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2004–05

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# MacroMonitor

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## **PRODUCTS AND SERVICES ANALYSIS VOLUME**

### **Interim Report Information and Advice**

#### **SRI CONSULTING BUSINESS INTELLIGENCE**

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## INFORMATION AND ADVICE

### Summary

Five years of economic uncertainty, market volatility, and numerous occurrences of corporate and financial misconduct have had an impact on consumers' state of mind. But instead of driving consumers to seek more information and advice, this confluence of events appears to be having the opposite effect, at least for the time being. Growth in the number and percentage of households that report that they always or sometimes receive advice before making major financial decisions has stalled between 2002 and 2004, after making solid gains between 2000 and 2002. The number of households recently obtaining or likely to obtain specific types of advice has declined in recent years (see Figures 1 and 2). Similarly, incidences of using various types of information sources and expressing interest in learning about particular financial topics generally trended downward between 2002 and 2004.

The need for financial information, planning, and advice has never been more important. However, consumers are in a quandary about whom to trust. U.S. households continue to regard depository institutions as the most trustworthy of all types of financial institutions, but the percentage of households trusting banks a great deal has declined in the past decade. Moreover, in 2004, the high level of trust that households place in banks (48% of households trust banks a great deal) has not transferred to the institutions' personnel (just 18% of households trust bank advisors). Meanwhile, the percentages of households that hardly trust full-service and discount stockbrokerage firms have gone up in the same period. (The percentage of households that say they hardly trust full-service brokerages was up by four percentage points, from 13% in 1994 to 17% in 2004; the incidence of households that say they hardly trust discount brokerages rose by six percentage points to 21% in the same period.) Overall, the stature of most financial intermediaries has not improved in the past decade and, in some cases, has deteriorated further.

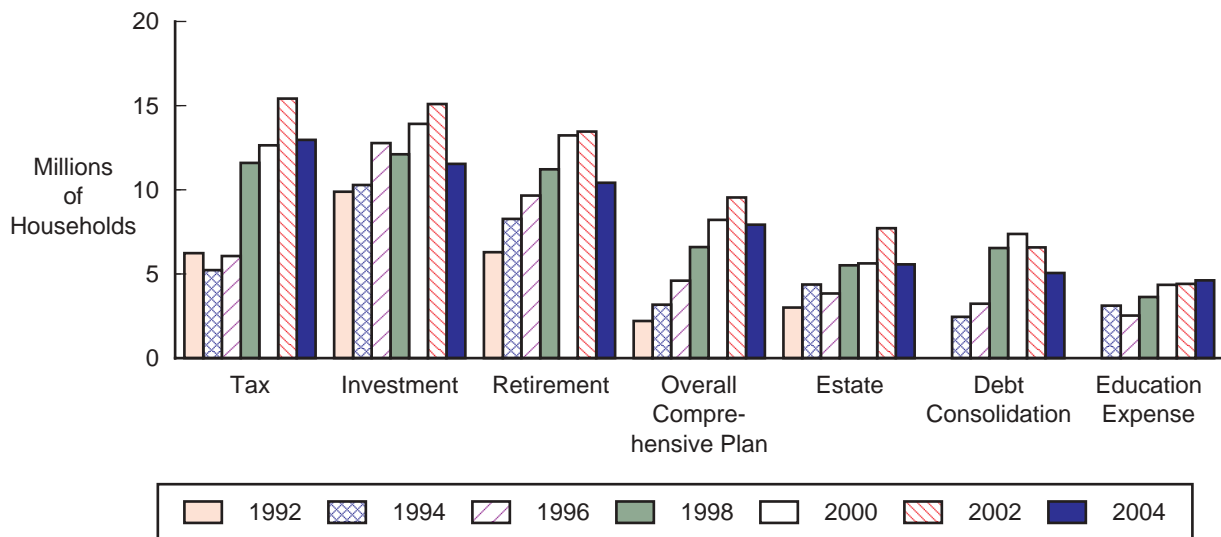
Consumers' recent behaviors toward the financial markets that led to substantive losses have resulted in depressed confidence in their own ability to manage their finances. But although they may conclude that they are not necessarily the best guide for their own finances, recent revelations about corporate and fiduciary misconduct have also led them to believe that financial institutions and their intermediaries aren't any better. The current disengagement from advice is thus not surprising and may actually be a healthy break for consumers. When they eventually come back and refocus their attention on financial planning and advice—particularly the advance guard of Boomers turning 60 next year and contemplating retirement—trustworthiness will unquestionably be a critical element in their choice of financial advisor.

Other key findings from the **2004–05 MacroMonitor** data about information and advice include the following:

- How to choose investments, minimize taxes, prepare for retirement, and write a will are the most frequently noted topics that households would like to learn more about in 2004. Correspondingly, tax, investment, and retirement planning are the top three types of financial advice that households recently obtained and are likely to obtain in the near future.
- Personal relationships (friend, relative, or associate) have been the number one source of financial information for U.S. households since the **MacroMonitor** started tracking this indicator. In the past three survey years, roughly one-third of all households cite this source (32% in 2004). The next most commonly cited sources of financial information are newspaper articles (23%), the Internet (19%), and consumer magazines (19%). Reliance on personal relations as a source of advice is significantly stronger among younger households and those in the early Life Stages than among the older and retired households.

- Older Boomers show more interest in obtaining advice and are more willing to pay for such advice than any of the other Age Cohorts. In 2004, more than half (53%) sometimes or always receive advice, and 45% are willing to pay for it—the highest incidences among the cohorts.
- Retirees, especially the older ones, hold full-service stockbrokerages and their intermediaries in high regard—more so than do any of the other Age Cohorts or households in the early Life Stages. Retirees are the most likely to gravitate toward a full-service stockbroker when picking a primary advisor. But the current retirees' loyalty to the full-service stockbroker will not likely transfer seamlessly to the next generation of retirees, the Boomers. Currently, Younger and Older Boomers gravitate more toward bank advisors, accountants, and financial planners, and we do not expect Boomers to alter their advisor preferences substantially in favor of full-service stockbrokers upon their own retirement.
- Reliance on the Internet as a source for financial information, not surprisingly, corresponds with the level of Internet access among the segments. Thus, younger and more affluent households tend to rely on the Internet more than do the older (particularly the retired) and less affluent households. Almost three in ten Generation X households, 26% of High households, and 34% of Single No Child households cite the Internet as a source of financial information, the highest incidences among their respective segments.

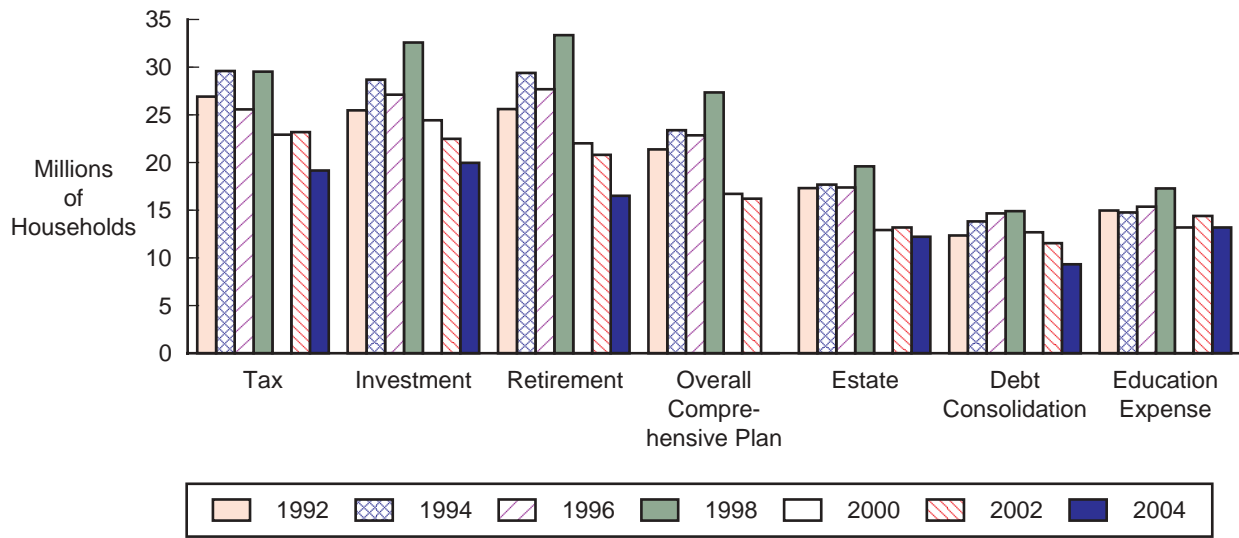
**Figure 1**  
**TYPES OF ADVICE RECENTLY OBTAINED\***



\* Advice obtained in last two years.

Base: All U.S. Households

**Figure 2**  
**TYPES OF ADVICE LIKELY TO OBTAIN IN NEXT 12 MONTHS\***



\* "Very likely to obtain" and "somewhat likely to obtain" responses combined.

Base: All U.S. Households