Evaluating the Impact of Financial Planners

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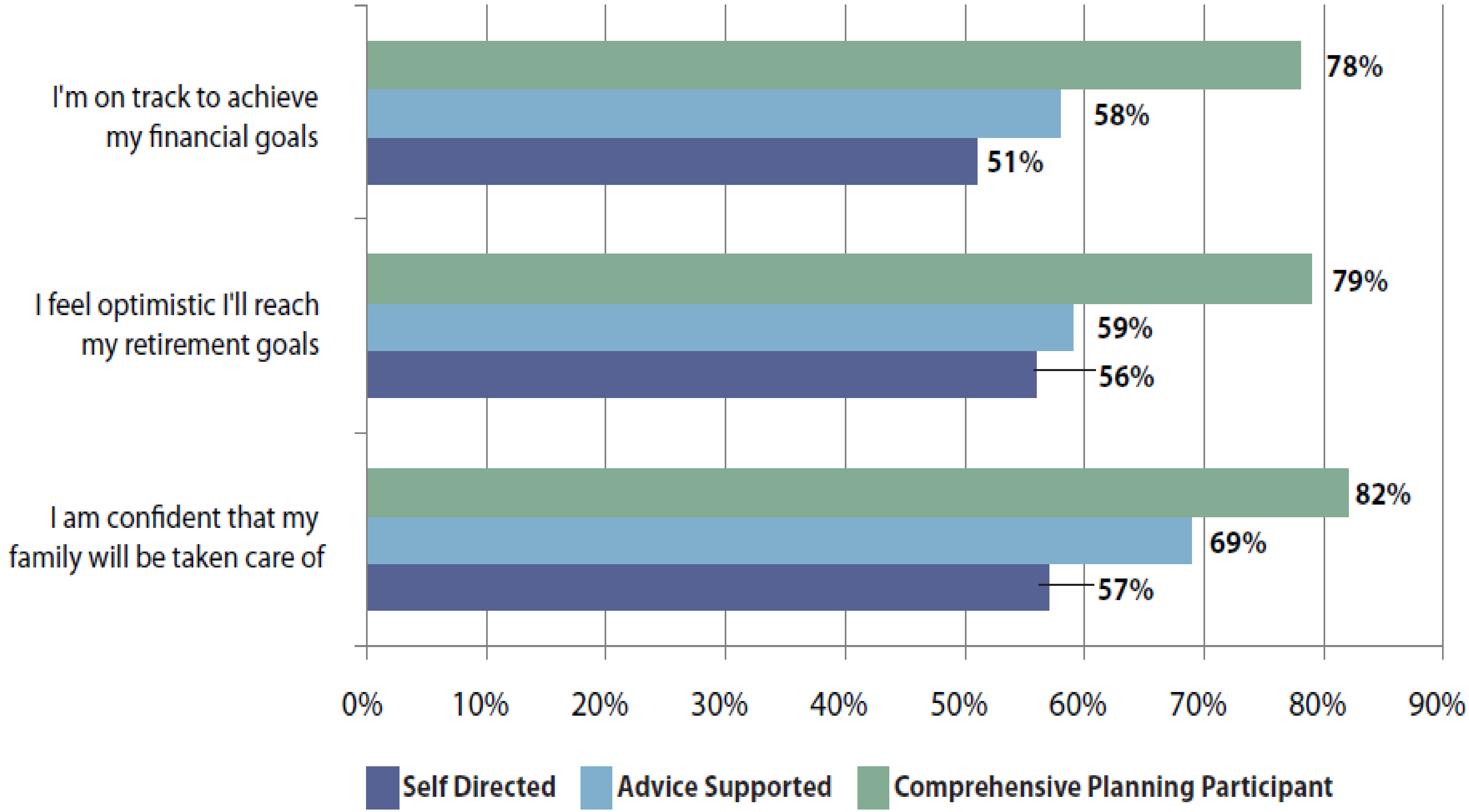
Please indicate if you agree or disagree with the following statements.

Percentage Responding in the Top Two Boxes: Strongly /Somewhat Agree



Source: FPA and Ameriprise Financial, 2008.


ING retirement research institute
LISTEN. LEARN. LEAD.
Working with an Advisor
Improved Retirement Savings, Financial Knowledge and Retirement Confidence!
ING research highlights the value of working with a financial advisor
> People who work with financial advisors tend to save more for retirement… up to three times more!
> They also have more discretionary income.
> Consulting an advisor can help build financial knowledge and confidence.
Help Wanted

Questions that Should Guide an Evaluation

- Are the right concepts being measured?
- Are the results applicable to the appropriate settings?
- Are the observed relationships real?

Best Methodologies to Date

- Before-After Advisor
  - Kramer, 2012
- Instrumental Variables
  - Hackethal et al., 2012
- Propensity Scores
  - Gerhardt and Hackethal, 2009; Marsden et al., 2011
- Experiment with Random Assignment
  - Hung and Yoong, 2010

→ ***Results not very favorable for advisors***

What’s Still Left to Be Done?

- Broader Samples
- Clarity on Criterion Measures
- Better Measures of Adviser Roles
- True Experimental Design

Non-Experimental Evaluation Designs

- Minimizing omitted variables bias
- Minimizing simultaneous equations bias

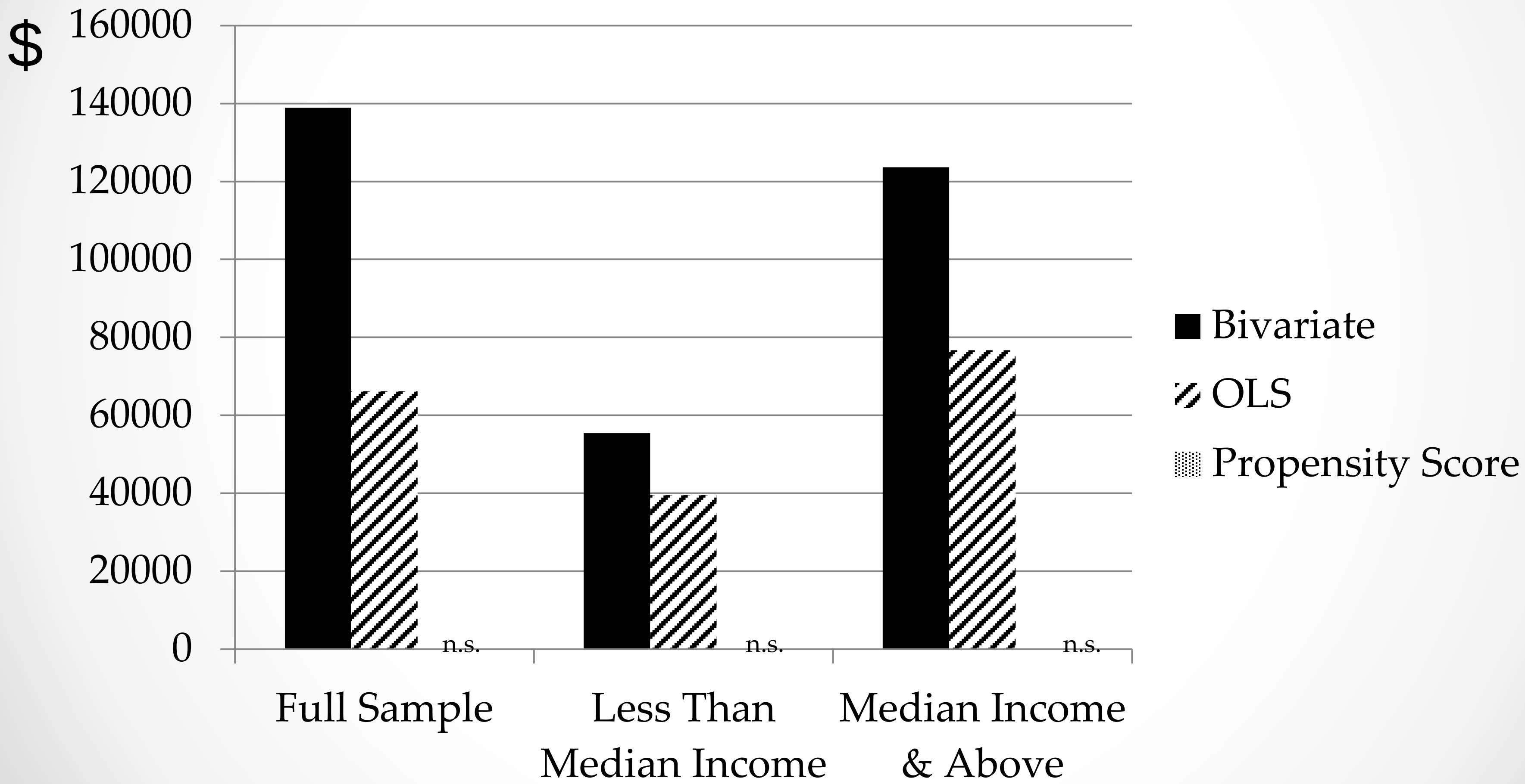
Example: Survey of Consumer Finances

- **2007 Question:** *What sources of information do you (and your family) use to make decisions about saving and investment?*
- **Outcomes:**
    - *total household financial wealth*
    - *proportion of financial assets in equities*
    - *number of asset categories*
- **Sample:** N=2,881 (weighted to reflect U.S. all households)

SCF Example

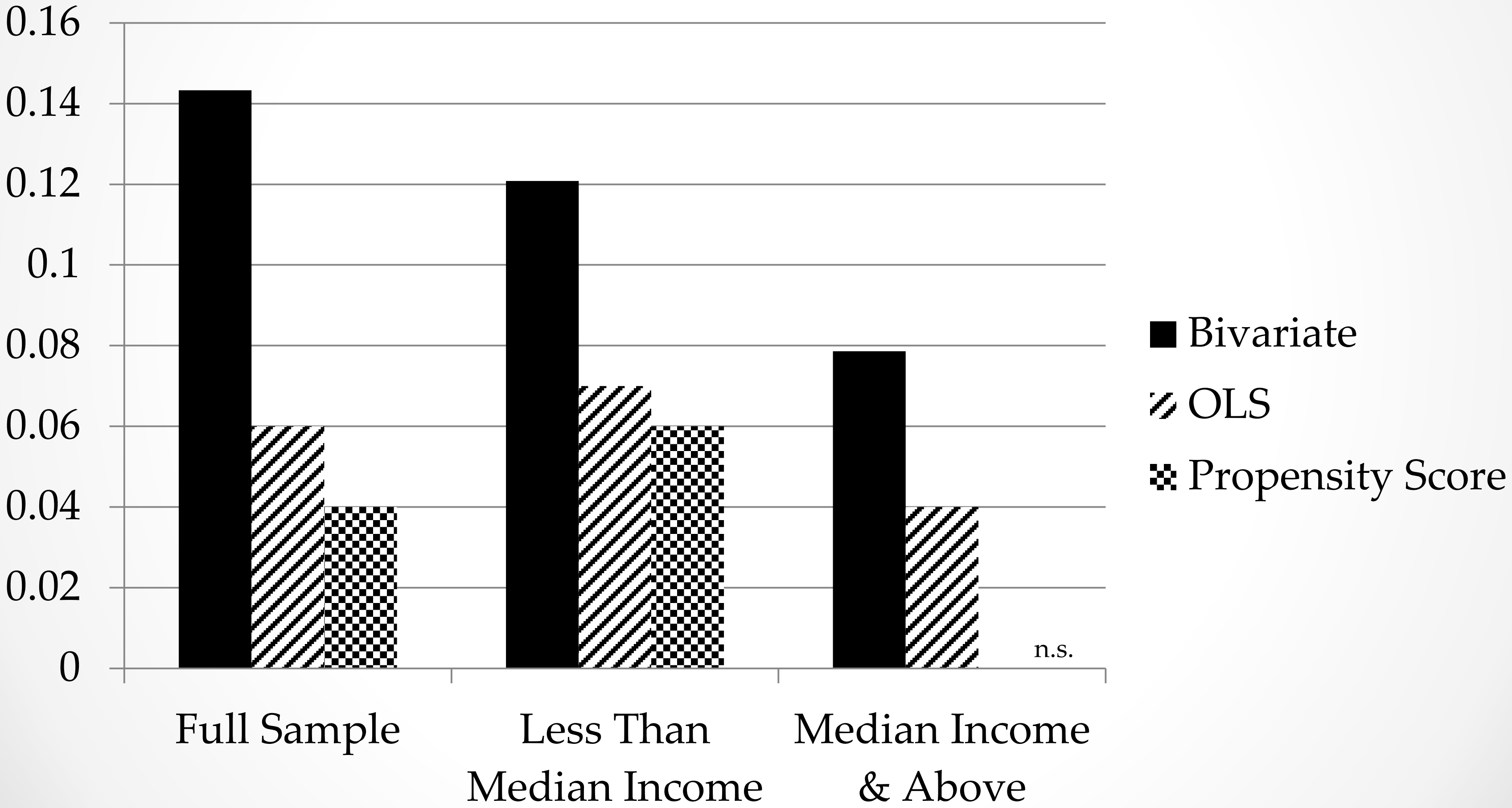
- Bivariate Comparisons
- Statistical Controls for Omitted Variables
- Statistical Controls for Reverse Causation

Estimated Incremental Effect of Consulting a Financial Planner on Total Financial Wealth



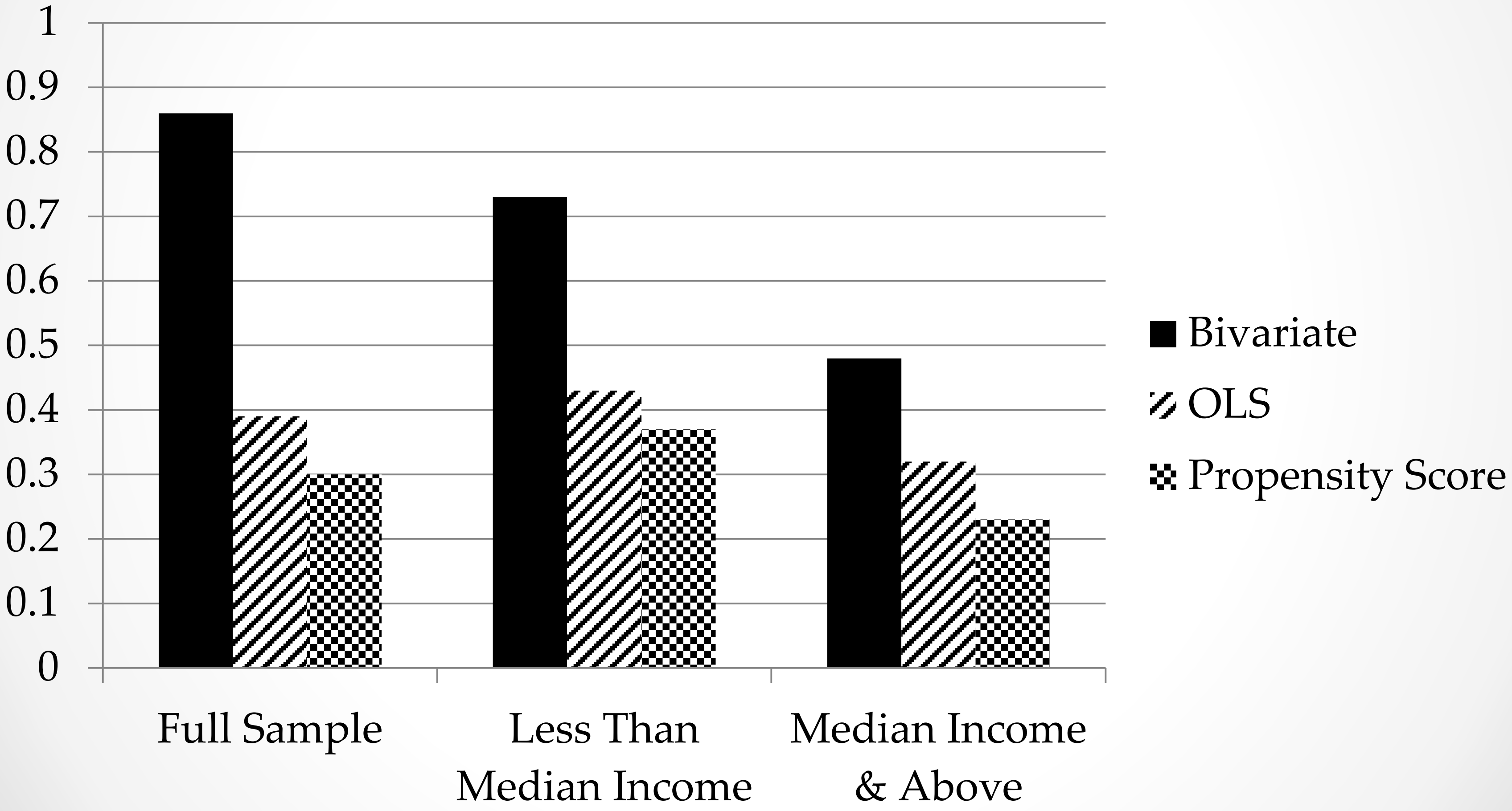
n.s. = not statistically significant at p<.05

Estimated Incremental Effect of Consulting a Financial Planner on Proportion of Total Financial Wealth Held in Stocks



n.s. = not statistically significant at p<.05

Estimated Incremental Effect of Consulting a Financial Planner on the Number of Different Types of Financial Assets Held



n.s. = not statistically significant at p<.05

Main Results

- Multivariate analyses and allowances for reverse causality reduce and/or eliminate financial advisor effects.
- Financial advisor effects vary by outcome measure.
- Advisor effects vary by income level with stronger effects for stock holdings and diversification for households with less than median income.

Future Research

- Distinguish the impact of different types of financial advisors
- Implementation of randomized field experiments to rule out self-selection and reverse causation and to allow for appropriate time to elapse

Randomized Field Experiment