CFA Institute®
Future of Finance

THE NEXT GENERATION OF TRUST

Investor Trust in Financial Services in Brazil

Trust is essential in the world of finance, where well-functioning markets are necessary to create value, and in investment services, where experts work to safeguard and grow the financial wealth of their clients. In this, the third CFA Institute investor trust study, we look at the trends in investor trust and provide recommendations for investment practitioners on how to improve trust with clients. We find that the nature of trust is changing because of a new generation of investors and a new generation of investing tools. This report outlines how individual investors in Brazil compare to those globally.

Trust Must Be Earned in Brazil

48%

of Brazilian investors "completely trust or trust" the financial services sector

However, Brazilian investors are skeptical
A rigorous system of controls substitutes for trust in business transactions.

BRAZIL	73%
GLOBAL	46%

Investors surveyed who said trust must be earned and maintained over time

Because the financial services industry in Brazil is strictly regulated, investors are more confident in financial institutions and markets.

BRAZIL	74%
GLOBAL	69%

Investors surveyed who believe that they have a fair opportunity to profit in the capital markets

A do-it-yourself culture in Brazil
Brazilian investors feel the markets are fair, but retail investors are much less likely to work with financial advisers than investors in other countries.

37%

of the Brazilian investors surveyed work with a financial adviser vs. 56% of investors globally (the lowest figure of any market in the survey)

Understanding the trust gap
Compared to only **33%** of investors globally, **46%** of Brazil's investors are very confident in their ability to make investment decisions and feel little need for professional advice. They tend to be entrepreneurial, which contributes to their confidence in investment decision-making. A relatively low level of financial literacy may also influence investor confidence, as investors don't know they lack certain knowledge.

*To learn more, visit **nextgentrust.cfainstitute.org***

90%

of Brazilian investors surveyed believe the disclosure of fees is the most important factor in building trust with an adviser, as compared to 84% of investors globally

Advisory firms need to demonstrate the value that comes from professional investment management in relation to the fees charged.

The opportunity
Increased disclosure and transparency could motivate more Brazilians to work with financial advisers and use them as a primary source of investment information.

PRIMARY SOURCE OF INVESTMENT ADVICE

	BRAZIL	GLOBAL
Investment newsletters	26%	8%
My primary financial adviser	22%	28%
Friends and family	15%	16%
Online research	11%	19%

Trust and the Client Life Cycle

Trust continues to be an important factor throughout the client life cycle
In the five years we have been conducting this research, trust has consistently been the greatest determinant in selecting a financial adviser by almost a 2:1 margin over investment performance.

MOST IMPORTANT ATTRIBUTE WHEN HIRING AN INVESTMENT FIRM

Trusted to act in my best interest	27%
Commitment to ethical conduct	25%
Recommended by someone I trust	18%
Ability to achieve high returns	14%

When selecting an adviser, investors in Brazil place more emphasis on personal trustworthiness and ethical conduct than investors do globally.

Why investors switch firms
Brazilian investors are most likely to switch firms due to underperformance, similar to investors globally.

REASONS BRAZILIAN INVESTORS LEAVE THEIR INVESTMENT FIRM

UNDERPERFORMANCE	52%
POOR DATA SECURITY	47%
LACK OF COMMUNICATION	42%
FEE INCREASES	29%

Investment performance is more important for retaining clients than in getting new ones.

Navigating Uncertainty

Most Brazilian investors fear a financial crisis
Trust is tested in times of crisis, and advisers should be aware of whether their clients fear a crisis and market volatility. In fact, because of past instability, Brazil's retail investors are more fearful of an impending crisis.

INVESTORS WHO EXPECT A FINANCIAL CRISIS IN THE NEXT THREE YEARS

BRAZIL	54%
GLOBAL	38%

Those with advisers, however, believe that their advisers are well prepared to handle a crisis.

62%

of Brazilian investors believe their advisers are well or very well prepared to handle the next crisis, compared with just 55% of investors globally

POSSIBLE SOURCES OF NEXT FINANCIAL CRISIS

National/Global politics	65%
Governments defaulting on debt	53%
Unscrupulous banking practices	17%
Cryptocurrency bubble	14%
Housing bubble/mortgage crisis	11%
Terrorist attack	11%
A major cyberattack/hacking	10%

Technology Increases Trust

Technology is a game changer for financial services firms, and the best firms differentiate themselves through effective use of technology

BRAZIL 59%
GLOBAL 48%

Investors who say in three years it will be more important to have technology tools to execute their own strategy rather than human advice

This is especially true among younger investors.

While this may seem to devalue the need for a human adviser, use of technology by investment firms increases trust. Tech may have an even greater impact on trust in Brazil since investors place a much higher value on a firm's technology solutions than investors do globally. For investors in Brazil with a financial adviser, **59%** say increased use of technology has made them trust their adviser more, while **72%** say they are pleased with the amount of technology tools currently provided.

However, investors remain skeptical about robo-advisers

42%

of investors in Brazil "distrust or completely distrust" the robo-adviser industry, as compared to 40% globally

THE BUILDING BLOCKS OF TRUST

The CFA Institute Trust Equation outlines the building blocks of trust. Trust is tied to value and together they are a function of credibility and professionalism.

Credibility, which provides confidence that the investment professional or organization is qualified to provide the required service, encompasses experience, reputation, and credentials, and is closely linked to brand. Trust in the industry requires that regulators and the public view it as bringing value to society.

CREDENTIALS

BRAZIL 77%
GLOBAL 73%

Investors who believe it's important for investment professionals to have credentials from respected industry organizations

TRACK RECORD

BRAZIL 88%
GLOBAL 78%

Investors who believe it's important that investment professionals generate returns similar to or better than a target benchmark

BRAND

BRAZIL 71%
GLOBAL 74%

Investors who believe it's important that fees reflect the value they get from the relationship

VOLUNTARY CODE OF CONDUCT

BRAZIL 57%
GLOBAL 64%

Investors who would trust an adviser more if his or her firm adhered to a voluntary code of conduct

Professionalism is harder to quantify, but includes the trust-building elements of competency and values such as empathy, transparency, honesty, and alignment of interests.

COMPETENCY

BRAZIL 92%
GLOBAL 79%

Investors who would be more trusting of investment firms that promote continuing professional development

VALUES

BRAZIL 31%
GLOBAL 35%

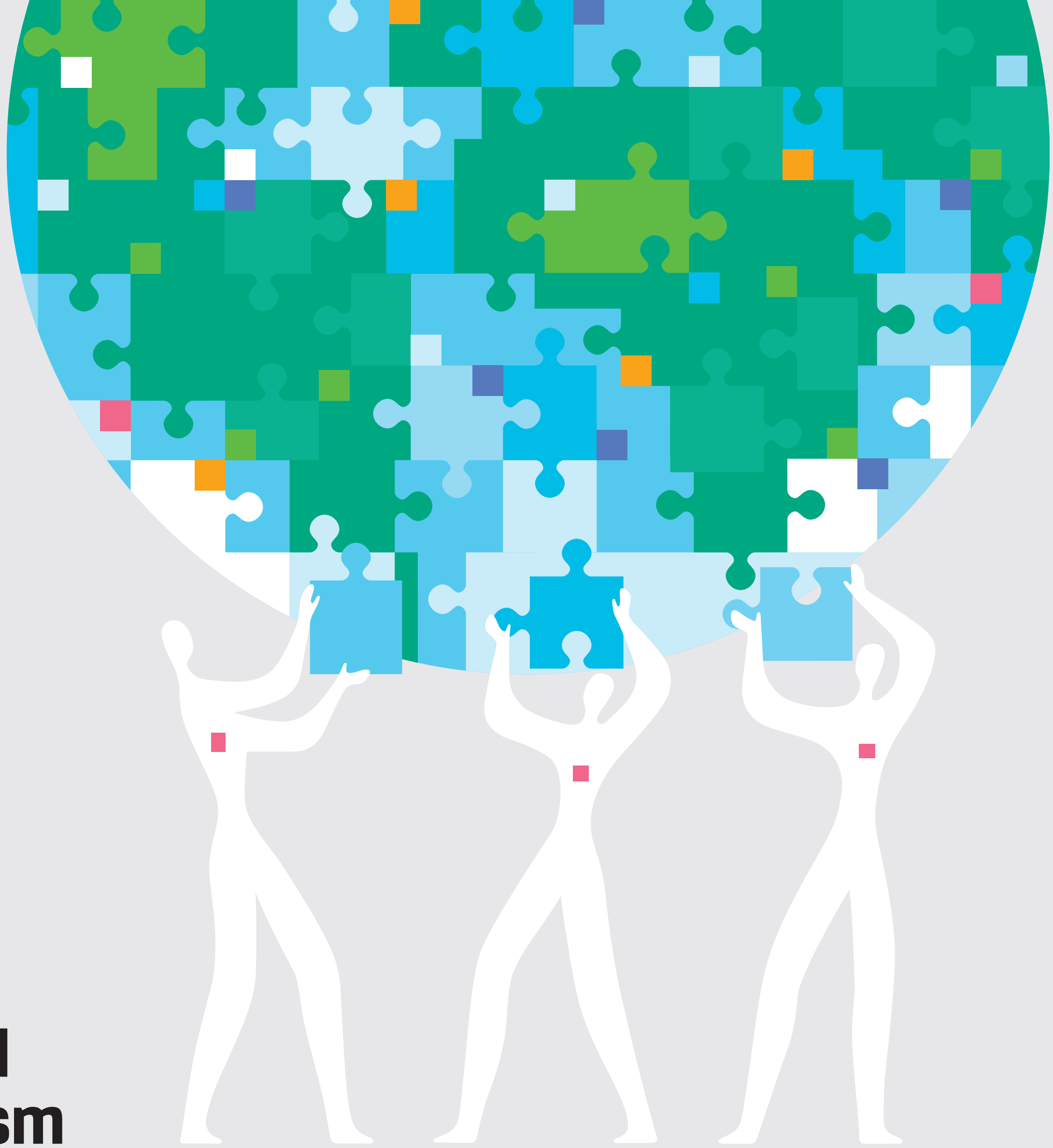
Investors who believe that their adviser always puts its clients' interests first

27%

of Brazilian investors say the top attribute in selecting an adviser is someone trusted to act in their best interest

25%

of Brazilian investors believe ethical conduct is the most important factor in choosing an adviser



8 Steps to Increasing Credibility and Professionalism

Credibility

1. Maintain strong brand identity and follow through on brand promises
2. Employ professionals with credentials from respected industry organizations
3. Stay focused on building a long-term track record to demonstrate competence and deliver value for money
4. Adopt a code of conduct to reinforce your firm's commitment to ethics

Professionalism

5. Improve transparency and clarity regarding fees, security, and conflicts of interest
6. Use clear language to demonstrate that client interests come first
7. Showcase your ongoing professional development to improve investment knowledge
8. Demonstrate your dedication to the values that clients hold dear

To learn more, visit **nextgentrust.cfainstitute.org**

METHODOLOGY In 2017, CFA Institute and Greenwich Associates conducted a global survey of 3,127 retail investors and 829 institutional investors, including 325 retail investors and 114 institutional investors from Brazil. The study focused on retail investors who were 25 years or older with investible assets of at least US$100,000, and institutional investors with at least US$50 million in assets under management, from public and private pension funds, endowments and foundations, insurance companies, and sovereign wealth funds. This summary only includes views from retail investors.

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