MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTUKI

FAA Review: Consumer Testing

Understanding New Zealanders' disclosure information needs

FINAL REPORT

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A Kantar Millward Brown Company

MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
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Summary of insights and the way forward

Giving New Zealanders the information they need to have confidence in their financial advisers

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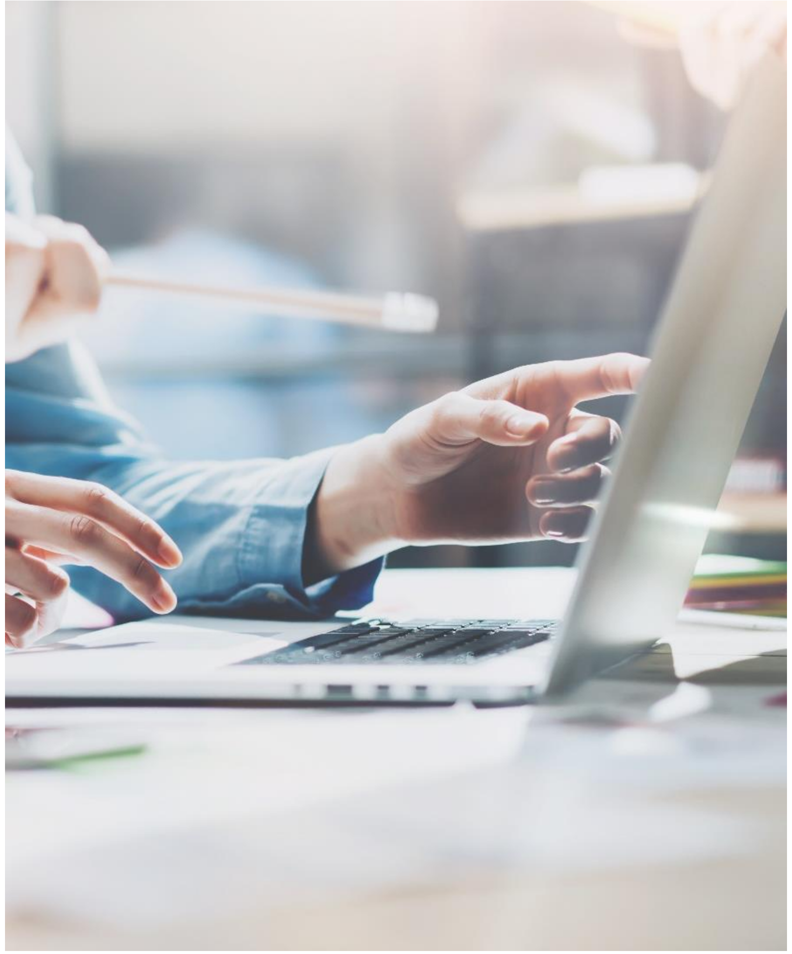

Disclosure information is seen by consumers as important for bringing clarity to the process of seeking and receiving financial advice*, and helping consumers make more informed choices. While the priority they place on different types of disclosure information may vary, consumers feel that all disclosure information should be available to them in case they need it.

Consumers want to access disclosure information at the start of the advice process using both online and hardcopy resources. They expect advisers to have key disclosure information clearly highlighted on their websites and to give them this information in hardcopy during their initial meeting.

Information that consumers particularly value pertain to an adviser's licence and their obligations. Consumers also want information on an advisers' track record of disputes and complaints, what factors they can consider when formulating their recommendations, and what remuneration and benefits they may receive.

There is a clear expectation that advisers disclose if there are any conflicts of interest influencing their advice and how these will be managed. Consumers also want advisers to show in absolute dollar terms what their remuneration and benefit structure is, whether this influences what they may recommend and why, and also who any conflicts/commissions are managed.

Information pertaining to an adviser's product portfolio needs to include both the number of providers an adviser can consider, and also what proportion that is of the overall market.

**In this report, financial advice is defined as a recommendation or opinion about acquiring or disposing of a financial product, and a financial adviser refers to anyone who provides financial advice*

Giving New Zealanders the information they need to have confidence in their financial advisers, *continued*

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The new disclosure requirements should require advisers to provide consumers with the following information on their website and in hardcopy at the start of the advice process:

- **LICENSING:** What type of licence the adviser holds and its scope, and whether this is registered with a government agency like the FMA.
- **CLIENT CARE:** What obligations is the adviser under to safeguard their client's interests and details of a code of conduct that ensures the adviser's integrity when working with consumers. Advisers also need to show what qualifications and competencies they have to operate as professional advisers.
- **DISCIPLINARY HISTORY:** Full details of any previous conduct or disciplinary actions taken against the adviser.

The relevance of some information pertaining to adviser benefits and the factors they may consider can be context specific and depend largely on different consumers' attitudes to financial decision making. Therefore consumers should be provided with a general list of questions they can use to guide their discussion around these topics. The checklist should cover:

- What does the adviser's commission and benefit structure looks like in dollar terms based on what they are recommending to the consumer?
- Are there any disparities between commissions and benefits linked to particular products in the adviser's portfolio, e.g. are certain products better incentivised for advisers to recommend compared to others?
- How does the commission and benefits an adviser may receive relate to the product price and any other fees the consumer may have to pay when receiving advice?
- What is the number of providers an adviser can consider, and how does this compare to the larger market?

The need for research

Making the financial advice regulatory regime more responsive to the needs of New Zealanders

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In 2016, the Ministry undertook an extensive review of the two Acts overseeing the provision of financial advice in New Zealand: the Financial Advisers Act 2008 and the Financial Service Providers (Registration and Dispute Resolution) Act 2008. The review aimed to simplify regulation and ensure it met the needs of both consumers and the industry.

Based on the review, the Government has decided to amend the regulatory regime to improve access to financial advice for New Zealanders and establish a level playing field of regulation for all who are providing advice. The legislative elements of the new regime have been translated into a draft Financial Services Legislation Amendment Bill (the Bill).

As part of developing new disclosure requirements for financial advisers, research is needed to understand consumers' perceptions and experiences with the current regime, and how new disclosure requirements can meet consumer needs and maximise their confidence in obtaining financial advice.

Research purpose – Understanding what disclosure information gives New Zealanders confidence in the financial advice process

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Given that financial advice consumers are the immediate priority, we detail the research objectives for this audience below:

1

How can the new disclosure requirements ensure consumers are provided with timely, relevant, and accurate information?

What key information do consumers need to ensure confidence in their financial adviser?

2

How can the accessibility of disclosure information be maximised?

What are the most relevant channels for providing consumers with disclosure information?

In what ways can disclosure information be made more useful and meaningful for consumers?

3

In what ways can the factors influencing financial advice be made more transparent and open for consumers?

How much information should be disclosed regarding conflicts of interest and adviser benefits?

In what ways can disclosure requirements ensure consumers are provided with accurate product and market information?

How can disclosure requirements meet a spectrum of consumer needs without impacting accessibility?

A qualitative research approach

In our view, individual in-depth interviews are the most effective way to develop an in-depth understanding of consumers' perceptions, needs and preferences in how they access and understand information about financial advisers

As shown in the diagram below, we conducted 12 in-depth interviews with three categories of consumers based on the financial product that they obtained professional advice for, and grouped by level of confidence with financial information. The interviews took place in May 2017. Each interview lasted up to 1.5 hours.

	Level of confidence with financial information		Total
	Low	**High**	
Mortgage/Insurance	2	2	4
Investment	2	2	4
Kiwisaver	2	2	4
Total	6	6	12

A roadmap to this report

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Consumers’ attitudes and approach to financial decision making influences what information they need to give them confidence in the financial advice they receive.

Therefore, the structure of this report is as follows, and begins with an understanding of consumers’ motivations and attitudes.

First we describe consumer attitudes to financial decision making to build an understanding of the commonalities and differences that exist.

Then we detail how this influences consumers’ information needs about financial advisers and what kind of information drives consumer confidence; and

This leads into an analysis of how and where consumers prefer to engage with relevant disclosure information about financial advisers.

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Understanding the consumer

Consumers’ confidence in their adviser is primarily driven by a number of common factors outside of disclosure information*

While consumers value disclosure information from their advisers and want to have that available should they need it, the length of their relationship with their adviser and the adviser’s location and reputation are primarily responsible for moderating their trust in the advice they receive. These factors specifically pertain to:

The adviser being recommended to them by someone from their social network. Consumers feel the adviser wouldn’t have been recommended if they weren’t competent, reliable, and honest.

The adviser being linked to a large, well-regarded organisation. Consumers automatically ascribe the positive qualities of the parent/affiliate organisation to the adviser.

The adviser being based in New Zealand. There is a sense that local advisers have more legitimacy and are easier to deal with in case of a complaint or conflict of interest compared to overseas-based advisers.

Length of relationship and overall experience. Consumers place more trust and confidence in advisers whom they have known for a longer period of time and previously received good quality service.

**These findings corroborate MBIE’s research in 2012 undertaken by Colmar Brunton into New Zealanders’ experiences in seeking and receiving financial advice*

Consumers differentiate themselves along two dimensions when it comes to making financial decisions

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1 The first differentiator between consumers is their outlook on risk in the context of general financial decision making. It relates to their judgement of how risky a certain financial decision is based on the information available to them.*

RISK TAKERS

They are relatively comfortable taking risks and confident in their ability to navigate risky decisions.

Attitude to financial decision making

RISK AVERSE

They are cautious in their approach. They tend to focus on minimising financial risk and playing it safe when it comes to making financial decisions.

*It is important to note that this is a continuum on which consumers may lie more towards one way or the other.

Consumers differentiate themselves along two dimensions when it comes to making financial decisions, continued

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2 The second differentiator between consumers is their reliance on others for help in making financial decisions. It relates to their ability to understand financial information of varying complexity, and hence trust their own judgement and decisions making.*

RELY ON SELF

These consumers can understand and work with advanced financial information. They communicate with financial advisers from an equal knowledge base. They are confident in their judgement of the risks and benefits of a financial decision, and trust that they can make the right call.

Need for guidance during financial decision making

RELY ON OTHERS

These consumers have a basic level of financial knowledge and require help to fully understand advanced financial information. They rely on financial advisers and other professionals for guidance and do not have the ability to make major financial decisions independently.

*It is important to note that this is a continuum on which consumers may lie more towards one way or the other.

The diagram below shows four consumer segments based on differences in their risk outlook and their level of reliance on others vs. themselves

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RISK TAKERS

RELY ON SELF

RELY ON OTHERS

Confident navigators: **Give me information and advice that I can't find elsewhere**

These consumers are independent and self-assured. They are comfortable taking calculated risks in order to meet their goals, and in this regard achieve success through knowledge and effort.

They generally know what they are doing when it comes to finances, and mostly work with trusted advisers with whom they have long-standing relationships.

They expect these advisers to give them bespoke insights and information, and place a priority on their needs and interests as a preferred client.

An adviser's reputation and their technical skills with advanced financial products have a strong bearing on these consumers' trust in the advice they receive.

Opportunistics: **Make the financial decision making process easy for me**

These consumers are less knowledgeable about financial concepts but impulsive and brave when making decisions. They are open to high risk, high reward opportunities but they find success probably more due to luck than their own skill.

They are short-term thinkers and rely on professional advisers to help reduce the stress of making financial decisions and minimise the effort required on their part. They trust the experts and tend to go with their adviser's recommendations.

These consumers are a little naïve, and typically draw confidence from an adviser's reputation, approachability and overall customer service.

Controllers: **Give me the complete picture so I can make the right decision**

These consumers are financially knowledgeable and cautious, and retain full authority over their financial decisions.

They take a disciplined approach and try to build a complete picture before making a decision. These consumers see trusted advisers as good sounding boards and a means to look at multiple choices and options. They look for comprehensive information from their advisers but they ultimately see themselves as the final decision maker.

They draw confidence about their adviser from information on how their adviser is capable of providing them with comprehensive, reliable, and accurate information.

Protection Seekers: **Tell me exactly what to do**

These consumers lack financial knowledge. This makes them less confident in making financial decisions and hence take a low risk approach to new decisions.

They do not want to engage in the complexities of finance, and look for a trusted adviser to help make their decisions and arrange everything. These consumers seek reassurance from their adviser, and like to be told what's best for them.

These consumers draw confidence from the adviser's ability to provide them with easily understandable and actionable recommendations that have minimal jargon or technicalities.

RISK AVERSE

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Consumers' disclosure information needs

Consumers respond positively to receiving general disclosure information about their financial adviser

Consumers understand the importance of disclosure information in increasing the transparency of the financial advice process. They value the role of a government body like the FMA in regulating the operations of financial advisers in New Zealand.

When engaging with disclosure information, consumers tend to organise it into functional categories which they prioritise based on what is most useful and meaningful. These categories are:

- LICENCING: Whether the adviser is covered by a licence from a government agency such as the Financial Markets Authority (FMA).
- CLIENT CARE: Information on the adviser's obligations to be suitability competent to provide advice, put the client's interest first and declare any potential conflicts of interest to the client, and adhere to a code of conduct.
- DISPUTE RESOLUTION: Information about the independent dispute resolution body that will consider the customer's complaints.
- DISCPLINARY HISTORY: Details on any previous conduct or disciplinary actions taken against the adviser.
- PRODUCT PORTFOLIO: Details about the number of providers the adviser can consider.
- FACTORS CONSIDERED: Details about the number of factors an adviser considers when formulating their recommendations.
- PRICE: Information on how much the advice will cost the consumer, and how much the adviser is paid and any incentives or bonuses they might receive.

"I mean if something does go bad and [the adviser] sells you a bad fund or something, then having that Government assurance is pretty important. They can step in, someone like the [FMA], and I can go to them and say 'Look this adviser's done this to me can you please have a look at it.' Because they're independent from [the financial market] and they're supposed to look out for me as a citizen. And I like to think [the FMA] keeps an eye on everything to make sure no one is doing anything dodgy."

Kiwisaver, Low Confidence

Licensing and client care information is seen as a basic requirement for financial advisers to disclose

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Consumers feel information on a financial adviser's licence to operate and their obligation to safeguard their client's interest is important. The two are seen as distinct categories; the former guarantees government oversight against illegal activity and the latter ensure an adviser has the skills to be good at providing advice and a code of conduct to behave ethically. Specifically, they want information on:

- **LICENCING:** Whether the adviser is registered and licenced by a government agency like the FMA, and also what the licence allows their adviser to do and/or not do. This information gives consumers both reassurance that their adviser has a basic level of competency in providing financial advice and that the overall process is regulated by an agency which protects against corrupt or dishonest practices.
- **CLIENT CARE:** Whether the adviser has suitable qualifications and hence the skills to provide financial advice. Consumers also want to know if the adviser has to adhere to a code of conduct that compels them to behave ethically. While having a competency standard requirement cross the industry is viewed favourably, consumers still want reassurance from their own adviser about what his/her specific commitments are. This gives consumers confidence that their interests are being prioritised and safeguarded by an adviser, and that advisers are bound by rules that compel them to act in a responsible manner.

"I want to know if they're competent and also whatever organisation they belong to is Government approved. So that I know that they have the ability to operate properly in this space."
Investment, High Confidence

"[The advisers] tell you some of this [information] these days but it's in those brochures that are full of fluff about their own products."
Kiwisaver, High Confidence

"For me, [having a licence] shows that they're a legit person. And their obligation [to client care] lets me know that they have that professional integrity, that they have my interests at heart and are looking out for me."
Mortgage/Insurance, Low Confidence

Confident navigators want to be certain that their adviser will deliver them high-quality, personalised advice

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Confident navigators have knowledge and experience with the financial market. These consumers prioritise information about:

- **LICENSING:** Knowing the adviser is licenced by the FMA provides certainty to confident navigators that their adviser has a basic level of competency and that their conduct is regulated by an independent government-backed body.
- **FACTORS CONSIDERED:** These consumers want to know what factors their adviser has based their advice on, and whether they are truly accessing their adviser's expertise on a specific product or just receiving general recommendations. Knowing this gives confident navigators a guarantee that their adviser values them as a client and is delivering tailored solutions designed specifically for them.

Information these consumers find useful but not essential in driving trust and confidence in their adviser includes:

- **DISPUTE RESOLUTION:** These consumers have prior experience in operating in the financial market and understand the process for making a complaint.
- **DISCPLINARY HISTORY:** Confident navigators ascribe limited value to historical complaints as they are self-assured in their own ability to make the right judgement-call about their adviser's integrity. They assume that financial advisers charged with serious misconduct were censored from providing advice, and those currently operating are being regulated by their parent organisation and the FMA to prevent any future misconduct.

"I go to my adviser for their expertise, not to find out the difference between a share and bond. And I expect them to sit down with me and not just give me something out of a tin but design something that's my needs."
Investment, High Confidence

"To be honest, I don't care much if [the adviser] had some disciplinary issue in the past, their company and [the FMA] would've taken care of it and there are rules in place to stop that from happening. And when you meet someone you can usually judge what kind of person they are and if they're taking you for a ride or not."
Mortgage/Insurance, High Confidence

Controllers like to have all the pieces to the puzzle so they can make the final decision

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Controllers look to explore all options before committing to a decision. Consequently the information they find most valuable is:

- **FACTORS CONSIDERED:** Controllers trust their own ability to make their own independent decisions on financial products but see their adviser as a good way to test ideas and gain further information about certain products. Therefore they want their advisers to consider a range of factors to ensure their advice is comprehensive and accurate. So having that information is important for these consumers to be able to assess whether to use their adviser's recommendations as part of their decision making or not.
- **PRICE:** While cognisant that advisers get paid bonuses or commissions, Controllers also understand that an adviser's incentive structure can influence their recommendations and may undermine the adviser's conduct and client care obligations. Hence these consumers want to know exactly how their adviser is remunerated and what benefits they receive so that Controllers can clearly see for themselves whether there are any potential conflicts of interest arising from adviser benefits.

Information these consumers find useful but not essential in driving trust and confidence in their adviser includes:

- **PRODUCT PORTFOLIO:** While these consumers want to ensure that their adviser is considering a range of products, they tend to access multiple advisers and information platforms, such as online investment and equity research platforms, which automatically gives them a broader range of options to consider. Hence Controllers do not place priority on understanding the exact range of products offered by an adviser.

"It keeps coming back to this. They need to keep my interests front and centre. If they have shares in a company they're pushing for me to put my money in, I want to know about it. Ultimately I need to know if I can trust them; I'm putting a lot of money on the line based on their info."
Mortgage/Insurance, High Confidence

"There is no such thing as independence as everyone has to make money from somewhere. But there is a 'degree' of independence which I can judge if I know what they're paid and some of the other reasons that [may be]influencing their advice. That shows me whether I can actually believe what that [adviser] is saying."
Investment, High Confidence

Opportunistics want their advisers to make their financial decision making process easy and effortless

Opportunistics are not interested in putting time and effort into understanding the full benefits and risks associated with specific products and prefer instead to rely on their adviser's experience and knowledge. The information that gives them the greatest trust and confidence in the advice they receive relates to:

- **LICENSING:** Opportunistics' lack of financial knowledge makes them unable to challenge their adviser's recommendations on any deep level. Therefore these consumers seek reassurance about the quality of advice they get from knowing their adviser is licenced by a government-body and is hence competent and skilled to provide financial advice.
- **DISCPLINARY HISTORY**: Knowing about previous misconduct or disciplinary action against an adviser is important, as these consumers see an adviser's reputation and previous track record as important indicators of their future reliability and honesty.

Information these consumers find useful but not essential in driving trust and confidence in their adviser includes:

- **PRICE:** Opportunistics sense that most advisers receive bonuses for reaching total sales targets, but don't recognise that some incentives may also be tied to the sales of specific financial products. This means that many of these consumers do not see any potential tension between an adviser's conduct and client care obligations and benefits they may receive and consequently do not place importance on adviser benefit information.

"[Knowing about the complaints process] is good, but I'm not sure when I'll need it. I can just ask for it when I want to rather than worrying about it at the start."
Mortgage/Insurance, High Confidence

"I would like to know what disciplinary action, if any, [the adviser] has faced until now. Did they lose [a client's] money for example? I mean that could happen to me, so it's important to have that out in the open."
Mortgage/Insurance, Low Confidence

"I don't think I need to know what they're paid. That's their business, not mine. I don't see how it relates to me."
Kiwisaver, Low Confidence

Protection seekers want their advisers to make their decisions for them

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Protection seekers have low confidence with financial products and a risk averse attitude to financial decisions. These consumers specifically prioritise information on:

- **FACTORS CONSIDERED:** These consumers rely heavily on their advisers for guidance and support to make financial decisions. Hence it is important for them to know the factors behind their adviser's recommendations as it gives them reassurance that their adviser is covering all the factors relevant to their needs and requirements.
- **PRICE:** Protection seekers are cognisant of their reliance on their adviser and also know that advisers may receive additional benefits which may influence their recommendations. Therefore protection seekers value clarity around adviser benefits so they are reassured that their interests are being prioritised by their adviser and that the advice they are receiving is reliable.

The Information these consumers find useful but not essential in driving trust and confidence in their adviser includes:

- **PRODUCT PORTFOLIO:** Protection seekers lack confidence to decide between different financial products. While they understand that the scope of an adviser's product portfolio can add limitations to the recommendations they can make, these consumers trust their adviser to narrow the options for them rather than presenting them a broader range of options from which they have to choose. Therefore they do not prioritise information on how much of the market their adviser can consider.

"I like that my adviser sat down with me and broke everything down so I could understand it all in plain terms. [The adviser] made it all pretty simple with plenty of graphs and charts so I could see what to do next. It removed a lot of worries from my mind about the whole process [of managing my Kiwisaver]."
Kiwisaver, Low Confidence

"Its actually one of the biggest things, knowing that my adviser is taking into account everything that's important to me. More so than how many deals they can give me. I mean I don't want 10 options if [my adviser] can give just give me two that are ideally suited for me."
Mortgage/Insurance, Low Confidence

Overview of how consumers prioritise disclosure information

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RISK TAKERS

RELY ON SELF

RELY ON OTHERS

Confident navigators: Give me information and advice that I can't find elsewhere

Consumers prioritise information on:
- **The adviser's licence with the FMA.** This guarantees the adviser's capability and legality to operate; and
- **Factors an adviser considers when formulating their recommendations.** This helps them ensure that they are receiving expert advice tailored for their needs.

Consumers perceive information that is nice to have, but not essential:
- **Details of the dispute resolution process and the adviser's disciplinary history.** As they are already aware of the dispute process and trust their ability to judge their adviser's integrity.

Opportunistics: Make the process of buying/managing financial products easy for me

Consumers prioritise information on:
- **The adviser's licence with the FMA. This helps them determine** their adviser's legitimacy and competence; and
- **The adviser's disciplinary history**. This gives them confidence that their adviser has a track record of honesty and integrity.

Consumers perceive information that is nice to have, but not essential:
- **Price of the advice they receive and adviser benefits.** As they assume that there are no tensions between adviser benefits and their duty to client care.

Controllers: Give me the complete picture so I can make the right decision

Consumers prioritise information on:
- **Factors an adviser considers when formulating their recommendations.** So they know they are receiving comprehensive and accurate information; and
- **Price of the advice they receive and adviser benefits.** So they can be assured that there are no conflicts of interest and their adviser is giving them independent advice.

Information that is nice to have, but not essential:
- **How many providers the adviser can consider**. As they use multiple sources of information and advice to give themselves a broader range of options to choose from.

Protection Seekers: Tell me exactly what to do

Consumers prioritise information on:
- **Factors an adviser considers when formulating their recommendations.** This reassures these consumers that they can follow their adviser's recommendations as they are based on their specific needs; and
- **Price of the advice they receive and adviser benefits.** This provides them with reassurance that the adviser is not compromising their interests and is giving them legitimate, reliable advice

Information that is nice to have, but not essential:
- **How many providers the adviser can consider.** As they prioritise their adviser's ability to give them products that are more suited to them rather than having more options to choose from

RISK AVERSE

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Ensuring transparency of financial advice

The way in which adviser benefit information is presented impacts consumers' perceptions of their financial advisers.

Consumers are cognisant that most advisers receive commissions and benefits. There is a sense that advisers need to disclose some information around their pay and benefits at the start of the financial advice process in order to enhance its openness and transparency.

For advisers employed by a bank or financial provider, consumers assume that since they can only sell their company's products the scope of their bonuses and benefits are smaller and tied to meeting a total sales target. Also, there is a sense that since the advisers are employees of a bank or provider, their bonuses and benefits are more tightly regulated to prevent any conflicts of interest or negative perceptions that could harm the company's reputation.

Finding out that their adviser has commissions and/or benefits tied to certain products is not enough on its own to make consumers change their adviser. Instead, when presented with commission and benefit information, consumers are encouraged to discuss this with their adviser. Unless the adviser is unable to have an open, honest discussion, or is clearly misleading them and harming their interests, consumers' decision of whether to stick or change an adviser is moderated heavily by the factors mentioned on Page 12. The influence of this information on choice of adviser is also lessened by the perception that "the adviser has to get paid somehow too and bonuses are just part of their profession".

Consumers perceive that disclosing commission and benefit information encourages advisers to be more transparent about any potential conflicts about their client care obligations. This information shows to the consumers that their adviser is being open and honest about what they are earning and how that may or may not influence what they can recommend. Disclosure of commissions in dollar terms is perceived to be easier to understand compared to percentage figures as the latter can seem deceptively small relative to the price of a financial product like a mortgage (see below):

The adviser tells you that s/he receives a 0.5% up-front commission, a 0.2% trail commission, and may qualify to receive additional benefits from the provider.

This adviser tells you that s/he receives $2,500 up-front commission (on a $500k mortgage over 30 years), up to $14,500 in on-going commissions, and may qualify for a trip to Las Vegas to attend the provider's conference.

Moreover, consumers prefer to know explicitly what benefits their adviser may receive to avoid misunderstanding the scope of the benefits, and hence its effect on the adviser's independence and impartiality. When presented with commission and benefit information, consumers look to get a better understanding of how their adviser's remuneration affects the price they have to pay. It also encourages them to have a more open discussion with their adviser about any other potential conflicts of interest that may exist around the advice they are receiving.

"Knowing [the adviser's] pay and bonus doesn't really make me change my opinion of them. Other things are more important and I don't mind if they get to go to Vegas. But I am curious as to [from whom] this money and stuff comes from. Does it mean they are likely to sell me something [in] particular? Does it change my costs? And what about other things, is there anything else the adviser isn't telling me? Makes me wonder a bit."
Mortgage/Insurance, Low Confidence

"Between the two [ways of showing commission and benefit information], I'd go with the dollar one. Its more honest. Makes the adviser seem more trustworthy. [The adviser] is putting it out in the open as if there's nothing for him to hide."
Investment, High Confidence

"I want to know, does it affect me? If its not coming out of my costs and the adviser has been good to me and everything, then I don't mind them getting a trip to Vegas. They've earned it."
Kiwisaver, High Confidence

Consumers want to know how many providers an adviser can consider and what proportion of the overall market the adviser can access

Consumers find it useful to know how many providers their adviser can consider. Consumers prefer knowing both the exact number of providers and what percentage of the market this constitutes (see below). There is a sense that having this information provides greater clarity around the scope of the adviser's product portfolio and better contextualises what choice consumers have given everything else that is available.

The financial adviser tells you that they can consider policies from five insurers.

The financial adviser tells you that they can consider policies from 70% of the available insurance providers.

Having this information also encourages consumers to discuss with their adviser what parameters determine their adviser's portfolio within the market and whether there are any preferred products which the adviser is more likely to recommend, and why.

This is also likely to lead into a broader discussion between the consumer and their adviser about the general reasons behind recommendations for a particular product.

Most consumers sense that advisers who can only deal with their own products, or a very small selection of providers, can only provide limited advice pertaining to the their smaller portfolio. Hence, many consumers did not see any positives in working with these kinds of advisers. Those who are open to working with these kinds of advisers usually undertake extensive research beforehand, clearly understand what they need, and only have a transactional relationship with the adviser. In this context, consumers already assume that these advisers access a very small portion of the larger market, and disclosure regarding how their portfolio fits within the larger market is not seen as particularly relevant or useful.

" It makes me wonder, why only 70%? What else is out there that [the adviser] hasn't considered? And why? I'd like to know those things."
Kiwisaver, Low Confidence

"Actually I'd want both [types of market information]: what the exact number of providers they can sell me, and how many are out there to begin with. That's the only way I can see the scope of what they're selling me. No point knowing I can get options from five products if there are another hundred out there that I could've looked at."
Kiwisaver, High Confidence

"This would probably make me start asking all sorts of annoying questions. I mean it makes you wonder doesn't it. Why those five products? What else have you taken into account when you say invest here or buy that fund?."
Investment, High Confidence

Consumers prefer to have all disclosure information in writing during the initial stages of the advice process

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Consumers generally assume that the scope of information provided by online platforms and advisers in-person is the same. However, most consumers are more comfortable working with advisers who they can meet face-to-face rather than online.

Consumers feel that advisers should present disclosure information at the start of the advice process as it helps bring clarity and openness to the process and allows them to make more informed decisions overall.

While consumers place importance on different categories of disclosure information based on what is most useful and meaningful to them, they want all categories of disclosure information to be available should they need it. For example, while information on dispute resolution is not a key driver of confidence for all consumers, there is a sense that it should be disclosed by advisers up front and in-writing as it's something 'nice to have' even if consumers hoped they don't have to use it. There is a strong preference for having this information in writing so it is easier to keep records and refer back to at a later date. This also makes it easier for consumers to pick out key bits of information that they want to look at more closely and discuss with adviser.

Most consumers prefer both online and hardcopy resources; they expect their adviser to have this information available on their website preferably in a separate, clearly signposted section of the adviser's webpage. There is a feeling that while advisers provide some of this information already, it is often hidden under large amounts of text in big documents and that it needs to be clearly signposted.

"I want all [disclosure information] in writing. Then its there and [the adviser] can't go back on it. Its almost like a contract in a sense and I can hold them to account if needed."
Kiwisaver, High Confidence

"Some of this info is already there. But its all in massive documents full of other fluff, buried in the Terms and Conditions somewhere. You don't want it to become like insurance policy documents that no one reads. It has to be clear, separate."
Mortgage/Insurance, Low Confidence

"Having all of the [disclosure] information there almost turns it into a checklist. It makes you ask the right questions. How is your adviser paid? You adviser has a licence, ask them this and this about it. I mean I probably won't go through it all and read every bit, but it gets you thinking the right way."
Kiwisaver, Low Confidence

IMPORTANT INFORMATION

Research Association NZ Code of Practice

Colmar Brunton practitioners are members of the Research Association NZ and are obliged to comply with the Research Association NZ Code of Practice. A copy of the Code is available from the Executive Secretary or the Complaints Officer of the Society.

Confidentiality

Reports and other records relevant to a Market Research project and provided by the Researcher shall normally be for use solely by the Client and the Client's consultants or advisers.

Research Information

Article 25 of the Research Association NZ Code states:

a. The research technique and methods used in a Marketing Research project do not become the property of the Client, who has no exclusive right to their use.
b. Marketing research proposals, discussion papers and quotations, unless these have been paid for by the client, remain the property of the Researcher.
c. They must not be disclosed by the Client to any third party, other than to a consultant working for a Client on that project. In particular, they must not be used by the Client to influence proposals or cost quotations from other researchers.

Publication of a Research Project

Article 31 of the Research Association NZ Code states:

Where a client publishes any of the findings of a research project the client has a responsibility to ensure these are not misleading. The Researcher must be consulted and agree in advance to the form and content for publication. Where this does not happen the Researcher is entitled to:

a. Refuse permission for their name to be quoted in connection with the published findings
b. Publish the appropriate details of the project
c. Correct any misleading aspects of the published presentation of the findings

Electronic Copies

Electronic copies of reports, presentations, proposals and other documents must not be altered or amended if that document is still identified as a Colmar Brunton document. The authorised original of all electronic copies and hard copies derived from these are to be retained by Colmar Brunton.

Colmar Brunton ™ New Zealand is certified to International Standard ISO 20252 (2012). This project will be/has been completed in compliance with this International Standard.