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Identifying and Removing Psychological Barriers to Seeking Financial Advice

Executive Summary

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Research conducted by:



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Working with a financial planner has been researched and documented to provide tangible psychological and financial wellness benefits. In a 3-year longitudinal study of Canadians, research found that individuals with comprehensive plans feel:

- More on track with their financial goals and retirement plans
- More confident that they can deal with financial challenges in life
- Better able to indulge in their discretionary spending goals
- More on track with financial affairs
- More able to save in the last five years

Yet, research also shows that many individuals – especially those most in need of assistance, frequently fail to obtain the advice they need. Financial advisors are seen as more geared to individuals that are richer, older and more experienced investors.

The question is why more individuals are not engaging with professional financial planners? What are the main barriers?

At a summary level, the research by Dr. Purda and Dr. Ashworth points to three main barriers:

Consumer confusion about what financial planning is and who is qualified to provide it: Consumers are generally ill-informed about the various financial professionals they interact with, the services they provide and the obligations they are bound to. Consumers surveyed knew very little about different financial titles used to describe financial professionals. As well, consumers did not appear to understand all the elements of a financial plan or the full range of services offered by financial planners.

Consumer attitudes toward planner use: Consumers who have negative attitudes toward financial planner use will be less inclined to engage in financial planning. Attitude is impacted most positively by consumer perceptions about the benefits of financial planning relative to the perceived costs and whether these professionals are deemed to be trustworthy or operating with an ulterior motive outside the client's best interests. Where perceived benefits relative to costs and trustworthiness are high, attitudes toward working with a financial professional are more favorable. Interestingly, as individuals become more confident in their financial know-how, they may be less favorably pre-disposed to seeking professional assistance.

Financial Advice Seeking Efficacy (FASSE): Consumers who don't believe they have "what it takes" to engage with a financial professional will not tend to do so. That is, where consumers don't believe they have sufficient knowledge or experience or resources to work with a financial professional won't tend to engage one. Similarly, consumers who are not certain about where to get good financial advice or feel unable to judge the quality of the financial advice they receive won't tend to engage in planning. FASSE is also impacted most positively by perceptions that financial planners are trustworthy, without ulterior motives.

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Research Paper

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