

The Market for Retirement Financial Advice

EDITED BY

Olivia S. Mitchell
and Kent Smetters

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Chapter 10

How to Make the Market for Financial Advice Work

Andreas Hackethal and Roman Inderst

The regulation of the financial industry is changing rapidly. In order to effect far-reaching protection of retail financial consumers, the newly created Financial Stability Board in Europe has made several proposals to advance consumer finance protection, including the establishment of a dedicated consumer protection authority (FSB, 2011). Such an authority has also been newly created in the United States, in the form of the Consumer Financial Protection Bureau operating since July 2011. In the United Kingdom, the former Financial *Services* Authority will be replaced by a Financial *Conduct* Authority (FSA, 2011). A key motivation behind these changes is that the system of *financial advice* is seen to be profoundly deficient. Rather than helping consumers by bridging gaps in knowledge and facilitating transactions, professional financial advice stands accused of helping to exploit consumers' lack of financial literacy and inexperience. In its blueprint for a new architecture of financial regulation, the US Department of the Treasury (2009: 68) has put this as follows:

Impartial advice represents one of the most important financial services consumers can receive [...] Mortgage brokers often advertise their trustworthiness as advisors on difficult mortgage decisions. When these intermediaries accept side payments from product providers, they can compromise their ability to be impartial. Consumers, however, may retain faith that the intermediary is working for them and placing their interests above his or her own, even if the conflict of interest is disclosed. Accordingly, in some cases consumers may reasonably but mistakenly rely on advice from conflicted intermediaries.

This conjecture of a malfunctioning and therefore welfare-impairing market for financial advice is echoed by the European Commission's (EC, 2011: 27) recast proposal for a directive on markets in financial instruments (MiFID II):

The continuous relevance of personal recommendations for clients and the increasing complexity of services and instruments require enhancing the conduct of business obligations in order to strengthen the protection of investors. [...] In order to give all

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relevant information to investors, it is appropriate to require investment firms providing investment advice to clarify the basis of the advice they provide, notably the range of products they consider in providing personal recommendations to clients, whether they provide investment advice on an independent basis and whether they provide the clients with the on-going assessment of the suitability of the financial instruments recommended to them. [...] In order to strengthen the protection of investors and increase clarity to clients as to the service they receive, it is appropriate to further restrict the possibility for firms to accept or receive inducements from third parties, and particularly from issuers or product providers, when providing the service of investment advice on an independent basis and the service of portfolio management.

In this chapter, we contend that financial advice is key to improving the quality of investment decisions of retail investors. As consumers often have deficient financial literacy or may be prone to make systematic errors, well-informed and unbiased financial advice has an important role to play. Here, we discuss this with particular attention to retail investment services. Recent survey evidence shows that retail investors typically turn to and receive professional advice. While this may complement the knowledge of more educated consumers, we show that the impact of advice may be particularly large for less-knowledgeable consumers.

But do consumers make the right use of financial advice? We argue that this may often not be the case. One reason is that—as suggested in the preceding quotes—they may fail to understand the underlying inherent conflicts of interest. We discuss empirical and theoretical papers that show how such a system of biased advice may persist in the marketplace. But we also show that consumers may wrongly use even unbiased advice.

Throughout this chapter we focus on advice given specifically to particular consumers, rather than being provided generically, for example, through investment newsletters or analyst reports. Also, for the present discussion, we refer to financial advice or a financial advisor, without singling out particular roles and professions and thereby the particular legal obligations that would apply to each. Accordingly, general remarks about the role and scope of financial advice should apply equally to dedicated investment advisors or broker-dealers whose advice is legally considered to be ‘solely incidental’ to their business.¹

The financial investment problem

One reason why the decision problem of retail investors is complex is simply the staggering number of different products.

Complexity of investment decision and systematic errors

Lack of transparency allows for significant price dispersion even for relatively simple products, such as S&P 500 index funds.² Moreover, many retail investment products are quite complex, involving derivative structures or various *hidden* costs that an investor must carefully add up and compare before making a decision. Another reason for complexity is the very nature of household investment decisions. Theory posits that investors maximize subjective expected utility under a life-time budget constraint, given stochastic labor income and asset returns (Campbell and Viceira, 2002). Investors should formulate dynamic optimal plans for consumption and portfolio composition, but in practice the optimization problem is far from easy. Little is known about how consumers actually search for investment products, and the realization of state variables relevant for optimal portfolio composition. Several recent studies suggest, however, that consumers seem to conduct only a very limited search, often collecting information only from a single source.³ One would suspect that this involves their most trusted financial advisor. To what extent the presence of the advisor then stimulates information acquisition, or whether it instead stalls this process, has unfortunately not yet been the subject of research.

When making investment decisions in practice, the informed consumer should consider a number of different steps. He would first assess his personal balance sheet to determine how much he is already exposed to different classes of risk and to what extent he can afford to save and invest for the long term. This then feeds into his risk tolerance and his investment horizon. The next step is to save and invest optimally across different asset classes, thereby achieving diversification as well as an optimal trade-off between expected return, risk, and illiquidity. It then remains to pick individual securities and to undertake the respective transactions. Over time, the investor will also need to review his decisions in light of shocks, and he should also potentially readjust his decisions.

The academic literature has suggested numerous instances how at least some consumers are prone to make systematic errors along this process.⁴ The key obstacles to making good decisions include unstable or undefined preferences, heuristic decision-making (narrow) framing or unsuitable anchoring of expectations, inertia and procrastination, overconfidence, and choice and information overload.⁵ Moreover, systematic errors may stem from misconceptions about how financial products or financial markets work—or from a failure to adequately conceive risk. This is where professional advice can have a major role to play. Advisors should improve the quality of investor decisions along the five steps of the generic investment process sketched out above. At its best, this process will match people with their optimal portfolios throughout time.⁶

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Consumers' financial capability

Financial capability refers to the knowledge and skills to make financial (investment) decisions to promote a consumer's interests. Several recent studies suggest that many households do not possess a sufficient level of financial capability, given the complexity of the decisions they face.⁷ Surveys suggest that many adults lack even basic knowledge of financial products and concepts, such as inflation or risk, essential to make well-informed and self-directed decisions, and to validate the recommendations.

This lack of knowledge is clearly not uniform across the whole population: better-educated households (as well as wealthier ones) tend to be more capable, while very young adults show a particular lack of knowledge. It is at best unclear whether gaps in financial capability can be overcome by better financial education. Some studies based on, for instance, the provision of financial literacy courses in high schools or within employer-sponsored programs, have suggested that any benefits may be short lived, but others come to the opposite conclusion.⁸ If this is the case, then this clearly strengthens the importance of professional financial advice.

The unfulfilled promise of advice

There is considerable scope for professional financial advice to help consumers make better decisions, and retail financial consumers do frequently seek and receive advice. In a large online survey among recent purchasers of investment products in Europe, nearly 80 percent made their purchase in a face-to-face setting, mostly with an employee of the investment provider or a professional advisor (Chater et al., 2010).⁹ Almost 60 percent reported that their choice was directly influenced by the advisor. The size of the US market for financial planning and advice was estimated to be almost \$44 billion in 2011.¹⁰

Several studies have documented that the probability of seeking financial advice increases with age, education, financial literacy, wealth, and income.¹¹ Moreover, women are more likely to seek advice than men. Older and more educated people are presumably more confident and able to combine different views than younger people, and higher wealth or income warrants greater search costs and comes with greater opportunity cost of time. Women may be less overconfident than men and therefore place higher weight on the opinion of an advisor. Even if less sophisticated consumers seek little advice, those that do might nevertheless tend to rely on just a single source of advice. For instance, Hackethal et al. (2010) report that less-knowledgeable advisory customers of a large German bank relied more on the financial advice received than most financially

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skilled customers, which then translated into significant differences in investment and trading behavior between the two groups. In fact, customers who relied heavily on the specific advisor assigned to them tended to have over 20 percent higher turnover in their financial assets, after controlling for a number of characteristics such as portfolio value and general education. Hence, these accounts generated higher bank revenues than customers who adhered less closely to advisor recommendations. In European survey data, Georgarakos and Inderst (2010) show that trust in financial advice was a significant determinant of the willingness to hold risky assets among less educated households or households who found financial decisions more complex, and to a much lesser degree for more educated and more confident households.¹² Taken together, these studies suggest heterogeneity of financial consumers, one group relying strongly on recommendations of a trusted financial advisor, and another which makes self-determined decisions.

While financial advice can play an important role in consumer investment decisions, in some cases consumers may not benefit from the relationship. For instance, they might have better diversified portfolios, but these portfolios may not have lower turnover or higher performance (Hackethal et al., 2012). One reason is that advice may not be disinterested and consumers fail to adequately take this into account. A well-functioning market of financial advice would ensure that the self-interest of advisors is sufficiently aligned with that of their customers. Often, the compensation of financial intermediaries creates distorted incentives, as it rather aligns the interests of a particular ‘high-fee’ product provider with those of the ‘advisor-salesman.’ Yet consumers may often be ignorant about such payments, or they may not become salient at the time of purchase.

The US Federal Trade Commission’s staff report (Lacko and Pappalardo, 2007) on disclosure rules for mortgage brokers suggests that many individuals view such brokers as trusted advisors who shop for the best loans for their clients. In a survey of recent purchasers of financial products, Chater et al. (2010) find that most respondents are largely ignorant of conflicts of interest. More than half of all respondents believed that financial advisors or the staff of a tied provider gave fully independent advice or information. Studies of investors’ reactions to analysts’ recommendations also suggest that at least some investors are naïve about analysts’ incentives.¹³ In addition, experimental evidence suggests that some subjects are willing to follow advice rather blindly.¹⁴ When consumers are insufficiently wary about conflicts of interest, there is scope for financial advice to generate consumer detriment, rather than helping them with their decisions. With respect to investment services, consumers might then inadvertently purchase products with excessive fees or churn their portfolios too often.

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Self-interested financial advice may also risk aggravating systematic mistakes that some consumers are prone to make. Mullainathan et al. (2010) used mystery shopping in the United States to test how investment advisors reacted to consumers at their first encounter. Results showed that, at a first meeting, investment advisors seemed not to risk arguing against potential customers' misperceptions. Rather than mitigating potential errors, they could even amplify biases and misperceptions.

We summarize this discussion by illustrating how advice can help or harm retail investors by either bridging or exploiting ignorance, and through either mitigating or exploiting systematic errors. There are four possible configurations in the market for financial advice, depending on (a) whether conflicts of interest exist between adviser and customer; and (b) different customer characteristics (see Table 10.1). Situations 1 and 2 describe the possible configurations when the interests are aligned between adviser and customer. Situation 3 probably has different policy implications than 4. Situation 3 calls for more transparency on the effective cost of advice, whereas Situation 4 rather calls for better information on the outcome of investment and advisor activity over time.

Yet, even unbiased professional advice may fail to create benefits when consumers do not make appropriate use of advice or when they simply do not adhere to the recommendations. A consumer who expects a financial advisor to provide him with 'tips on hot stocks' may turn away from the advisor who, instead, educates him about the benefits of diversification. As yet, there is only limited evidence about how consumers actually make use of financial advice.¹⁵ In a randomized field experiment with a large brokerage, Bhattacharya et al. (2012a) found that investors whose portfolio structure and trading behavior suggested that they were in the greatest need for financial advice were, in fact, least likely to obtain it. And investors who obtained advice hardly followed the recommendations. Moreover, adherence to these recommendations would have significantly improved portfolio efficiency, compared to what investors actually achieved after

TABLE 10.1 Four possible configurations in the market for financial advice

	Consumer with limited financial capability	Consumer with systematic misperceptions
Interests between advisor and consumer aligned	(1) Advisor bridges knowledge gap (products, providers, fees, etc.)	(2) Advisor educates consumer about systematic errors (home bias, overconfidence, etc.)
Conflict of interest between advisor and consumer	(3) Advisor hides fees or risks	(4) Advisor exploits misperceptions (portfolio churning, attention-driven trading, etc.)

Source: Authors' tabulations.

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receiving the advice. This suggests that advice can, in principle, improve retail investor decision-making, though demand-side obstacles must be overcome to reap the potential benefits from advice.

Some obstacles include overconfidence regarding one's own financial capabilities relative to advisor capabilities, general distrust in the quality of advice resulting in only selective adherence, or ignorance of portfolio selection in conjunction with unavailability of information to accurately assess the expected benefits from following the advice. A straightforward policy implication of the low adherence to good advice is that policies focusing on the supply side of the market for financial advice and, in particular, on the inputs to an organization of advice might reduce the occurrence of situations of Types 3 and 4 in Table 10.1, yet then might not be sufficient to significantly increase consumer benefits from advice even in situations of Types 1 and 2. How can consumers find out *ex post facto* whether and to what extent conflicts of interests (*ex ante* disclosed) translate into impaired welfare? How can consumers assess whether the improvements in decision-making from unconflicted advice cover the cost of advice? How can consumers compare proven quality of advice among different conflicted or unconflicted suppliers? Answers to these questions demand further research.

Possibly useful policy responses might put consumers into a position to, first, assess their own needs for advice and, second, to anticipate the expected outcomes of advice from different suppliers. In the next section, we discuss current regulatory approaches and possible alternatives.

How to enhance the market for financial advice

Several policies can seek to reduce the need for financial advice, for instance, by improving the quality of information that consumers can gather and digest themselves. Standards for mandatory disclosure, such as key product documents, also fall into this category. Moreover, professional advice also becomes less of a necessity when products themselves become simpler. Policies that grant preferred tax status (say for retirement accounts) to only a preapproved range of savings and investment products would also meet this aim. Yet even simple financial products which most financial economists would judge to be beneficial for retail investors by construction could lose their built-in benefits in the hands of the average consumer.

As an example, Bhattacharya et al. (2012*b*) analyze what happens when retail investors replace single stocks and actively managed mutual funds with low-cost index-linked instruments such as exchange-traded funds and index funds. They report that the positive effects from better portfolio

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diversification are fully offset by negative abnormal returns from increased factor timing activity. As discussed previously, consumer education would further reduce the need for professional advice, though some studies suggest that the impact might be short lived. The gap between existing financial literacy levels in the population and what is needed in light of the growing complexity of financial decision-making might simply be too large to be bridged by (costly) training measures.

An alternative approach to improve the quality of financial advice is to give advisors appropriate incentives to provide unbiased advice. The evidence cited above suggests that some consumers may fail to rightly anticipate that advisors receive contingent payments or, if that is disclosed, the incentive conflicts that such payments may engender are not salient at the time of purchase. Such naïveté can lead to an outcome where consumers mostly or exclusively pay indirectly for advice, through markups on product prices that are passed on to advisors through commissions, rather than through a direct fee for advice (Inderst and Ottaviani, 2012*a*). Individual firms may also have insufficient incentives to explain the resulting biases and implement a system that does not compromise the efficiency of the advice, as consumers' inflated beliefs through biased advice tend to relax competition.

If such a description applies to particular products or channels of distribution, mandatory disclosure of conflicts of interest would seem warranted. Moreover, the experimental evidence in Chater et al.'s report (2010) suggests that such disclosure must be in a format such that it acts as a strong 'eye-opener'—and even then it may not prove sufficiently salient. However, when transparency succeeds, this can also have unwanted consequences. Loewenstein et al. (2011) show that, under disclosure, advisors seem to feel more comfortable giving biased advice, and advisees seem to adhere more to the advice given to avoid signaling outright distrust in the advisor. This may not be the case with a cap or even a ban on certain contingent fees, though these could also lead to market distortions. In particular, when consumers are wary about the implications that contingent payments can have on the services that advisors perform, interfering with the structure and level of these payments may lead to inefficiencies. Commissions and other performance-based sales inducements may serve important functions, for example, as they steer advice to the most efficient product or generate incentives for customer acquisition and information gathering.¹⁶

Accordingly, policymakers would do well to establish to what extent different groups of consumers are unaware of the prevailing inducement structure and the implied conflicts of interest, or whether they fail to distinguish between advice given by professionals with vastly different fiduciary responsibilities. Next, it must be asked whether mandatory

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disclosure would backfire, such as benefitting arrangements where conflicts of interest are less visible (e.g., through vertical integration). Certain arrangements may also prove to be efficient in a second-best sense, for example, if they solve agency problems in a setting where the agent performs different tasks and advises on the products of multiple providers.¹⁷

Creating transparency in the market for advice

How can a consumer who receives investment advice assess whether the advice received was good or poor? Very sophisticated consumers might be able to do so almost immediately, through validating an advisor's recommendation or even probing him with their own questions. For such consumers, of course, the advisor will only be one source of information, or they may merely be interested in having a facilitator for their transactions. Instead, less financially sophisticated consumers may have to look at the outcome of advice to judge how good it was. Yet for many financial products this may be far in the future. There may also be little that can be done to correct an initially bad decision, for example, in the case of certain life insurance policies that can only be redeemed at a high cost. If the investment is in marketable securities, consumers can, in principle, regularly observe the outcome of their decisions and can adjust them by changing their portfolio allocations.

At least in principle, consumers could then also establish whether a recommended investment yielded a high or low return, or even how volatile its market price was over, say, the last year. They could then establish whether the investment indeed proved to be as risky as indicated in a recommendation and whether, say, compared to a benchmark, the earned return net of costs was commensurate with the risk. Note that an advisor need not be a talented 'stock-picker' but he may be able to create 'alpha' for the consumer simply by avoiding fees and assessing the relative riskiness of particular products.

So much for what is possible in principle! In reality, however, most retail investors lack the information that would be necessary even for assessing the riskiness of their current portfolios—and even when they can learn such information, they may not be able to process it appropriately. Koestner (2012) analyzes individual trading behavior of some 20,000 self-directed retail investors over a period of eight years, to measure whether investors who do not quit trading altogether learn from past mistakes. He finds that under-diversification and the disposition effect do not abate as investors gain trading experience.¹⁸ More trading experience is associated with less future portfolio turnover, driving down transaction costs and raising net returns over time. Transaction costs are possibly more salient to retail investors than

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idiosyncratic risk share and timing patterns in round-trip transactions. These findings suggest that retail investors will improve risk management only if they obtain salient information on the risk and return profile of their portfolios.

Figure 10.1 suggests that (portfolio) risk management can offer substantial potential for improvement. The left panel shows average actual portfolio risk for self-directed customers of Financial Institution 1 (a German online brokerage firm). When opening an investment account with this brokerage, each customer reports the desired risk level for his portfolio, where Category 1 denotes very low risk and Category 5 denotes very high risk. It is clear that there is no monotonic relation between the clients' desired risk category and actual portfolio return variation. Customers who stated that they preferred very low risk levels achieved actual portfolio risk comparable to investors who stated they had very high risk tolerance.

Financial Institution 1 did not report past portfolio risk nor past portfolio returns to its customers; the same is true for most German retail financial institutions. This implies that customers will likely have difficulty verifying whether actual portfolio risk was commensurate with their desired levels, and whether actual portfolio returns were in line with benchmark returns. In other words, the two key measures, risk and return, are not readily available to consumers when deciding whether to seek advice or switch advisors. The right panel of Figure 10.1 shows how portfolio risk targeted by individual investors (A = low risk, E = high risk) and actual portfolio risk (standard deviation of actual portfolio returns of these investors) compare to each other under a specific advisory model offered by Financial Institution 2 (and examined by Bhattacharya et al., 2012*a*). The advisors of Financial Institution 2 determine target risk categories together with their clients and then recommend portfolios that match these risk preferences. In principle, a financial institution could report matches *ex post*, in order to demonstrate the high quality of its advisory services with regard to portfolio risk management.

We have also conducted an online survey of consumer preferences regarding investment advice, where we find that an advisor's proven ability to manage portfolio risk according to target risk is the number one criterion when selecting advisors. We also tested alternative ways to measure and report portfolio risk, and we concluded that the ordering of retail portfolios according to historical riskiness was hardly affected by the choice of specific risk measure. Furthermore, we found that risk reporting to consumers must be as simple as possible (e.g., a scale from 1 to 10 that maps standard deviations of portfolio returns) and highly standardized in order to be meaningful. These results are incorporated into a recent report to the German Department of Consumer Protection, which has recommended enhancing market transparency by giving retail investors legal right to

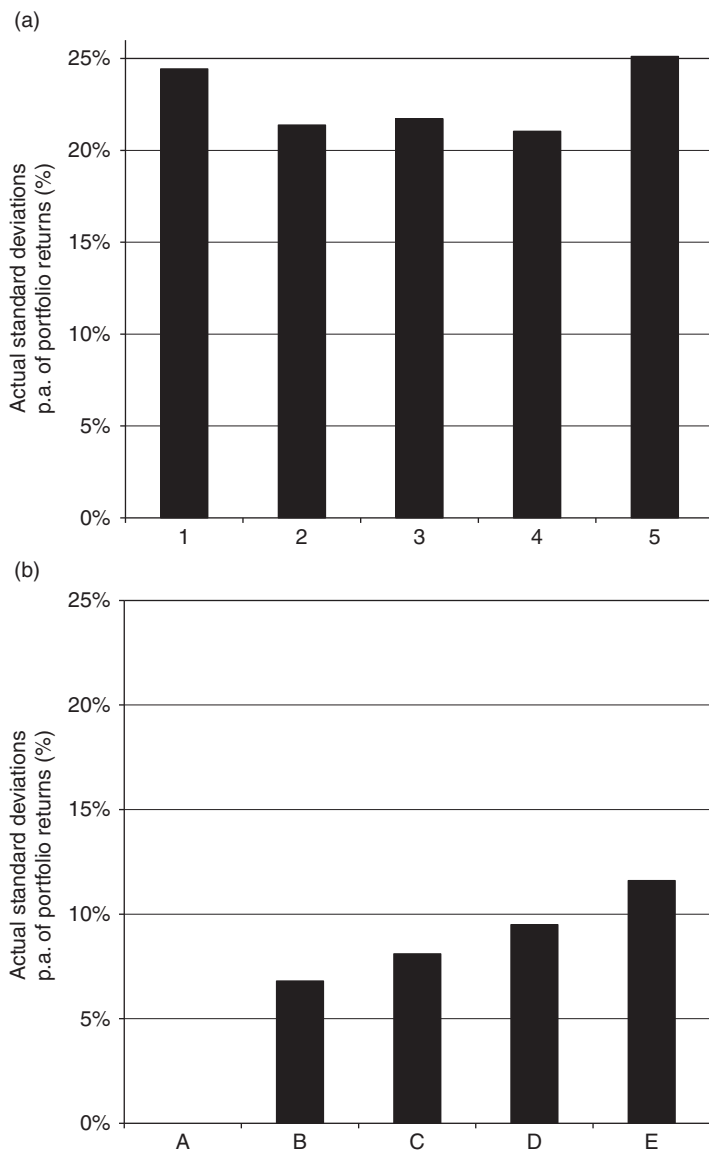


Figure 10.1 Comparison of stated risk preferences and average actual portfolio risk. Panel A: Risk categories for target portfolio risk (Financial Institution 1); Panel B: Risk categories for target portfolio risk (Financial Institution 2)

Notes: Panel A shows average annual standard deviations of portfolio returns for approximately 14,000 self-directed clients of Financial Institution 1 for the time period January 2007 to December 2008. Panel B shows average annual standard deviations of returns of portfolios recommended to some 400 advisory clients of Financial Institution 2 for the time period May 2009 to April 2010. The ordinal categories on the horizontal axis in each panel indicate the preferred risk levels as stated by the clients. Portfolios in Category 1 (A) are typically referred to as ‘conservative’ portfolios and those from Category 5 (E) are typically referred to as ‘speculative’ portfolios. Reading example: The portfolio returns of self-directed clients of Financial Institution 1 who reported ex ante that they target risk level 2 (‘moderate risk’) had an average standard deviation p.a. of 21.5 percent in 2007 and 2008.

Source: Authors’ calculations.

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obtain (at reasonable cost) their own detailed portfolios and transaction data in a unified electronic format that would allow third-party intermediaries to calculate standard measures for past portfolio risk and return, and to compare those to appropriate benchmarks (Hackethal and Inderst, 2011). While such a policy intervention would only target consumers already sophisticated enough to see the potential benefits of having such measures at their disposal, it could generate a much-needed stimulus in the market for financial advice simply by generating the potential for better transparency.

Conclusion

Our review of the marketplace for financial advice informs policy discussion of how to make this market work better. Most consumers are not well prepared to make complex financial decisions, so professional financial advice is likely to be a promising remedy. In practice, professional advice is widespread, yet the welfare impacts of such advice appear to be neutral, at best. For policymakers, the main problem seems to be advisor incentive schemes coupled with opaque product information. Yet pure supply side measures and mandatory disclosure of conflicts of interest are insufficient to ensure stronger competition for high-quality advice, as well as better adherence to good advice. Instead, more transparency is needed regarding the outcomes rather than the inputs of advisor recommendations. Easy-to-digest reports on one's own portfolio risk and return profile, in conjunction with a standardized categorization of past return variation, might induce advisors and consumers to pay more attention to individual target risk and actual portfolio risk. Such outcome transparency would allow advisors to demonstrate their abilities to meet their main value-added task, namely matching portfolios with consumer preferences.

Endnotes

1. In fact, consumers may not adequately distinguish between these different sources of advice, despite the different fiduciary duties that are imposed (Hung et al., 2008).
2. See, e.g., Hortaçsu and Syverson (2004).
3. The most comprehensive survey studies of this are Chater et al. (2010) and Eurobarometer (EC, 2012) (with a European focus).

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4. For an authoritative survey on the field of behavioral finance, see Barberis and Thaler (2003). Chater et al. (2010) offer a more policy-oriented overview, applied to retail investment services.
5. For a survey, see Barber and Odean (2011).
6. Kahneman (2011) distinguishes in his stylized description of human decision-making between an automatic, fast, and emotional System 1 that generates intuition, and an effortful, slow, and somewhat lazy System 2 that processes information more thoroughly than System 1 to either endorse ('rationalize') or refute ('disbelieve') intuition. Systematic errors in decision-making can therefore be the result of incorrect intuition unfettered by System 2 or they can be the result of interventions by an unskilled System 2 (see next section). Kahneman proposes two complementary instruments to improve individual decision-making. The first is to involve others to exert better control over one's own System 1 and at the same time to enhance the capabilities of one's own System 2. The second instrument is to establish a general but distinctive vocabulary that aids in identifying and overcoming judgment errors. Professional financial advice can be viewed as a variant of Instrument 1. At the end of Section 4, we propose a variant of Instrument 2, namely a standardized vocabulary to better deal with desired and actual portfolio risk.
7. See Lusardi and Mitchell (2007).
8. The UK's Personal Finance Research Center has recently carried out a study on these evaluations (FSA, 2008). On the other hand, Lusardi and Mitchell (2007) find a positive impact of financial education in school a decade beyond graduation.
9. Across European countries and across products the source of advice varies considerably, with bank employees playing a key role in many continental European countries.
10. See www.ibisworld.com/industry/default.aspx?indid=1316. See also Turner and Muir (2013).
11. See Hackethal et al. (2012) and Van Rooij et al. (2011).
12. Interestingly, for more educated consumers—and for consumers who consider financial decisions to be less complex—it is their confidence in consumer protection that is a key determinant of their willingness to hold risky assets. For less educated consumers—and for consumers who consider financial decisions to be more complex—trust in consumer protection matters less.
13. See Hung et al. (2008).
14. Even when subjects are informed about a conflict of interest, this knowledge does not seem to always make them sufficiently wary (cf. the various experiments discussed in Chater et al., 2010).
15. See other chapters: Hung and Yoong (2013); Finke (2013); Turner and Muir (2013); and Zick and Mayer (2013).
16. Inderst and Ottaviani (2009, 2011) introduce such multiple tasks into models of advice.

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17. Inderst and Ottaviani (2012*b*) introduce a simple mode of advice and provide a detailed formal discussion of mandatory disclosure policies.
18. Seru et al. (2010) also show that learning effects are small after controlling for investor attrition.

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