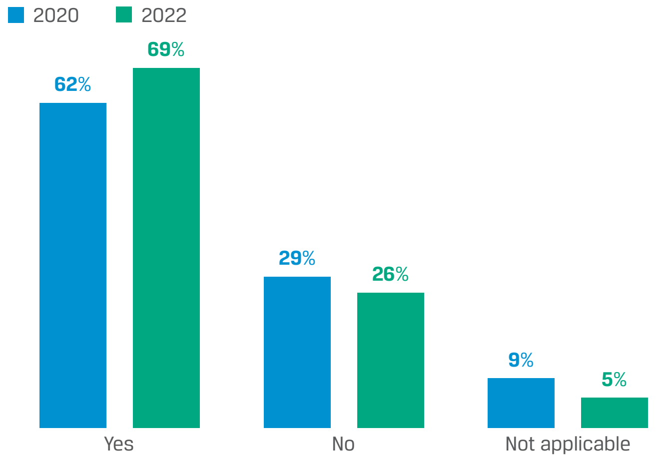
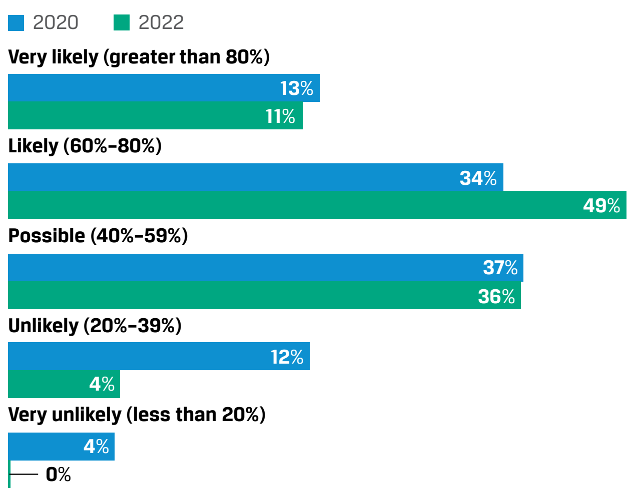


EXHIBIT 28

HOW LIKELY DO YOU THINK IT IS THAT YOUR FUND WILL NEED TO ADJUST BENEFITS DOWNWARD IN THE NEXT 10 YEARS (I.E., NOT PAY 100% OF BENEFITS)? (INSTITUTIONAL INVESTORS MANAGING DEFINED BENEFIT PORTFOLIOS)



10 years—up from 84% in 2020 (see **Exhibit 28**). This finding indicates a looming deferred trust deficit with beneficiaries.

The 2021 Mercer CFA Institute Global Pension Index[3] defines challenges to future retirement stability, including "reduced wage growth, historically low interest rates, and reduced investment returns in many asset classes," in addition to aging populations. These are long-term disruptions that will affect the current understanding of retirement planning.

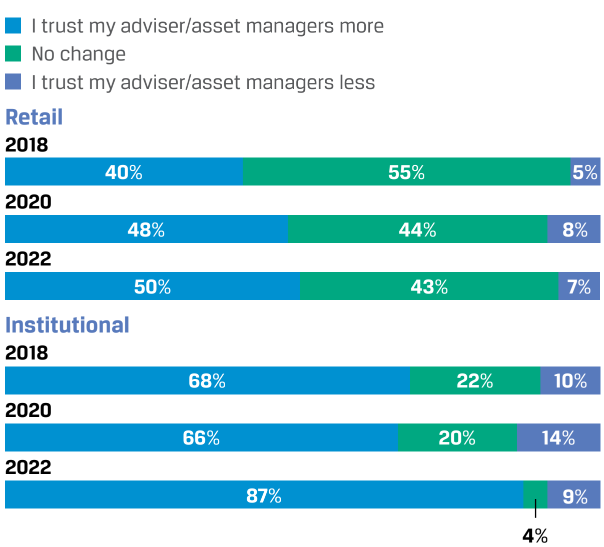
III. The Trust Multiplier: Technology

The role of technology to develop and leverage trust in the financial services industry continues to grow. Investors, both retail and institutional, view technology as a tool through which trust not only can be enabled but also can be multiplied. In fact, as **Exhibit 29** shows, 50% of retail investors and 87% of institutional investors said technology increases trust in their financial adviser/asset manager, a trend that has steadily risen over recent years.

Technology enhances trust because it allows advisers and managers to offer more transparency, simplifies access to markets and products, and can better align product offerings with clients' needs through personalization. A majority of retail and institutional investors now believe their adviser or investment firms are very transparent, an increase of 13 pps and 16 pps, respectively, compared with 2020. Technology directly supports "execution trust," and if used well by financial advisers, it can bolster "relationship trust."

EXHIBIT 29

HOW HAS THE INCREASED USE OF TECHNOLOGY IN FINANCIAL SERVICES CHANGED YOUR RELATIONSHIP WITH YOUR FINANCIAL ADVISER/ASSET MANAGERS?



Meanwhile, retail trading apps are fundamentally changing how users interact with the market, and they increase access to information and investing tools. Overall, 90% of institutional investors believe retail trading tools/apps increase trust in financial markets.

Although technology and human expertise are both important components of trust, over time, we have tracked the relative importance of technology, and for the first time since our research began, more investors believe that in three years, access to technology platforms and tools will be more important to them than the assistance of a human being (see **Exhibit 30**). This is the case in 12 of 15 markets globally.

Given the high trust in the technology industry generally and the benefits to investors of financial technology, it is not surprising that 56% of retail investors would rather invest in a new investment product created by a large technology firm (e.g., Amazon, Google, Alibaba) versus one created by a financial institution. Among institutional investors—who are themselves part of the investment industry—only 37% favor a technology firm product.

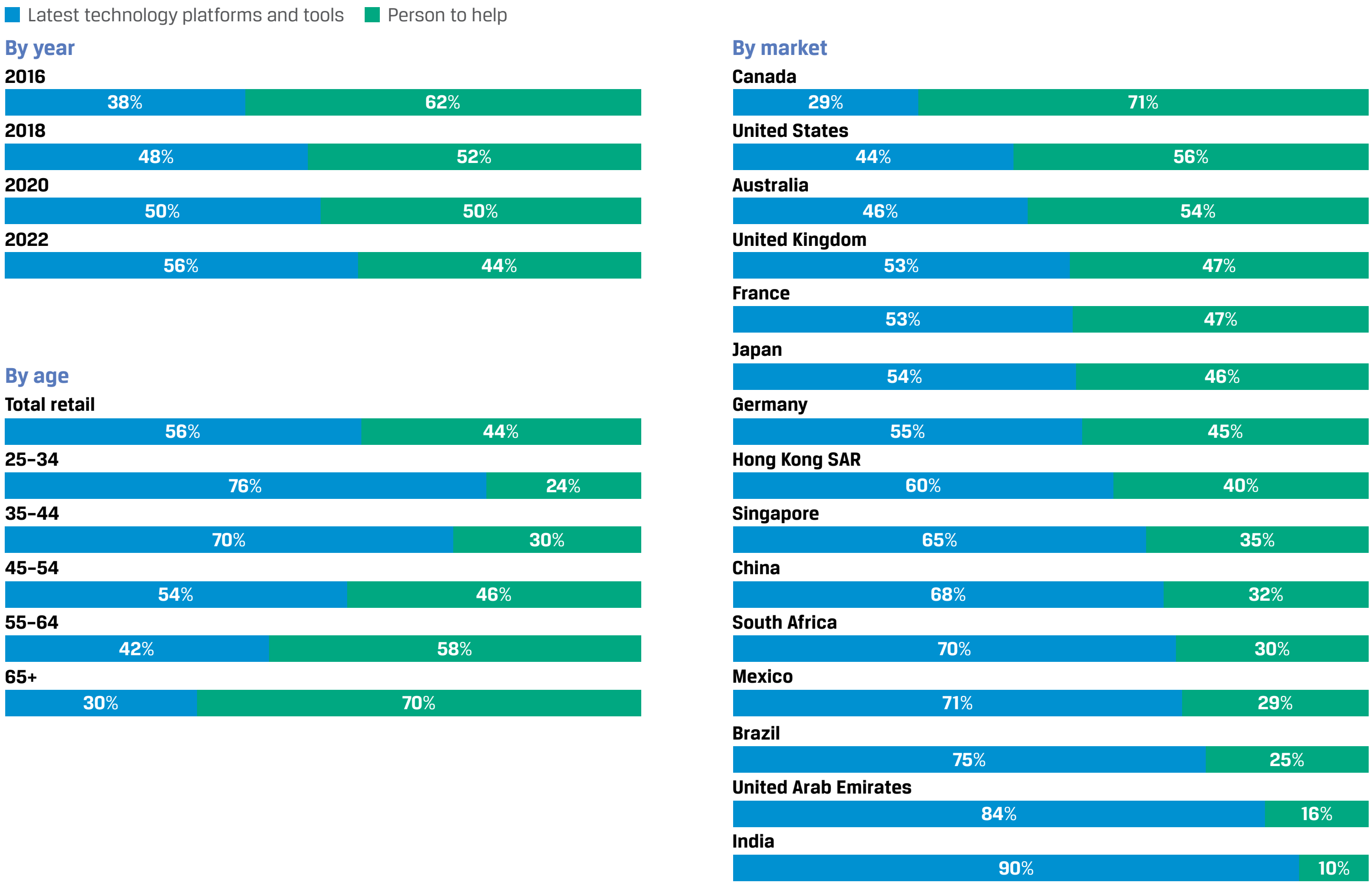
Trust and Tech Adoption by Millennials

With the arrival of the first generation of "digital natives" into the market, millennials are naturally using technology to execute their investment strategies. More than 70% of millennials prefer technology platforms and tools over having a human being to help navigate their investment strategy, compared with just 30% of those 65 or older.

Millennials have led the way in using retail trading accounts as well. Two-thirds of millennials surveyed have trading accounts, versus 54% of retail investors overall (see **Exhibit 31**). Millennials are very likely to trust in digital "nudges," which are alerts, such as push notifications that

EXHIBIT 30

IN THREE YEARS, WHICH OF THE FOLLOWING DO YOU THINK WILL BE MORE IMPORTANT TO YOU?



Note: The complete question asked respondents to choose between "having a person to help navigate what is best for me and execute on my investment strategy" and "having access to the latest technology platforms and tools to execute my investment strategy."

EXHIBIT 31

RETAIL INVESTOR CHARACTERISTICS BY AGE

	Total	25–34	35–44	45–54	55–64	65+
Has retail trading account	**54%**	68%	66%	52%	38%	37%
Trust in digital nudges	**74%**	92%	86%	72%	51%	33%
Retail tools/apps enhance understanding of investing	**71%**	87%	82%	66%	49%	36%
Trust the completeness and accuracy of information from retail apps	**61%**	80%	73%	55%	33%	25%
Retail tools/apps increase frequency of trading	**57%**	75%	73%	56%	28%	10%

providers send to share new investment opportunities and increase trading. Overall, a majority of retail investors said that apps have increased their trading frequency, and this response was most prevalent among millennials.

In terms of disclosure and information provided, 80% of retail investors aged 25–34 said they trust the completeness and accuracy of information on trading apps, and 87% said these apps increase their understanding of investing.

The Increasing Importance of AI and Big Data in Financial Services

In the last two years, interest in artificial intelligence has grown significantly among institutional investors, with 84% now eager to invest in a fund that uses such technology, up from 71% (see **Exhibit 32**). Retail investors, however, are more cautious. More than a third have interest in AI-driven investing, slightly less than a third are not interested, and the remainder are not certain.

Among retail investors, however, those that have a retail trading account are more than twice as likely to favor investing in an AI-driven fund than those without a retail trading account. Similarly, retail investors with an adviser are also more likely to favor an AI-driven fund than those without an adviser (44% versus 31%).

As **Exhibit 33** shows, most institutional investors (78%) believe that the use of AI in investment decision making will lead to better investor outcomes. It is an area that many investment professionals are eager to learn more about, and institutional investors see the most fertile applications for big data and AI in the areas of risk management (61%) and portfolio management (59%).

EXHIBIT 32

WOULD YOU INVEST IN A FUND THAT PRIMARILY USES ARTIFICIAL INTELLIGENCE TO SELECT INVESTMENT HOLDINGS?

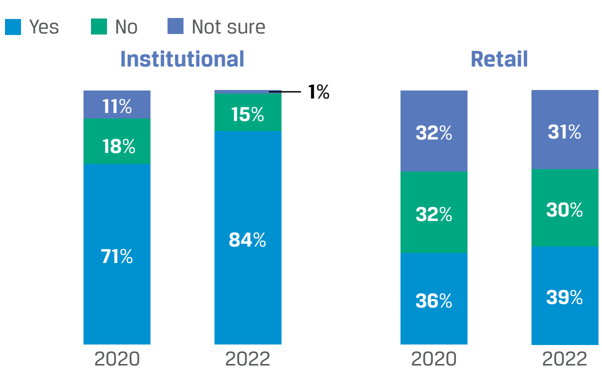
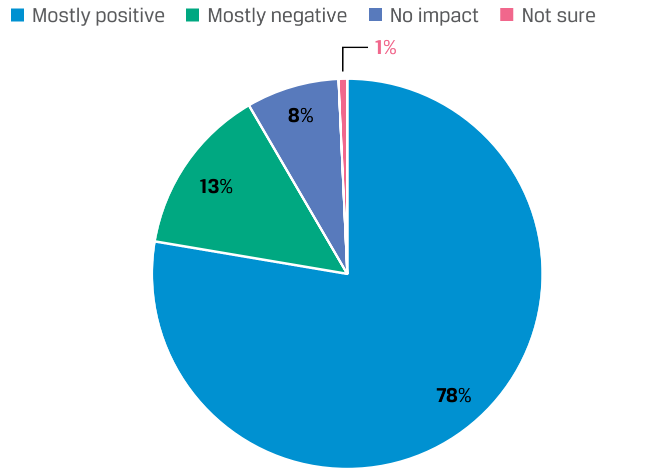


EXHIBIT 33

WHAT IMPACT, IF ANY, DO YOU THINK THE USE OF ARTIFICIAL INTELLIGENCE IN INVESTMENT DECISION MAKING WILL HAVE ON INVESTOR OUTCOMES? (INSTITUTIONAL INVESTORS)

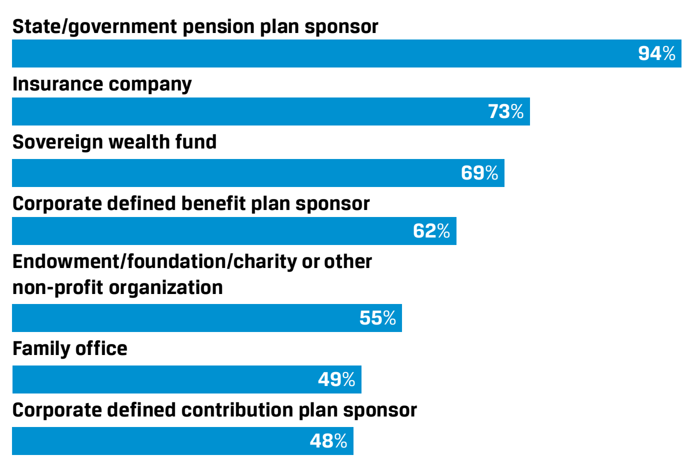


Trust in Cryptocurrencies

Institutional investors have also become bigger users of cryptocurrencies, with two-thirds saying they are currently invested in these products. As **Exhibit 34** shows, government-sponsored pension plans are the most likely to be invested in cryptoassets. Recent research findings in "Cryptoassets: The Guide to Bitcoin, Blockchain, and Cryptocurrency for Investment Professionals" show that a small allocation to cryptoassets can be beneficial in a diversified portfolio.[4]

EXHIBIT 34

PERCENTAGE OF ORGANIZATIONS CURRENTLY INVESTING IN CRYPTOCURRENCIES



Despite the pervasive advertising toward retail investors in some markets, only 32% of retail investors overall invest in cryptocurrencies (see **Exhibit 35**). The data range from 67% of those in India to just 7% in Canada.

Similarly, there are differences between retail and institutional investors in terms of trust in the ongoing value of cryptocurrencies, trust in the companies providing cryptocurrency trading and custodian services, and trust in the individuals promoting cryptocurrencies, which is the lowest (see **Exhibit 36**). Trust is significantly lower among retail investors on all three aspects, consistent with their lower usage of cryptocurrencies.

EXHIBIT 35

DO YOU INVEST IN CRYPTOCURRENCIES? (RETAIL INVESTORS)

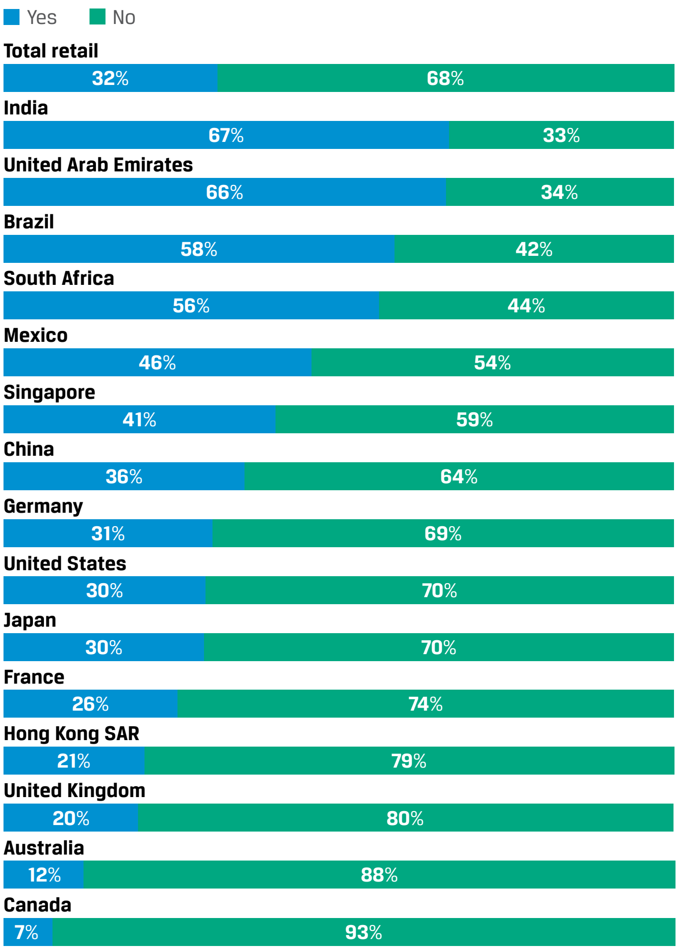


EXHIBIT 36

INVESTOR TRUST IN CRYPTOCURRENCIES

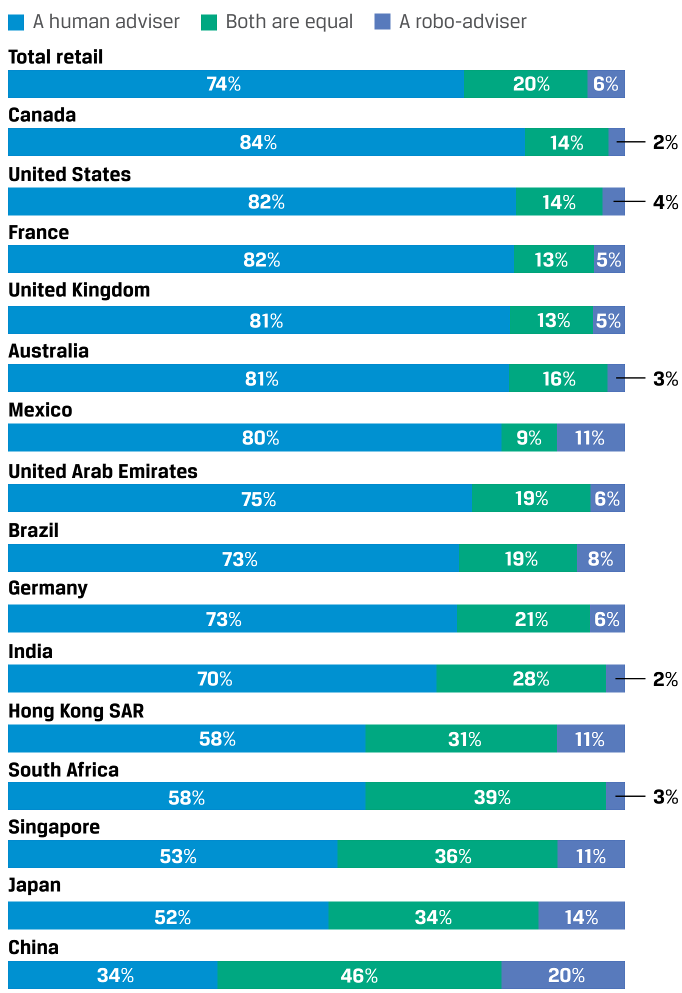
	INSTITUTIONAL	RETAIL
I trust that cryptocurrencies will hold their value	**84%**	**42%**
I trust the companies providing trading and custodian services	**86%**	**44%**
I trust the individuals promoting cryptocurrencies	**82%**	**33%**

Trusted Advice and the Role of Human Beings

The increasing use of technology and increasing trust in technology has not changed the need for human advice. **Exhibit 37** shows that three-quarters of retail investors still prefer a human adviser to a robo-adviser, and this number has remained stable since 2020. The data on this preference range from 84% in Canada to just 34% in China. China is the only market where less than half of retail investors prefer a human adviser.

EXHIBIT 37

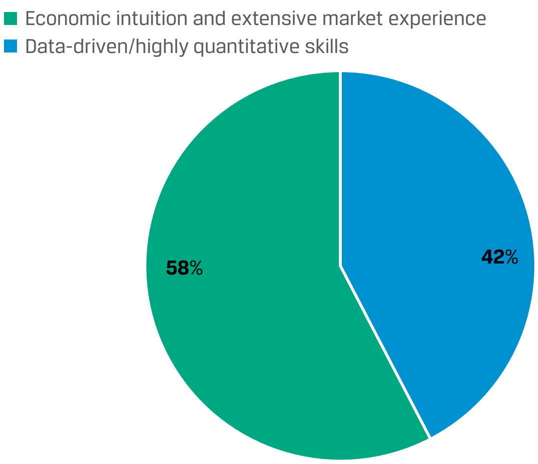
ARE YOU MORE LIKELY TO TRUST RECOMMENDATIONS FROM . . .



While technology is an enabler, it cannot fully replace human judgment. A majority of retail investors (58%) value an adviser with economic intuition and market experience over one who is data-driven with a highly quantitative skillset (see **Exhibit 38**). These are the added characteristics of human advice that, when paired with technology, can improve investor outcomes.

EXHIBIT 38

WHICH SKILLSET IS MORE IMPORTANT TO YOU IN A FINANCIAL ADVISER?



IV. The Plus Factors: Values and Personal Connection

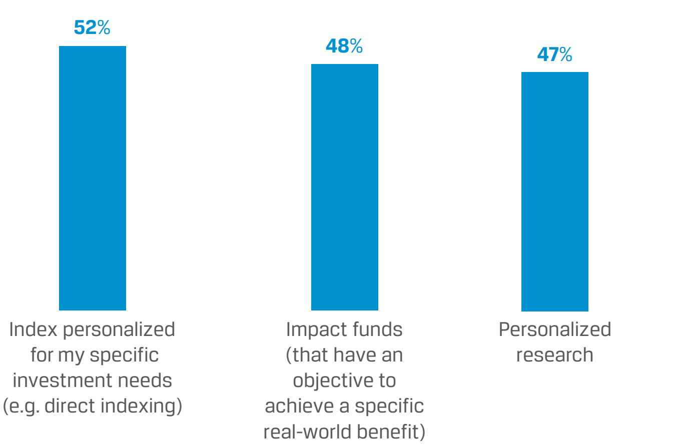
Trust is a complex topic because it is personal. There are two primary ways to have a personal connection to one's investments: to have an adviser who understands you personally or to have investments that achieve your personal objectives and resonate with what you value.

Personalization is a compelling proposition to most investors, and 78% of retail investors said they would like personalized products or services to help them meet their investing needs. Of these, 68% said they would be willing to pay higher fees for such products and services. This is a higher willingness to pay than in 2020.

The top three types of personalized products of interest among retail investors are direct indexing, impact funds, and personalized research (see **Exhibit 39**). The first two are of more interest to those with an adviser, and the last is more of interest to those without an adviser.

EXHIBIT 39

RETAIL INVESTOR INTEREST IN PERSONALIZED PRODUCTS



Investments Aligned with Personal Objectives and Values

The growth of environmental, social, and governance (ESG) investing has increased trust in the financial services industry, according to 78% of institutional investors. Our findings show that interest in this area is extremely high, with 100% of institutional investors and 77% of retail investors either interested in or already using ESG strategies.

As **Exhibit 40** shows, the primary motivation for retail investors to consider investing in ESG strategies is to express personal values or to invest in companies that have a positive environmental or societal impact. Institutional investors are more focused on using ESG investing to achieve higher risk-adjusted returns, but increasingly investors expect both outcomes.

There are a range of ESG areas that are of interest to investors. **Exhibit 41** shows that the most important ESG issues for retail investors currently are environmental, including climate change, clean energy, and air and water pollution. Institutional investors' top areas of focus are data protection and privacy, sustainable supply chain management, and climate change.

With the interest in climate change, one risk that could damage trust is insincere pledges related to net-zero goals or other ESG messages that seem like "greenwashing."

EXHIBIT 40

RETAIL INVESTOR MOTIVATIONS FOR INTEREST IN ESG STRATEGIES

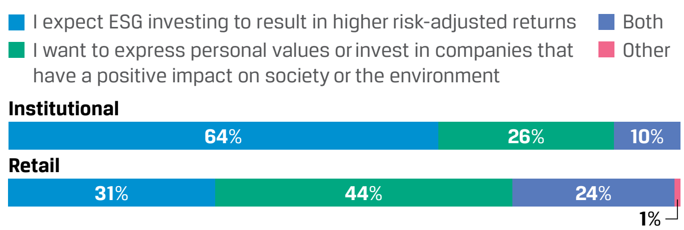
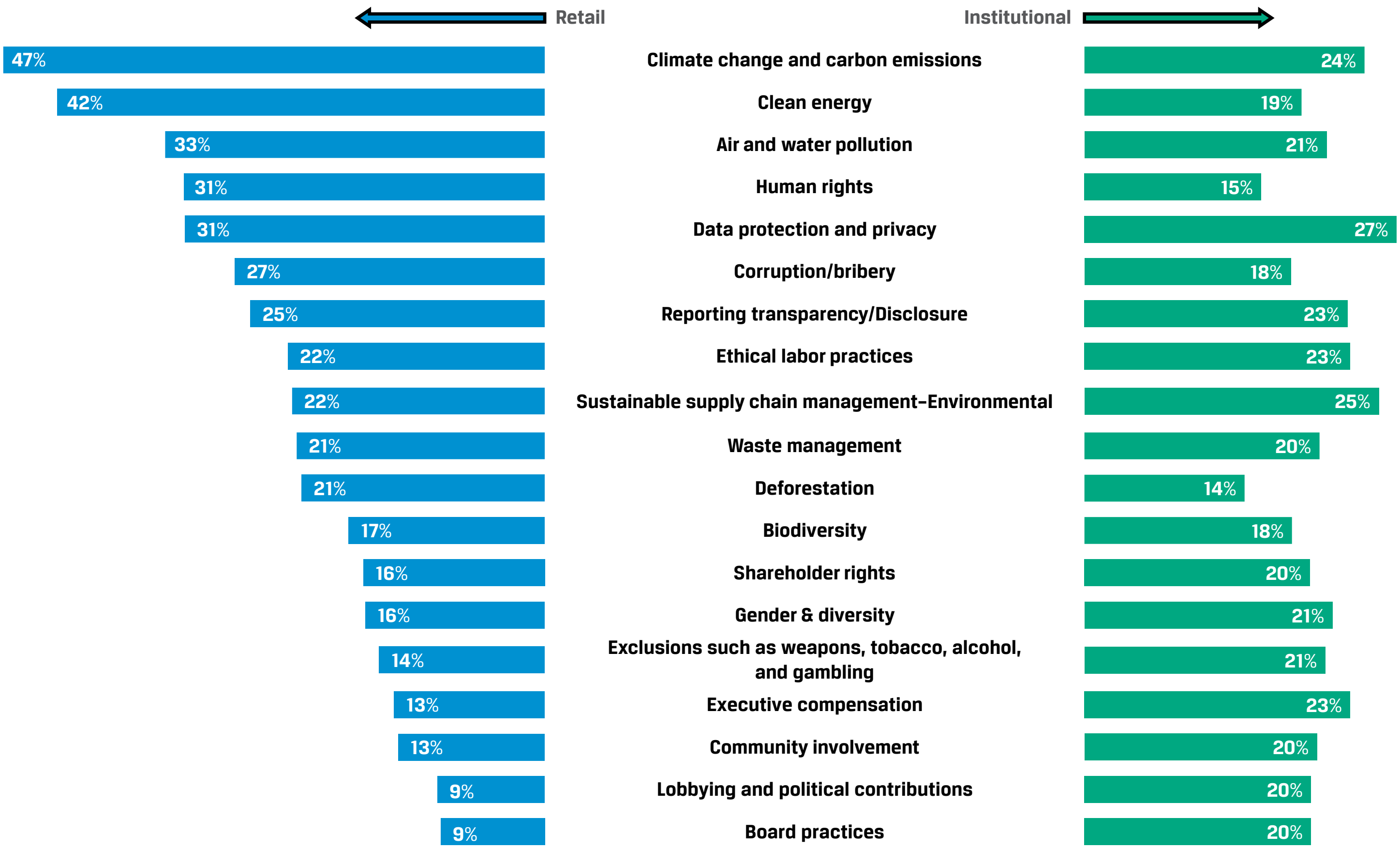


EXHIBIT 41

REGARDING YOUR INVESTMENTS, WHICH OF THE ESG-RELATED AREAS ARE MOST IMPORTANT TO YOU? (SELECT UP TO FIVE)



Almost half of retail investors are confident about the sincerity of these messages, and 87% of institutional investors are as well (see **Exhibit 42**).

Relative/best-in-class screening and positive screening are approaches that aim to invest in companies and issuers that perform better than peers on one or more performance metrics related to ESG matters, and they are the most popular approaches to ESG investing (see **Exhibit 43**). This finding is consistent with CFA Institute research results in "Future of Sustainability in Investment Management: From Ideas to Reality."[5]

Engagement/active ownership exhibited the largest decrease compared with 2020; less than one-third of institutional investors use this approach, down from more than one-half previously. This result implies that institutional investors may favor more quantitative or systematic approaches to ESG investing, as opposed to more high-touch/resource-intensive corporate engagement activities. It may also reflect a dissatisfaction with engagement outcomes on ESG issues.

EXHIBIT 42

HOW LIKELY ARE YOU TO TRUST ESG MESSAGING/NET-ZERO PLEDGES FROM COMPANIES OR INVESTMENT PRODUCTS?

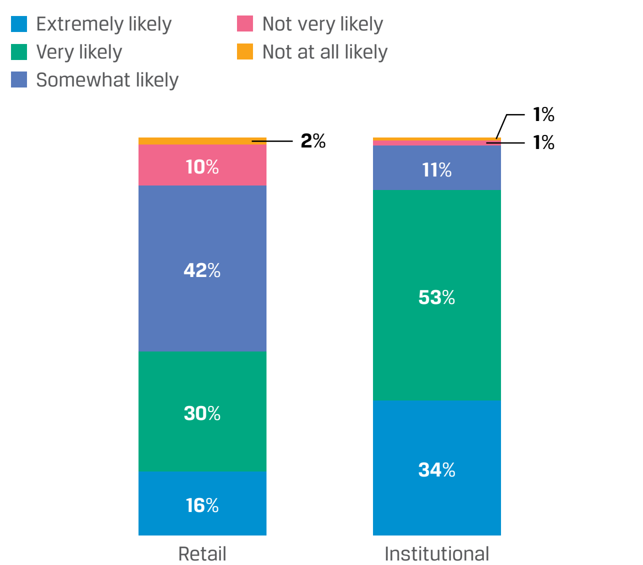
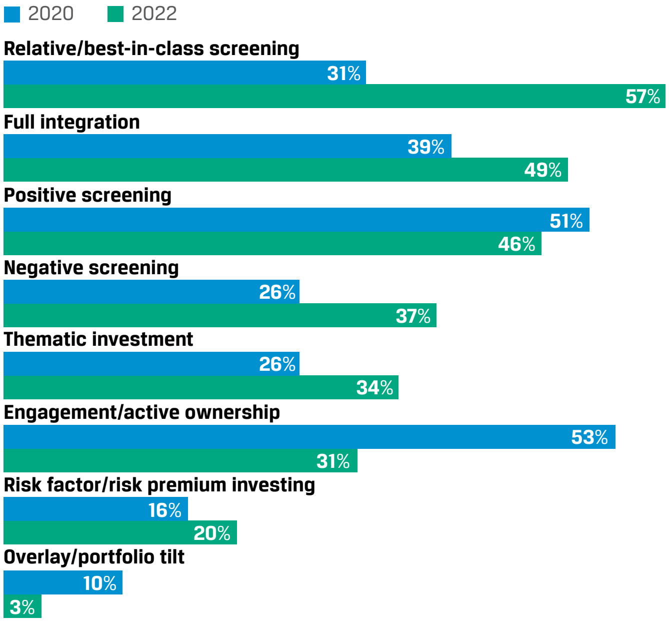


EXHIBIT 43

WHAT IS YOUR APPROACH TO ESG INVESTING?



Personal Connection to Advisers and Brands

In addition to products, personal connections can develop through the relationship with one's financial adviser. As **Exhibit 44** shows, three-quarters of respondents said it is at least somewhat important to have shared values—such as political or religious views—with their adviser. The importance of having an adviser who shares one's values is highest in China (three-quarters responded affirmatively) and lowest in Canada (less than one-fifth responded affirmatively).

We also asked whether retail investors prefer an adviser who is of the same gender as they are, but for 71% of respondents, there is no such preference.

Another way a personal connection with clients can be established is through a strong brand, and the proportion of retail investors favoring a brand they can trust over individuals they can count on continues to grow (see **Exhibit 45**).

Brand is also related to organizational culture and values, and 82% of institutional investors and 61% of retail investors said that having gender and racial/ethnic diversity in the firms they work with is important to them.

EXHIBIT 44

IS IT IMPORTANT TO YOU TO HAVE AN ADVISER WHO SHARES YOUR VALUES (E.G., POLITICAL OR RELIGIOUS VIEWS)?

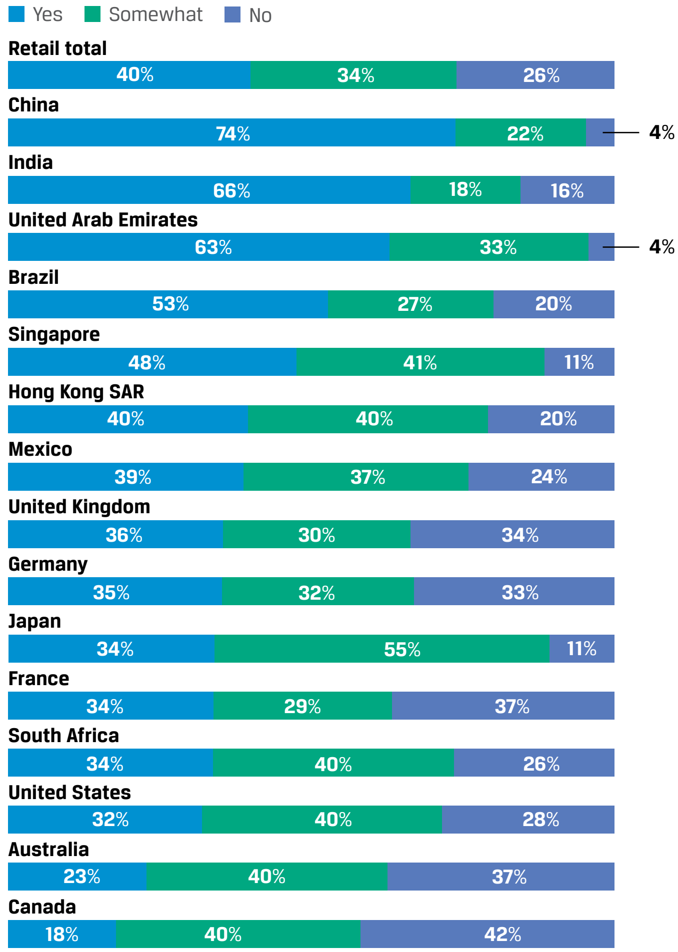
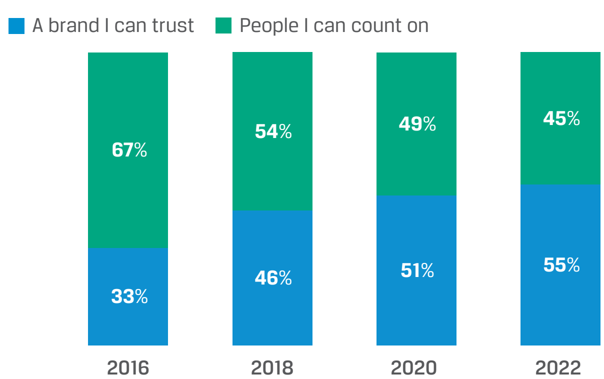


EXHIBIT 45

WHEN THINKING ABOUT AN INVESTMENT FIRM TO WORK WITH, WHICH OF THE FOLLOWING IS MORE IMPORTANT TO YOU?



V. Actions to Build Lasting Investor Trust

The increase in investor trust in this year's study offers optimism about the effectiveness of the investment industry. We note, however, that this comes at a time when performance has been strong, with few enduring tests of trust. There is also a segment of retail investors who remain distrustful of the industry and are unlikely to fully participate in it.

Our ongoing examination of investor trust dynamics reveals "trust enhancers" for investment advisers and firms:

1. **Technology:** Investors have more trust in firms that use technology effectively. Technology not only increases transparency and enables more customization but also is a tool to enable better human advice and judgment. "People plus technology" is the best formula for success.
2. **Aligned interests:** This now extends beyond the baseline expectation that conflicts of interest be disclosed and mitigated. It also includes understanding the personal interests and values of clients and their wider expectations for how their funds are invested.
3. **Connections:** At the organizational level, investors are increasingly using brands as proxies for trust. At the adviser level, the virtual-only client relationship model is unlikely to sustain long-term trust. Most newly established relationships will require in-person interaction to build a strong foundation.

By using these tools, investment firms can enhance investor trust and strengthen their practices to be more deserving of that trust for the long term.

Endnotes

1 CFA Institute, Future of Work in Investment Management report series (2022). https://www.cfainstitute.org/en/research/future-finance/future-of-work.

2 Edelman, 2022 Edelman Trust Barometer. https://www.edelman.com/sites/g/files/aatuss191/files/2022-01/2022%20Edelman%20Trust%20Barometer%20FINAL_Jan25.pdf.

3 Mercer, 2021 Mercer CFA Institute Global Pension Index. https://www.mercer.com/our-thinking/global-pension-index-2021.html.

4 Matt Hougan and David Lawant, "Cryptoassets: The Guide to Bitcoin, Blockchain, and Cryptocurrency for Investment Professionals," CFA Institute Research Foundation (7 January 2021).

5 CFA Institute, "Future of Sustainability in Investment Management: From Ideas to Reality" (2020). www.cfainstitute.org/en/research/survey-reports/future-of-sustainability.

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