

Study finds financial advisors can contribute to client well-being, life satisfaction

August 6 2015, by Niki Widdowson

An in-depth study of more than 1000 clients' perceptions and satisfaction with their financial advisers has found high levels of satisfaction in not only financial, but also in psychological well-being and life satisfaction.

The first of its kind ARC-funded study also surveyed more than 100 advisers from 16 organisations and found areas where client and advisers were mismatched in some perceptions.

These findings have implications for improvement in the financial advice industry, the study's lead researcher, QUT organisational psychologist Professor Cameron Newton, said.

Professor Newton, from QUT Business School, conducted the research on clients from around Australia, most of whom had had a [financial adviser](#) for five to 10 years.

"Our pilot study in 2010 indicated clients told us their [financial situation](#) affected a range of areas in their lives including their mental health and wellbeing," Professor Newton said.

"Since then we have conducted two major studies with 548 clients in 2012 and a different cohort of 441 clients in 2014.

"The more satisfied clients were with their financial situation, the more likely they were to report positive impacts on their lives."

Professor Newton said the researchers had found a mood shift in clients towards greater positive feelings of satisfaction, the further away from the GFC they were surveyed.

"In 2014 clients believed that financial advice contributed to sense of security (83 per cent, against 75 per cent in 2012), and financial wellbeing (82 per cent in 2014 up from 72 per cent in 2012)," he said.

"In 2014 clients also rated highly the positive impact of financial advice on their sense of control (78 percent in 2014, up from 70 percent in 2012), and peace of mind went up from 72 per cent to 77 per cent.

"What stood out from the data overall was that the longer a client spent developing a relationship with their adviser, the more positive the outcomes for the client. Longer term clients enjoyed greater feelings of financial wellbeing, psychological health and [life satisfaction](#) overall."

Professor Newton said discrepancies in perceptions did exist, however, between advisers and clients. In both surveys, advisers reported a similar [risk tolerance](#) profile across their overall client base which differed from clients' reported risk tolerance.

"In particular, advisers over-estimated the percentage of clients with an aggressive profile by 12 per cent and also underestimated the percentage of clients with a conservative profile," he said.

"Such differences will likely have implications for the nature of a planner's advice in the investment strategy recommendation to clients. Awareness of this discrepancy must underpin good professional practice.

"It also suggests this misalignment could be addressed with better risk tolerance scales to measure clients' needs."

Professor Newton said the finding that clients overestimated their financial literacy and their understanding of regulations designed to protect them, such as the role of the financial ombudsman, their consumer rights and the industry's legal framework , was also concerning.

"It indicates we need more consumer friendly product descriptions and disclosures in clear, plain English."

Provided by Queensland University of Technology

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