

CHARACTERISTICS OF TRUST IN PERSONAL FINANCIAL PLANNING*

Michelle Cull^a, Terry Sloan

Western Sydney University

a. Corresponding author:

Dr Michelle Cull, School of Business, Western Sydney University

Tel: 02 4620 3519, Email: m.cull@westernsydney.edu.au

ARTICLE INFORMATION

Article history:

Submitted: 1 April 2016

Revision: 18 April 2016

Acceptance: 30 May 2016

Key words:

Financial advice, Financial planning, Competencies, Trust

JEL:

A22, D14, G20, I23, M49

ABSTRACT

This Australian study utilises quantitative and qualitative research planning. Affective characteristics of trust were found to be essential to the client-adviser relationship. Increased legislation and specific behavioural and technical competencies of advisers were also found to build consumer trust in financial advice. The study's results provide guidance to financial advisers with regards to the skills and factors that build and maintain trust with clients. This may lead some advisers to engage in additional training or education programs to improve specific skills, or to reconsider the way they interact with clients.

© 2016 Financial Planning Research Journal

*This paper is developed from Michelle Cull's PhD thesis on "The Role of Trust in Personal Financial Planning" (University of Western Sydney, 2015)

Introduction

There have been significant changes and developments in the financial planning landscape over the past decade. The Global Financial Crisis (GFC) along with the collapse of prominent financial product and services providers has led to a loss of public trust in the financial planning industry. These events provided a turning point, prompting the industry to move from being a “transactional, investment and product focused industry, to one offering principally strategic advice and services” (Hoyle, 2010, p.1). While legislative reform through the Future of Financial Advice (FOFA) legislation (Commonwealth of Australia, 2009) has been introduced in response to these events, the latest events surrounding the life insurance arm of the financial planning industry, along with their being widely reported in the media (Ferguson, Christodoulou and Toft, 2016; McConnell, 2016; Robertson, 2016), have raised further trust issues. This has been accompanied by societal pressure for a cultural overhaul of the industry.

Professional financial planning advice has been linked to consumer well-being (Irving, Gallery, Gallery and Newton, 2011), including improved health (Joo and Garman, 1998) and better retirement planning (Peters et al, 2007) as clients realise their financial and life goals. Consequently, financial advisers play a significant role in assisting a large number of Australians to plan for their future well-being, investing large amounts of consumer savings for retirement and assisting them to achieve their life goals. Trust in the financial advice process ultimately impacts on public confidence in Australian capital markets and participation in the economy which assists in meeting broader economic and social objectives.

With so much attention directed towards trust in the financial planning industry it is pertinent that trust in the client-adviser relationship be subject to further investigation and academic debate. The characteristics of trust have been developed from an empirical study utilising both quantitative and qualitative research methods, and provide a foundation for future trust studies in personal financial planning. This paper contributes to research in this area by identifying seven primary characteristics of trust that were found to be essential to the client-adviser relationship in personal financial planning. It also highlights the importance of affective characteristics of trust to this relationship. In addition, the findings provide a practical contribution to assist financial advisers as they seek to establish, build and maintain trust with their clients.

Literature review

Trust has been described as multidimensional (Rotter 1967, Chun and Campbell 1974, Lewicki, McAllister and Bies 1998, Kirchmajer and Patterson 2003, Svennson 2004) and has been studied by a number of experts across a range of disciplines including sociology, social psychology, marketing and management. Due to the complex nature of trust, there have been a range of definitions employed, as identified in Table 1 (Cull, 2015, p. 300).

Table 1

Literature source	Trust construct or definition
Rotter 1967, p.651; Rotter 1980, p.1	'A generalised expectancy held by an individual that the word, promise, oral or written statement of another individual or group can be relied on.'
Wrightsmen and Baker, 1969, p.299	'The extent to which people are seen as moral, honest, or reliable'.
Johnson-George and Swap, 1982, p.1306	The element of risk involved when one must decide whether becoming vulnerable or dependent is worth the possibility of a shared positive outcome, despite a careful assessment of the other person's intentions, capabilities, and motives.
Barber 1983, p.164-165	Trust is a set of 'socially learned and socially confirmed expectations that people have of each other, of the organisations and institutions in which they live, and of the natural and moral social orders that set the fundamental understandings for their lives'.
Lewis and Weigert 1985, p.971	The 'undertaking of a risky course of action on the confident expectation that all persons involved in the action will act competently and dutifully'.
Rempel, Holmes and Zanna 1985, p.96	Trust is a construct with a number of elements: faith , dependability and predictability.
Schurr and Ozanne 1985, p.940	Belief that a party's word or promise is reliable and that a party will fulfill his or her obligation in an exchange relationship.
Zaltman and Moorman 1988, p.17	An interpersonal or inter-organisational state that reflects the extent to which parties can predict one another's behaviour; can depend on one another when it counts; and have faith that the other will continue to act in a responsive manner despite an uncertain future.

Literature source	Trust construct or definition
Anderson and Weitz 1989, p.312	Belief that needs will be met in the future by the actions of another party.
Anderson and Narus 1990, p.45	'the firm's belief that another company will perform actions that result in positive outcomes for the firm as well as not take unexpected actions that result in negative outcomes'.
Crosby, Evans and Cowles 1990, p.70	Confident belief that a salesperson can be relied upon to behave in a manner that will serve the long-term needs of the customer.
Moorman, Deshpande and Zaltman 1993, p.82	'willingness to rely on an exchange partner in whom one has confidence'
Morgan and Hunt 1994, p.23	'...confidence in an exchange partner's reliability and integrity.'
Fukuyama 1995, p.26	The expectation of 'regular, honest and cooperative behaviour based on commonly shared norms'.
Hosmer 1995, p.399	'the expectation of ethically justifiable behaviour- that is, morally correct decisions and actions based upon ethical principles of analysis'.
Mayer, Davis and Schoorman 1995, p.712	'the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party'
McAllister 1995, p.25	'the extent to which a person is confident in, and willing to act on the basis of, the words, actions and decisions of another.'
Robinson 1996, p.576	A person's 'expectations, assumptions, or beliefs about the likelihood that another's future actions will be beneficial, favourable, or at least not detrimental to one's interests'.
Christiansen and Devaney 1998, p.4	Frequent and honest communication plays a key role.
Zaheer, McEvily and Perrone, 1998, p.143	The expectation that an adviser can be relied upon to fulfill obligations (Anderson and Weitz 1989), behave in a predictable manner and act and negotiate fairly when the possibility of opportunism is present (Anderson and Narus 1990, Bromiley and Cummings 1995) .

Literature source	Trust construct or definition
Johnson & Grayson 1998	Multidimensionality of trust- cognitive and affective trust are separate dimensions of trust with unique antecedents and consequences for relationships.
Lewicki, McAllister and Bies 1998, p.439	'Confident positive expectations regarding another's conduct'.
Rousseau et al 1998, p.395	'Psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behaviour of another'.
Sharma and Patterson 1999, p.155	Implies personal vulnerability through reliance on, or confidence in, the financial adviser's competence and ability to satisfy the long-term interests of the client.
Johnson & Grayson in Swartz & Iacobucci (Eds) 2000, p.358 & p.365	Four levels (generalized, system, process-based, and personality-based) which vary in terms of relevance as the relationship progresses from exploration to commitment. Involves cognitive and affective indicators to provide a confident expectation that all involved will behave competently and dutifully.
Sirdeshmukh, Singh and Sabol 2002, p.17	The expectations held by trustor that the trustee is dependable and can be relied on to deliver promises made.
Albaum and Young 2003, p.255	Trust is 'an evolving affective state including both emotional and cognitive elements and emerges from the perceptions of competence and a positive, caring motivation in the relationship partner to be trusted, and functions to increase the propensity to manage risk in the relationship of parties' shared environment'.
Boyd 2003, p.398	Involves a belief in an agent's competence, predictability, integrity and benevolence.
Kirchmajer & Patterson 2003, p.4	A multi-dimensional construct involving credibility and benevolence. Based upon the ability of a financial planner to perform their role effectively, based upon their experience, expertise and task-specific competencies; with honesty and an intentional motive beneficial to the client.
Weisinger 2004, p.56	Based on communication.

Literature source	Trust construct or definition
Johnson & Grayson 2005, p.501	Knowledge and emotion driven action, with willingness to rely on a provider being based on reliable conduct and interactions.
Sharpe et al 2007, p.7	'the belief that the financial planner can be relied on to behave in such a manner that the long term interest of the client will be served (adapted from Crosby et al 1990, Sharma & Patterson, 1999)' .
Kohn 2008, p.17	'Trust is an expectation about another's actions, based on the understanding that the other has the capacity to create mental models of possible course of action, and to evaluate them within a framework that can incorporate interests besides the other's own.'
Wood, Boles, Johnston and Bellenger 2008, p.264	'An expectation by the buyer that the seller will engage in actions supporting the buyer's interests in that setting (Hardin 2002, Morgan and Hunt 1994).'
Miranda and Klement 2009, p.30	'... the belief that a person or organization will honour promises and act in ways that are expected of them'.
Guenzi and Georges 2010, pp.117-118	An affective response significantly driven by benevolence, competence and likeability/similarity; resulting in customer satisfaction, positive attitudes, intentions and behaviours.

Source: Cull (2015, p. 300)

Integrating the various trust constructs and definitions provided in Table 1 provides a basis for a definition of trust in the financial planning context. We define trust in financial planning as "the expectation that the adviser (trustee) can be relied on to act honestly, competently and in the best interests of the client (trustor) and thereby reduce the trustor's risk of loss" (Cull, 2015, p. 10).

As acknowledged in Table 1, Zajonc (1980) discusses the importance of both *affect* and *cognition* in the development of trust. Affect based trust relates to the 'feeling' dimension of trust such as emotional bonds, security and benevolence (Lewis and Weigert, 1985; Rempel, Holmes and Zanna, 1985; McAllister, 1995; Johnson and Grayson, 2005), while cognition based trust is related to the 'thinking' dimension of trust and is primarily concerned with competence, knowledge, reliability and dependability (Johnson-George and Swap, 1982; Rempel, Holmes and Zanna, 1985; McAllister, 1995; Rousseau *et al*, 1998, Johnson and Grayson, 2005). Empirical studies have tended to focus on cognitive based trust (possibly because it is easier to measure) and omit the affective dimension (Young, 2006). It has been suggested that this affective dimension is an important dimension of trust in the financial planning context (Kirchmajer and Patterson, 2003).

Evidence from Kirchmayer and Patterson (2003) indicates that 'social communication' (informal transfer of information, discussions of a social nature and two-way communication) is a major determinant of benevolence trust, a critical ingredient in developing the affective component of a client's intention to stay with their financial planner. This is because 'social communication' assures the client that their financial planner has a high level of goodwill towards them. In other words, that their financial planner's motives and intentions are friendly and they will act in an altruistic manner in their ongoing relationship. While the Kirchmayer and Patterson (2003) study demonstrated the importance of social communication in the affective dimension of trust, much existing research is based on service marketing models where communication is defined in terms of exchanging facts rather than specific communication skills or the qualitative aspects of the client-adviser relationship (Sharpe *et al*, 2007).

In financial planning, client trust has been found to be the most important factor for relationship quality (Hunt, Brimble and Freudenberg, 2011), and financial planners have a tendency to report the level of clients' trust in them as higher than that reported by their clients (Hunt *et al*, 2011; Cull, 2015). Many previous studies of trust in the context of financial planning are primarily related to relationship quality. Studies in Australia and the United States demonstrated that effective interpersonal communication skills (Christiansen and DeVaney, 1998; Sharma and Patterson 1999; Kirchmayer and Patterson, 2003; Sharpe *et al*, 2007) are fundamental to client trust.

Other empirical studies discuss the sales process and paradoxes of trust. For example, Oakes (1990) found that although sales depended on trust, 'the techniques required to form trust in personal sales nullify the conditions under which trust is possible'. In other words, it was found that high pressure 'selling' of a product led to greater distrust between the buyer and seller. Furthermore, Bejou *et al* (1998) found the degree to which clients trust their adviser to be positively influenced by the belief that the adviser is acting in the client's best interests (customer-oriented) and negatively influenced by the belief that the adviser is acting out of self-interest (sales-oriented). This was reinforced by David Hasib, head of accounting firm Chan and Naylor who stated "the quality and delivery of advice is more important than product flogging to achieve a sales target" and "advisers owe it to their customers to identify the most suitable products based on individual circumstances irrespective of commission" (Taylor, 2011, n.p.).

While a review of the literature has uncovered a number of studies of trust in a business or professional relationship, there have been few studies involving empirical research on trust in the professional client-planner relationship, and none which specifically identify the characteristics of trust in personal financial planning. This paper is the first to address this gap and as such provides a basis for future studies.

The for need and importance of examining trust at times of change/conflict and when uncertainty and risk are present, has been raised in the literature (Sharma and Patterson, 1999; Luhmann, 1988; Chen, Sparito and Belkin, 2011) where it has been suggested that “a potentially fruitful avenue of future research is the impact of dissatisfying events on the different dimensions of trust” (Johnson and Grayson, 2005). This paper addresses this area of concern as the data in the study were collected at a time of much economic uncertainty and risk, and at the time of the GFC – a dissatisfying event. As has been previously observed:

In the physical sciences, many phenomena are most salient when they are in the process of change...Therefore the most opportune time to examine trust may occur when stress or conflict has created a situation where confidence in the other is an issue (Rempel, Holmes and Zanna, 1985, p.111).

Methodology

Research Design

The research design utilised a social constructivist approach as an extension of the interpretive paradigm (Burrell & Morgan, 1979 Chua, 1986) with the ontological assumption that reality is socially constructed and continually changing and developing. As a result, the most suitable methodology was essentially qualitative in nature, asking the *how* and *why*. The research involved a combination of both quantitative and qualitative methods to answer the following research question:

RQ1: What characteristics of trust are evident in personal financial planning?

Five main research instruments, including two client questionnaires, a financial adviser questionnaire, semi-structured client interviews and semi-structured adviser interviews were utilised in these studies. A mixed-methods approach was seen to be appropriate for this research due to the underlying philosophical assumptions of the researchers, and the subjective nature of trust which is grounded in social psychology. For this study, interviews were able to provide a rich source of data, while the results from the questionnaires assisted in structuring the interview questions and provided internal validity checks (Denzin, 1978). In addition, multiple methods have been found to assist in overcoming the shortcomings of each method when used on their own (Neuman, 2006; Veal, 2005). The research also utilised triangulation of both method (quantitative and qualitative) and observers (clients and advisers).

Survey question items were developed from a number of sources including the Birkett (1996) financial planning competencies, the behavioural skill research of Jackling and Sullivan (2007), trust literature (Rotter, 1980; Zajonc, 1980; Rempel *et al*, 1985; Lewis and Weigert, 1986; Crosby *et al*, 1990; Moorman *et al*, 1992; Mayer *et al* 1995, Christiansen and DeVaney, 1998; Rousseau *et al* 1998; Lin *et al* 2011; Stewart 2003; Schoorman *et al*, 2007; Kim *et al*, 2009; Fulmer and Gelfand, 2012) and the research project commissioned by CPA Australia on the impact of the Financial Services Reform Act (CPA Australia, 2005). For both clients and advisers, a five-point Likert scale was used to measure various behaviours of personal financial planners as well as responses to a range of statements about trust and financial planners. For clients, the survey also included questions about the usefulness and relevance of their statement of advice. All questionnaires included a 'free response' section to afford respondents the opportunity to provide additional information that they felt was relevant to the study.

The semi-structured, in-depth interviews were designed to address questions informed from both the survey results and the trust literature in order to provide a richer, more complex understanding of the characteristics of trust in personal financial planning. The questions were sequenced in a manner conducive to discussion in that where possible, questions would logically and naturally flow from the response to the previous question. The aim was to facilitate a relaxed discussion of the topic rather than asking questions one after another in a formal fully structured interview. Every effort was made to structure the interview in a way that would encourage the interviewee to participate and offer up any information or 'stories' that they felt assisted in answering the questions.

Data sample and collection

The data collection process commenced with a postal mail out of questionnaires to Australian residents over the age of 18 to a random sample of participants obtained from the Australian Address Reference File (AARF) using probability sampling and the Unaddressed Mail Service (UMS) using multi-stage sampling to subdivide the sample proportionately across residential postcode delivery points in each state. This captured a sample of Australian consumers who had accessed financial advice ('clients'), as well as those who had not accessed financial advice ('potential clients'). To capture a sample of financial advisers, questionnaires were mailed out to a systematic random sample of Australian Financial Service Licence (AFSL) holders and Authorised Representatives listed as providing financial advice on a current AFSL Representatives Report purchased from ASIC (Information Services Department). Subsequently, client and adviser interviews were conducted with willing respondents from the questionnaires, with these interviews being recorded and transcribed.

Participation in the research was entirely voluntary. In total, 207 consumer questionnaires (104 clients; 103 potential clients) were received along with 76 adviser questionnaires, and 8 client interviews and 9 adviser interviews recorded. Ages of clients ranged from 18 up to the 85-100 years age group, with every age bracket represented and representative of the Australian population (Australian Bureau of Statistics (ABS), 2010). Ages of advisers ranged from 27 to 84 years ($M = 49$). Although all major occupations were represented by the consumer sample, the response showed a higher incidence of 'professional' workers and lower incidence of 'labourers' when compared to the Australian population (ABS, 2014). A higher incidence of professional workers responding to the survey was expected as they have been shown to be more likely to seek financial advice and find the topic more relevant to their situation, while labourers are less likely to be interested in financial advice. Furthermore, Porter (2004) and Dillman (2007) acknowledge that non-responses are often from those who are less educated.

Data analysis

Demographic data and Likert scale responses from the questionnaires were coded and screened prior to quantitative analysis using IBM computer software known as Statistical Package for the Social Sciences (SPSS) for Windows (Version 22) to conduct descriptive and statistical tests such as frequency distribution, cross-tabulation, calculation of means, percentage distributions, chi square tests, t-tests and analysis of variances (ANOVA).

Qualitative analysis of the open-ended questionnaire responses and interview transcriptions employed through a four stage content analysis utilising Leximancer software to draw out the major themes. Stage 1 involved the manual flagging of themes with stage 2 mapping concepts and themes through Leximancer. This was followed by a manual confirmation of the Leximancer map in stage 3, and a manual interconnection of concepts and main themes in stage 4.

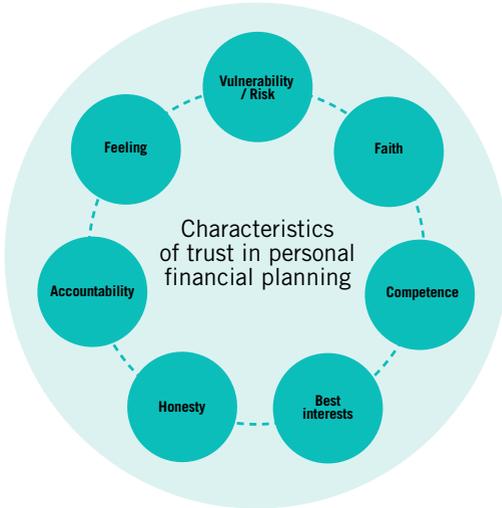
An overarching qualitative approach is taken in interpreting and discussing the results through triangulating the data obtained from the research groups using the various research instruments.

Results and discussion

Qualitative analysis of the open-ended comments in client questionnaires and client interviews provided an indication of the main characteristics of trust that are evident in personal financial planning. Results from client questionnaires that measured a range of trust characteristics using a five-point Likert scale supported the qualitative results.

There were seven main characteristics of trust found to be evident in personal financial planning: vulnerability/risk; feeling; honesty; faith; best interests; accountability, and competence. These results are now discussed, with an outline provided in Figure 1.

Figure 1: The seven characteristics of trust in personal financial planning



Source: Cull (2015, p.216)

1. Vulnerability/Risk

Results suggest that there must be an element of vulnerability or risk in order for trust to exist, whether it be a situation that a client finds themselves in (such as divorce or inheritance), or whether it be attributable to a lack of knowledge. The risk faced by clients is that the advice may not assist them to achieve their goals or worse still, may place the client in a worse position than they were prior to obtaining financial advice.

Clients identified with vulnerability and risk as key characteristics of trust, evidenced as follows:

I'm sure some people end up at a financial planner when they are very (*sic*) somewhat vulnerable or may have come into some money that was unexpected or gone through - I've helped a couple of people with divorces, and they were very vulnerable. [Interviewee 105]

Because I'm taking you at your word that my money's going to be safe where you're telling me to put it, and that's a big risk. [Interviewee 100]

I've got no expertise in this area at all and it just seems to be clouded in mystery of what you do... so I invested trust in them. [Interviewee 107]

This stuff makes me SO anxious because I don't know enough about the financial system...
[Client 450]

Made investments of my own in the end adviser received his money and I made nothing. I run at a loss. [Client 297]

While lack of knowledge has been referred to in the literature as a 'competence gap' (Brien, 1998; Lewis and Weigert, 1985; Miranda and Klement, 2009; Parsons, 1972), there is little empirical evidence in the literature (particularly from a client's perspective) to support the notion that the 'competence gap' is an inherent risk characteristic of trust. This study has provided the evidence that risk and vulnerability associated with the competence gap are characteristics of trust.

Furthermore, definitions of trust in the literature include references to both vulnerability and risk. For example, Mayer, Davis and Schoorman (1995, p.712), Rousseau *et al* (1998, p. 395) and Sharma and Patterson (1999, p. 155) recognise the psychological role of vulnerability in trusting relationships and Sheppard and Sherman (1998, p. 423), Lewis and Weigert (1985, p. 971) and Johnson-George and Swap (1982, p.1306) identify with trust as the undertaking a risky action. The results from the current study support previous theoretical studies and add to the body of literature by providing specific empirical examples of risky actions as described by clients in the personal financial planning environment.

2. Feeling

Trust in personal financial planning was found to have a large affective component – described as a 'feeling'. Although the literature acknowledges the affective component of trust (Zajonc, 1980; Johnson and Grayson, 1998; Johnson and Grayson in Swartz and Iacobucci (Eds), 2000, p. 358 and p. 365; Albaum and Young, 2003, p.255; Johnson and Grayson, 2005, p.501; Guenzi and Georges, 2010, pp. 117-118), many studies have focused on the cognitive characteristics of trust and fail to acknowledge the affective characteristics.

The research findings indicate that for trust to exist between a client and an adviser, cognitive characteristics of trust must be accompanied by the affective characteristic that clients simply describe as a 'feeling'. For example:

I think that you can usually tell by talking to a person and you get that **feeling** of trust or whether they're trying to push their own barrow or whether they're working in your best interests as well. Obviously he has to do what's best for him as well, but just that **feeling** that he wouldn't do anything dishonest. He's got his reputation to think of. And just talking to him generally, you get that **feeling**. [Interviewee 106]

Well, we always check our statements because we have moved money around a bit so, even though we trust him, we still check and I don't know, I guess – it's just a **feeling** we get that we do trust him and he's proven that we can trust him. [Interviewee 102]

While results from this study show trust in personal financial planning to have both cognitive and affective characteristics, the results indicate that the affective characteristics of trust in personal financial planning are perhaps more important to the presence of trust in a professional relationship, and may have more salience.

3. Honesty

When clients were asked to explain what trust meant to them, they often referred to honesty – honesty with financial information provided as well as honesty with fees and commissions earned by the adviser. Questionnaires showed on a five-point Likert scale that clients who trusted their advisers also regarded their advisers as honest (Mdn = 4). Also noteworthy was that advisers rated themselves higher than the rating given by their clients (Mdn = 5).

Results also showed that dissatisfying external events such as the GFC provide a real opportunity for an adviser to demonstrate their honesty. Rankings for honesty of advisers providing advice following the GFC were higher (M = 3.84, Mdn = 4) with clients finding that the sound advice provided to them by their adviser at the time of the GFC increased their trust in their adviser. Clients who reported their adviser to be dishonest had also ranked their adviser as untrustworthy and did not return to their adviser for subsequent advice after the GFC.

Clients in the research study found honesty to be an important characteristic of trust. The response from clients when asked to explain what trust meant to them was:

...the integrity of a person, their honesty, their fairness, their reliance, but most importantly, above all that, that they carry out that fiduciary duty, that that's what they're really there for. [Interviewee 105]

You're given the information to make a decision and that you feel that the information is true and correct. So that's what trust means to me. They know the industry that I don't know. They know the business and that if I take their advice and they're saying, 'here's the outcomes from that advice that they will be correct'. They will match. [Interviewee 107]

Open-ended comments from clients also indicated that honesty was a characteristic that clients were looking for in an adviser. For example:

They (clients) don't want 20 pages of a PDS – they want honesty and care. [Client 07]

Clients cited examples of honesty with regards to disclosure of remuneration, with the general expectation that honest advisers would declare their remuneration clearly upfront. Some examples follow below:

Paid advice is clean and reliable upfront. [Client 256]

He was upfront about it [receiving a commission]. If he had have gone oh, no, no, no, it's just because they're a really good company, dah, dah, dah, I possibly wouldn't have believed him. Because you know that they get commission from wherever they put their loans and stuff, so yeah, it was that sort of thing that increased my trust in him. [Interviewee 100]

As discussed above, honesty has been identified as an important characteristic of trust in personal financial planning. The results also provide empirical support to the literature where honesty has made an appearance in the definition of trust [for example, Rempel, Holmes and Zanna, 1985; Morgan and Hunt, 1994; Kirchmayer & Patterson, 2003; Svensson, 2004], and has provided new information in understanding the role of trust in personal financial planning where there currently exists a research gap. Furthermore, the findings have shown that in personal financial planning dissatisfying events provide a real opportunity for an adviser's honesty (or dishonesty) to be shown to clients. In addition, the findings provide support for legislation that bans commissions and increases transparency of fees by showing that it improves the perception that advisers are honest, and as a result increases client trust in financial advice.

4. Faith

Findings from the study show that faith is also an important characteristic of trust in personal financial planning as a client must have confidence, or faith that their financial adviser can be relied upon to provide the right advice. Dissatisfying events such as the GFC, or losing money on an investment, can lead a client to lose faith in their adviser if the client believes that the adviser cannot be relied upon to achieve an expected outcome. This, in turn leads to a lack of trust in the adviser.

Results from client questionnaires indicated that a client's faith in their adviser was higher when their adviser was reliable. This faith in their adviser was further supported by results from a five point Likert scale for the following statements regarding reliability and confidence respectively:

I can rely in my adviser to do the things he/she has promised to do (Mdn = 4).

When my adviser explains things that may seem rather unlikely, I am confident that he/she is telling the truth (Mdn = 3.5).

All clients who had engaged with an adviser since the GFC found their adviser to be reliable and were confident in their adviser, but this was not the case for some clients who had last engaged an adviser prior to the GFC. Further analysis of this data indicates that the clients who reported negative rankings for reliability and confidence had also ranked their adviser as untrustworthy. This assists in explaining why they had not returned to their adviser for subsequent advice post-GFC.

The interview results from clients describe faith as being characteristic of trust in personal financial planning, as evidenced by the following examples:

I guess trust, especially when it comes to money, means having **faith** that the person you're trusting with your money is going to do the right thing so that you don't lose any of that money that you've worked so hard for. [Interviewee 102]

I think you go in on somewhat blind **faith**, and I think therein lies the real problem with our financial planning industry at the moment, because it's so diverse. [Interviewee 105]

The results show faith to be a characteristic of trust in personal financial planning and while this adds to the body of literature on trust that includes terms such as confidence, reliability and belief in the definition of trust, the results also assist in understanding what trust in personal financial planning means to a client. This may be useful to financial advisers in building trusting relationships with their clients.

5. Best interests

Results from client interviews indicated that a client trusts their adviser when they perceive that the adviser acts in the client's best interests. This is supported by client responses to the question 'What elements build trust with a financial adviser?':

I want that financial adviser to act in the client's best interests and not just sell commissioned products. That's what the trust comes down to. [Interviewee 105]

Furthermore, results from client questionnaires indicated that where clients believed an adviser acted out of self-interest, they also reported them to be untrustworthy. For example, Client 24 consistently ranked their adviser to be untrustworthy and also included the following open-ended comment:

Sometimes feel that the investments recommended are also what is best for his company. [Client 24]

Clients who found advisers to be acting with self-interest rather than the client's best interests also 'strongly agreed' that their adviser was 'marketing oneself' (a ranked behaviour in the client questionnaire) and did not rank their adviser to be trustworthy, for example:

We find most financial advisers act with more self-interest in products offered and are rarely proactive in advising market trends. [Client 18]

Findings suggest that trust cannot exist in the client-adviser relationship unless the adviser is seen to put the client's best interests first. This provides the 'real-life' evidence to support the meta-analysis of literature conducted by Balliet and Van Lange (2013) that emphasized 'the importance of defining trust in terms of beliefs about others' benevolent motives' (p. 1102) in situations involving strong conflict of interest.

Furthermore, the results empirically support suggestions that the introduction of a Best Interests Duty (BID) as part of the federal government's FOFA reforms will improve trust in personal financial planning (Commonwealth of Australia, 2010).

6. Accountability

Accountability is found to be a characteristic of trust in personal financial planning and hence the role that regulatory and professional bodies play in maintaining trust in the financial planning environment. Clients acknowledged that they trusted their advisers because they understood that their advisers were accountable to their employer, regulatory authority or professional body. This accountability is described by clients as follows:

But I think it deepens your trust if you know it's part of a firm because then they're accountable to that firm. [Interviewee 102]

Also they were talking about bank tellers giving out financial advice or pushing products. Well I don't think that's appropriate. And I think that legislation should be put in place to protect people from that sort of pressure. [Interviewee 106]

Fukuyama (1995) and Johnson and Grayson in Swartz and Iacobucci (Eds) (2000) see accountability as being equally available to all firms operating in the same business environment. However, empirical results from clients in our study indicate that accountability, while a characteristic of trust, is not yet fully developed in personal financial planning in Australia. Furthermore, the findings suggest that clients would like to see greater protection through improved legislation and regulatory powers to deter advisers from pushing products or providing inappropriate advice by holding them accountable for poor advice.

Our findings support the implementation of an enhanced register of financial advisers (Commonwealth of Australia – The Treasury, 2014) as well as need for reform in fundamental areas as identified by the Financial Planning Association's General Manager Policy and Conduct as follows:

- “the role of ‘approved’ professional bodies in assisting ASIC to achieve consumer protection;
- the role of regulatory agencies in preventing the provision of unethical and misleading financial advice;
- compensation processes relating to unethical or misleading financial advice;
- the response and subsequent action by financial services providers and companies to misconduct in the industry” (De Gori, 2014, n.p.).

7. Competence

This study reveals that competence, as indicated by behavioural skills, technical skills and qualifications, is a vital characteristic of trust in personal financial planning.

Clients who trusted their financial adviser rated the behavioural competencies of their financial adviser more highly than those who did not trust their adviser. Furthermore, higher rankings of behavioural skills for advisers were associated with advisers who provided useful and relevant statements of advice (SOAs), providing further indication to clients that the adviser can be trusted.

Results from the *Leximancer* analysis showed qualifications as one of the most prominent themes raised by clients when discussing trust in the context of personal financial planning. Furthermore, clients who knew their adviser's qualifications also ranked both technical and behavioural skills of their adviser higher and advisers who held qualifications relevant to financial planning were trusted, while those with no relevant qualifications were not. Furthermore, all clients who found their Statements of Advice to be both useful and relevant ranked their advisers to have higher technical-based competence skills.

Open-ended comments from both clients and potential clients were mostly from respondents who reported that they did not trust financial advisers, as they felt that advisers did not have the necessary qualifications. For example:

Financial planners/advisers should be required by legislation to gain some recognised accreditation (similar to a CPA). [Client 203]

Financial advisers are generally not of the same quality and do not have the same level of qualifications as say doctors, lawyers, accountants. [Client 185]

Qualifications were a key ingredient for advisers who were trusted, as supported by the following:

So I probably wouldn't deal with him if he didn't have those qualifications. We knew that he had the Degree, etcetera, when we first met him. [Interviewee 106]

We wouldn't go to anybody who wasn't qualified. [Interviewee 102]

We've seen certificates up in his office and because we've known him for so long and he used to do our tax before he was our financial adviser, we trust him and we know that he's qualified. [Interviewee 102]

An array of literature on trust across different contexts and organisational settings cite the role of competence, expertise or ability in the production of trust. However unlike the theoretical approaches taken by numerous other authors [Barber (1983), Lewis and Weigert (1985), Mayer, Davis and Schoorman (1995), Rousseau *et al* (1998) and Johnson and Grayson in Swartz and Iacobucci (Eds) (2000)], the results in this study provide empirical evidence to validate claims that competence provides perceived positive intentions that contribute to trust.

The results from the study also elaborate on the literature on client commitment in personal financial planning that found interpersonal communication skills such as listening, caring, friendly and professional behaviour displayed by advisers to have a large effect on client commitment (Christiansen and DeVaney, 1998; Sharma and Patterson, 1999; Kirchmajer and Patterson, 2003; Sharpe *et al*, 2007) by identifying such behavioural skill competencies as characteristic of trust.

The study has implications for both practice and research. For practice, the study indicates can assist financial advisers should reconsider the way in which they interact and communicate with their clients. This may lead some to engage in additional training or education programs to improve skills that are found to build client trust. In addition, the findings urge policy makers to make regulatory reform that involves greater accountability for financial advisers.

The study contributes to the body of literature on understanding trust by providing empirical evidence, in the context of personal financial planning that demonstrates competence – both behavioural and technical – to be a characteristic of trust. To date, there have been no similar studies reported in the literature.

Limitations and future research

The generalisability of results may be limited by the relatively small sample size in the study. Future research on a larger sample size, and/or extending to countries outside Australia with similar economic and social objectives, would validate our findings.

As personal financial planning is still a relatively new profession, the current study provides a foundation for future studies on the characteristics of trust in personal financial planning, specifically the affective characteristics that were found to be essential to the client-adviser relationship. These characteristics of trust may also extend to other professional service relationships in a range of differing contexts.

Future research may also consider the educational and regulatory implications of the findings, such as how the characteristics of trust are incorporated into educational programs or the effectiveness of regulatory reform in improving accountability and trust of financial advisers.

Conclusion

In answering the research question, ‘what characteristics of trust are evident in personal financial planning?’ we found seven primary characteristics of trust evident in personal financial planning: vulnerability and risk, feeling, honesty, faith, best interests, accountability and competence. These seven characteristics of trust are essential to the client-adviser relationship in personal financial planning and can assist financial advisers to establish, build and maintain trust with clients. The study has emphasised the importance of the affective characteristics of trust in a professional relationship such as personal financial planning. To date, there have been no similar studies reported in the literature.

The characteristic of competence expands the literature on client commitment by emphasising the importance of interpersonal communication skills such as listening, caring and friendly and professional behaviour on client commitment. The research empirically demonstrates that competence - both behavioural and technical - is a characteristic of trust in personal financial planning.

The results further suggest that increased legislation and the behavioural and technical competency of advisers can build consumer trust in financial advice. Our findings lend support to the introduction of legislation that bans commissions and increases transparency of fees by showing it would improve perceptions of honesty, leading to increased trust.

Conflicts of interest and dissatisfying events can put client trust at risk where transparency and minimum educational qualifications are not properly regulated, with implications for policy makers, regulators and professional bodies and may also be true across a wide range of relationships and contexts.

The findings from this research can be used to inform curricula, policy and business practice. Professional development and educational programs for the financial planning profession can further develop the affective components of trust and build on the behavioural and technical competencies of advisers. This may be considered by the Finance Professionals' Education Council (FPEC) in fulfilling its obligations to raise the standard of financial planning education. Furthermore, by highlighting accountability and qualifications as important characteristics of trust in personal financial planning, this research provides guidance to policy makers in terms of educational and regulatory requirements imposed on the financial planning profession. The essence of trust is at the very heart of what regulatory bodies do as they 'promote confident and informed participation by investors and consumers in the financial system' (ASIC, 2015). Finally, the results can facilitate delivery of trusted financial advice, leading to greater confidence and participation in the economy, and meeting wider societal objectives by improving consumer well-being.

References

- Albaum, G. and Young, L. (2003), 'Measurement of trust in salesperson-customer relationships in direct selling', *Journal of Personal Selling & Sales Management*, vol 23:3 (Summer 2003), pp. 253-259.
- Australian Securities and Investment Commission (ASIC) (2015), Our role (ASIC website, home page, 'About ASIC'), found at: <http://asic.gov.au/about-asic/what-we-do/our-role/> (accessed on 24/02/2016).
- Australian Bureau of Statistics (ABS) (2010), *Australian Demographic Statistics*, June 2010, found at: <http://abs.gov.au/AUSSTATS> (accessed on 30/06/2014).
- Australian Bureau of Statistics (ABS) (2014), *Employed persons by Occupation and Sex*, cat. no. 6291.0.55.003 Labour Force, Australia, Detailed, Quarterly-Table 07, found at: <http://www.abs.gov.au/Ausstats/abs@.nsf/mf/6291.0.55.003> (accessed on 30/06/2014).
- Balliet, D. and Van Lange, P. A. (2013), 'Trust, Conflict, and Cooperation: A Meta-Analysis', *Psychological Bulletin*, 139:5, American Psychological Association, pp. 1090–1112.
- Barber, B. (1983), *The Logic and Limits of Trust*, Rutgers University Press, New Brunswick, NJ.
- Bejou, D., Ennew, C. and Palmer, A. (1998), 'Trust, ethics and relationship satisfaction', *International Journal of Bank Marketing*, 16:4, pp. 170-175.
- Birkett, W. P. (1996), *Competency standards for financial planning in Australia and New Zealand*, Melbourne, Financial Planning Association.
- Brien, A. (1998), 'Professional Ethics and The Culture of Trust', *Journal of Business Ethics*, vol 17, pp. 391-409.
- Burrell, G., & Morgan, G. (1979). *Sociological paradigms and organisational analysis: Elements of the sociology of corporate life*. London: Heinemann Educational.
- Chen, C.C., Saporito, P. and Belkin, L. (2011), 'Responding to trust breaches: The domain specificity of trust and the role of affect', *Journal of Trust Research*, 1:1, pp. 85-106.
- Christiansen, T. and DeVaney, S. (1998), 'Antecedents Of Trust And Commitment In The Financial Planner-Client Relationship', *Financial Counselling and Planning*, 9:2. Association for Financial Counseling and Planning Education, pp. 1-10.
- Chua W. F. (1986), 'Radical Developments in Accounting Thought', *The Accounting Review*, 61:4, pp. 601-633.
- Chun, K. and Campbell, J. B. (1974), 'Dimensionality of the Rotter Interpersonal Trust Scale', *Psychological Reports*, 35:3, pp. 1059-1070.

Commonwealth of Australia (2009), *Parliamentary Joint Committee on Corporations and Financial Services: Inquiry into financial products and services in Australia (Ripoll report)*, November 2009, Australia.

Commonwealth of Australia (2010), *The Future of Financial Advice (Information Pack)*, 26 April, Office of the Hon Chris Bowen MP, The Treasury, Australia.

Commonwealth of Australia (2014), *Government response to Senate Inquiry into the Performance of ASIC*, Treasury Portfolio Ministers: Senator the Hon Matthias Cormann, 24 October 2014, The Treasury, Australia [Online]. Found at: <http://mhc.ministers.treasury.gov.au/media-release/043-2014/> (accessed 4/03/15).

CPA Australia (2005), *Impact of FSRA Report: A research project commissioned by CPA Australia*, CPA Australia, Melbourne.

Crosby, L., Evans, K. and Cowles, D. (1990), 'Relationship quality in services selling: an interpersonal influence perspective', *Journal of Marketing*, 54 (July), pp. 68-81.

Cull, M. (2015), *The role of trust in personal financial planning*, PhD Dissertation, University of Western Sydney, Digital Thesis Database Repository, found at: <http://handle.uws.edu.au:8081/1959.7/uws:32640> (accessed on 09/03/2016).

De Gori, D. (2014), 'How to restore trust for financial planners', *The Drum*, Australian Broadcasting Commission, 24 October. Found at: <http://www.abc.net.au/news/2014-10-24/de-gori-financial-planning-royal-commission/5839994> (accessed 31/03/2016).

Denzin (1978), *The research act: a theoretical introduction to sociological methods*, 2nd Ed, New York, McGraw Hill.

Dillman, D. (2007), *Mail and Internet Surveys: The Tailored Design Method*, 2nd Edition [e-book] [EBSCO online], Hoboken, N.J. John Wiley & Sons Inc, United States.

Ferguson, A., Christodoulou, M. and Toft, K. (2016), 'Money For Nothing', *Four Corners*, 7 March, Australian Broadcasting Commission. Transcript found at: <http://www.abc.net.au/4corners/stories/2016/03/07/4417757.htm> (accessed 30/03/2016).

Fukuyama, F. (1995), *Trust: The Social Virtues and the Creation of Prosperity*, New York: Free Press.

Fulmer, C.A. and Gelfand, M.J., (2012), 'At What Level (and in Whom) We Trust: Trust Across Multiple Organizational Levels', *Journal of Management*, 38:4, pp. 1167-1230.

Guenzi, P. and Georges, L. (2010), 'Interpersonal trust in commercial relationships: Antecedents and consequences of customer trust in the salesperson', *European Journal of Marketing*, vol 44:1, pp. 114-138.

- Hoyle, S. (2010), 'GFC a turning point for planning industry', *Professional Planner*, March 28, 2010, Conexus Financial Pty Ltd. Found at: <http://professionalplanner.com.au/?p=1871> (accessed 31/03/2016).
- Hunt, K., Brimble, M. and Freudenberg, B. (2011), 'Determinants of Client-Professional Relationship Quality in the Financial Planning Setting', *Australasian Accounting Business and Finance Journal*, 5:2, pp. 69-99.
- Irving, K. A., Gallery, G.T., Gallery, N., and Newton, C. J. (2011), 'I can't get no satisfaction'...or can I? A study of satisfaction with financial planning and client wellbeing', *Journal of the Australian Society of Security Analysts*, 2011:2, pp. 36-44.
- Jackling, B. and Sullivan, C. (2007), 'Financial planners in Australia: an evaluation of gaps in technical and behavioral skills', *Financial Services Review*, 16, pp. 211-229.
- Johnson, D. and Grayson, K. (2005), 'Cognitive and affective trust in service relationships', *Journal of Business Research*, 58, pp. 500-507.
- Johnson-George, C. E. and Swap, W. C. (1982), 'Measurement of specific interpersonal trust: Construction and validation of a scale to assess trust in a specific other', *Journal of Personality and Social Psychology*, 43, pp. 1306-1317.
- Joo, S. and Garman, E.T. (1998), 'Workers want more than retirement education at their workplace: A report of research findings', *Personal Finances and Worker Productivity*, 2:2, pp.156-161.
- Kim P. H., Dirks, K. T. and Cooper C. D. (2009), 'The repair of trust: A dynamic bilateral perspective and multilevel conceptualization', *Academy of Management Review*, 34:3, pp. 401-422.
- Kirchmayer, L. and Patterson, P. (2003), 'The Role of Interpersonal Communication in the Development of Client Trust and Closeness in a SME Professional Services Context', *Conference Proceedings of the 16th Annual Conference of Small Enterprise Association of Australia and New Zealand*, 28 September – 1 October, University of Ballarat, Australia.
- Lewicki, R.J., McAllister, D. J. and Bies, R. J. (1998), 'Trust and distrust: new relationships and realities', *Academy of Management Review*, 23:3, pp. 438-458.
- Lewis, J. D. and Weigert, A. (1985), 'Trust as Social Reality', *Social Forces*, 63:4, pp. 967-985.
- Lin, C., Chen, S., Chiu, C. and Lee, W. (2011), 'Understanding Purchase Intention During Product-Harm Crises: Moderating Effects of Perceived Corporate Ability and Corporate Social Responsibility', *Journal of Business Ethics*, 102, pp. 455-471.
- Luhmann, N. (1998), 'Chapter 6 - Familiarity, Confidence, Trust: Problems and Alternatives' in Gambetta D (Ed) 1998, *Trust: making and breaking cooperative relations*, Basil Blackwell Publishing Ltd, Oxford, UK.

- Mayer, R., Davis, J. and Schoorman, F. (1995), 'An integrative model of organizational trust', *Academy of Management Review*, 20:3, pp. 709-734.
- McAllister, D. (1995), 'Affect-and cognition-based trust as foundations for interpersonal cooperation in organizations', *Academy of Management Journal*, February, 38:1, pp. 24 – 59.
- McConnell, P. (2016), 'CommInsure case shows it's time to target reckless misconduct in banking', *The Conversation*, 8 March, found at: <https://theconversation.com/comminsure-case-shows-its-time-to-target-reckless-misconduct-in-banking-55748> (accessed 30/03/2016).
- Miranda, R. and Klement, J. (2009), 'Authentic Trust in Modern Business', *The Journal of Wealth Management*, 11:4 (Spring), pp. 29-47.
- Moorman, C., Zaltman, G. and Deshpande, R. (1992), 'Relationships Between Providers and Users of Market Research: The Dynamics of Trust Within and Between Organizations', *Journal of Marketing Research*, 19, pp. 314-328.
- Morgan, R. and Hunt, S. (1994), 'The Commitment-Trust Theory of Relationship Marketing', *Journal of Marketing*, 58 (July), pp. 20-38.
- Neuman, W. L. (2006), *Social research methods: qualitative and quantitative approaches*, Pearson Education, United States.
- Oakes, G. (1990), 'The Sales Process and the Paradoxes of Trust', *Journal of Business Ethics*, 9, pp. 671-679.
- Parsons, T. (1972), 'Research with Human Subjects and the Professional Complex'. In Freund P (ed), *Experimentation with Human Subjects*, Allen and Unwin, London.
- Peters, E., Dieckmann, N., Dixon, A., Hibbard, J., & Mertz, C. (2007), 'Less Is More in Presenting Quality Information to Consumers', *Medical Care Research and Review*, 64:2, pp.169-190, MCRR Sage Publications Inc.
- Porter, S. R. (2004), *New Directions for Institutional Research*, No. 121, Wiley Periodicals Inc. Found at: <http://www.atn.edu.au/docs/Raising%20Response%20Rates.pdf> (accessed 10/03/11).
- Rempel, J.K., Holmes, J.G. and Zanna, M. (1985), 'Trust in Close Relationships', *Journal of Personality and Social Psychology*, 49:1, pp. 95-112.
- Robertson, A. (2016), 'Life insurance commissions mean CommInsure the tip of the financial scandal iceberg', *ABC News*, 15 March, found at <http://www.abc.net.au/news/2016-03-15/comminsure-points-towards-broader-insurance-scandals/7247408> (accessed 30/03/2016).
- Rotter, J. B. (1967), 'A new scale for the measurement of interpersonal trust', *Journal of Personality*, 35:4, pp. 651-665.
- Rotter, J. B. (1980), 'Interpersonal trust, trustworthiness, and gullibility', *American Psychologist*, 35:1, pp. 1-7.

Rousseau, D., Sitkin, S., Burt, R. and Camerer, C. (1998), 'Not so different after all: A cross-discipline view of trust', *Academy of Management Review*, 23:3, pp. 393-404.

Schoorman, F. D., Mayer, R. C. and Davis, J. H. (2007), 'An integrative model of organizational trust: Past, present, and future', *Academy of Management Review*, 32:2, pp. 344-354.

Sharma, N. and Patterson, P. (1999), 'The impact of communication effectiveness and service quality on relationship commitment in consumer, professional services', *The Journal of Services Marketing*, 13:2, pp. 151-170, MCB University Press.

Sharpe, D.L., Anderson, C., White, A., Galvan, S. and Siesta, M. (2007), 'Specific Elements of Communication That Affect Trust and Commitment in the Financial Planning Process', *Financial Counseling and Planning*, 18:1, pp. 2-17.

Sheppard, B. and Sherman, D. (1998), 'The grammars of trust: a model and general implications', *Academy of Management Review*, 23:3, pp. 422-437.

Stewart, K. J. (2003), 'Trust transfer on the world wide web', *Organization Science*, 14:1, pp. 5-17.

Svensson, G. (2004), 'Vulnerability in business relationships', *Journal of Business and Industrial Marketing*, 19:7, pp. 469-483.

Swartz, T. A. and Iacobucci, D. (Eds) (2000), *Handbook of services marketing and management*. Thousand Oaks, CA: SAGE Publications, Inc.

Taylor, M. (2011), 'Client Satisfaction Trumps Sales', *Money Management*, 11 July, found at <http://www.moneymanagement.com.au/news/financial-planning/client-satisfaction-trumps-sales> (accessed 23/05/16).

Veal, A. J. (2005), *Business Research Methods: A Managerial Approach*, 2nd Ed, Pearson Education Australia.

Young, L. (2006), 'Trust: looking forward and back', *Journal of Business and Industrial Marketing*, 21:7, pp. 439-445.

Zajonc, R. B. (1980), 'Feeling and Thinking: Preferences need no Inferences', *American Psychologist*, 35:2, pp. 151-175.