Impact of the Financial Advisor on Clients' Financial Outcomes: An Integrative Model

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Abstract

A financial advisor may either act as a consultant or may be delegated the entire financial advising process. In both cases, researchers tend to conclude that advisors have an impact on their clients' financial outcomes. However, there is no agreement on the nature and extent of this impact. We argue that such discordance in the results being reported in prior research arises from the different theoretical lens used to observe the phenomenon: agency theory, trust theory, and the concept of knowledge. In our view, the complexity of advisors' contribution to their clients' outcomes requires a novel approach that extends beyond a single theory. Relying upon a literature review, we propose an integrative multi-theory model that reconciles prior findings and illustrates how financial advisers impact clients' outcomes at each step within the financial advising process. Practice-grounded, the model also provides a causal mechanism clarifying the opaque and complex services provided by the financial advisor.

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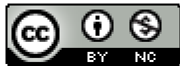

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Introduction

There is extensive evidence indicating that financial advisors impact their clients' financial outcomes (Angelova & Regner, 2013; Cici et al., 2017; Martin & Finke, 2014). However, the scope and nature of such impacts diverge. This situation leads us to put forward the following research question: "What is the impact of the financial advisor on their clients' financial outcomes?" To

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achieve this aim, this paper reviews the literature and analyzes such research to propose an integrated view on the relation between financial advisors and clients' financial outcomes. Financial advisors are the professionals to whom clients turn when they do not want to deal with their personal finances alone. When an individual considers their personal finances, three options are available: (1) acting alone, unassisted, (2) consulting a financial advisor while keeping decision-making autonomy, or (3) delegating all steps to a financial advisor (Calcagno et al., 2017; Tang & Hu, 2019). Many factors come into play in deciding whether to act alone or to seek a financial advisor (Balasubramnian & Brisker, 2016; Finke et al., 2011; West, 2012). The evolving complexity of personal finance resulting from the advent of new regulations, novel financial products, and wealth accumulation increasingly leads individuals to solicit the services of financial advisors.[4]

According to the Financial Industry Regulatory Authority (FINRA), the term "financial planners" refers to investment advisors, brokers, insurance agents, and accountants.[5] The Financial Consumer Agency of Canada also states that "A financial advisor is a general term that can apply to anybody who helps you manage your money. This could include an employee of your financial institution, a stockbroker or an insurance agent."[6,7] In this study, a financial advisor is a professional working in one of the fields related to personal finance and offering services to individuals. In using a broad definition of the term "financial advisor," we take the same approach as prior research that counts financial planners, financial advisor, accountants, lawyers, notaries, brokers, bankers, insurance agents, and related financial credentials as advisors (see Gennaioli et al., 2015; Hudson & Palmer, 2014; Kim et al., 2018; Lei, 2019).

Financial advice covers a broad range of activities. For instance, personal financial planning (PFP) associations and accreditation bodies generally identify six or seven core areas of financial advising, namely: (1) financial management, (2) insurance and risk management, (3) investment planning, (4) retirement planning, (5) tax planning, and (6/7) estate planning and legal aspects (Finke et al., 2009; FP Canada, 2019). An individual consulting with an advisor may seek advice on a specific topic or they may wish to implement a comprehensive plan (Winchester & Huston, 2015), but regardless, they expect added value (Sweeney et al., 2018). Financial advisors aim to fill a knowledge gap or provide a sense of security to the client (Bae & Sandager, 1997). The outcomes associated with the advising process depend not only on the steps in which the advisor is involved, but also on how the advisor acts.

To answer our research question, we use a theoretical review (Paré et *al.*, 2015) with the goal of developing a model of the financial advice process that integrates three theoretical perspectives underlying prior research on financial advising. First, agency theory places the financial advisor's self-interest at the forefront, ahead of the client's interests, resulting in a negative impact for the client (Angelova & Regner, 2013; Beyer et al., 2013; Mullainathan et al., 2012). Second, trust theory implies that the advisor inspires trust and makes recommendations in the client's best interest (Barnett White, 2005; Lachance & Tang, 2012). How trust in the advisor may impact the outcomes of the advising process remains an open question. Third, the concept of knowledge emphasizes the role played by the advisor's proven knowledge

[4] In the United States, the CFP Board (2023) reports that 53% of Americans have a financial planner. In Canada, 49% of Canadians obtain advice from a professional financial advisor/planner (Financial Consumer Agency of Canada, 2019).

[5] Retrieved from: https://www.finra.org/investors/investing/working-with-investment-professional/financial-planners (accessed on January 14, 2024).

[6] Retrieved from: https://www.canada.ca/en/financial-consumer-agency/services/savings-investments/choose-financial-advisor.html (accessed on January 14, 2024).

[7] In the United States, the public often misunderstand the term "financial advisor" (Lach et al., 2019; Tharp, 2019).

and expertise compared to the client's limited knowledge, suggesting a positive impact for the client (Hershey et al., 1990; Hershey & Walsh, 2000).

The theoretical perspectives we adopt to analyze the literature on the financial advising process embed the concept that services rendered by the advisor qualify as a "credence good" as the client may have difficulty evaluating their ultimate effectiveness because of a lack of knowledge (Bruhn & Miller, 2014; Gennaioli et al., 2015; Winchester & Huston, 2017). A credence good consists of a complex and opaque service that requires specialized knowledge (Darby & Karni 1973; Dulleck & Kerschbamer, 2006; Dulleck et al., 2011; Fong, 2005). As the client may only see the outcomes of financial advice without knowing or understanding how the advisor gets there, agency problems may arise, explaining why agency theory is widely used in financial services research. The information gap between client and advisor also explains the use of trust theory as clients are taking a risk by entrusting advisors with their financial affairs since they are unable to know the details of their advisor's actions and decisions. Finally, the specialized nature of the services rendered by the advisor explains the use of the concept of knowledge in our analysis.

From a practical standpoint, our review relies on the six steps[8] of the PFP process developed by the Certified Financial Planner (CFP) Board of Standards, Inc. (2017) to proxy for the process of providing financial advice: (1) agreeing on how to work together, (2) gathering information, (3) analyzing the client's situation, (4) providing recommendations, (5) implementing the recommendations, and (6) monitoring progress (CFP Board, 2017). Put forward to frame the work of CFP professionals, we consider that these steps represent a golden standard in financial services and remain general enough to fit most financial advisory services. In this regard, we expect most financial advisors to follow similar steps as those proposed by the CFP Board. Although some articles specify which step they address (e.g., Angelova & Regner, 2013; Barnett White, 2005; Hershey et *al.*, 1990), the usage of steps to analyze the articles is mainly ours. In our view, using these steps allows researchers to bridge the gap between research and practice.

Our main research contributions are as follows. First, we propose a theory-driven review of the financial advising literature, relying on three theoretical lenses to explain the financial advisor's impact. Second, we propose an integrative model of the financial advisor's impact, linking the three theoretical lenses and explaining the divergent results found in prior research. This model allows one to integrate the reality of the financial advising environment by linking the effects of the advisor's level of involvement to the steps performed in practice, thus enhancing the model's relevance for both academics and practitioners. Lastly, based on four financial advising core questions developed in this paper, we contribute to better capturing the key concept of credence good, as provided by a financial advisor's services, and provide explanations on how an advisor's involvement will impact their clients' financial outcomes compared to when an individual decides to act in an unassisted manner.

Theorization of Financial Advising

Agency Theory

Agency theory refers to an arrangement whereby the principal delegates some of their decision-making power to an agent. As each party seeks to maximize their personal interests, the goals pursued by the principal are in opposition with the goals pursued by the agent (Jensen & Meckling, 1976). This conflict is embedded in an

[8] We constructed our model based on these six steps. We are aware that the CFP Board recently introduced a seven-step model, which is very similar to the six steps. Our rationale to keep the six-step model is that prior research used for the model has been published during the tenure of the six-step model, and the new step is a split of existing ones. After analysis, we did not find significant differences when we looked at our data with an additional step.

asymmetry of information favoring the agent (Ross, 1973; Wright et al., 2001).

Financial advising meets the characteristics associated with agency theory. There exists a contractual relationship between a principal (the client) and an agent (the advisor), a clash of goals wherein the client wants their assets to grow, while the advisor seeks to derive personal benefit from the actions taken on the client's behalf. To overcome this conflict of interest, the client can either set up control mechanisms to monitor the advisor's actions or motivate the advisor to act in the best interests of both parties by offering incentives (Jensen & Meckling, 1976; Wright et al., 2001). Unfortunately, the impact on the outcomes of these controls is uncertain, and controls and incentives add costs to the client.

For instance, research indicates that individuals are unable to answer basic financial literacy questions (Boisclair et al., 2017; Lusardi & Mitchell, 2011, 2014).[9] Thus, clients lack the knowledge to assess the complex steps and actions carried out by an advisor, challenging their ability to implement effective controls. Further, clients are in a difficult position to incentivize advisors, since they do not have full control over all the incentives offered to the advisor. For example, the advisor's employer may compensate the advisor to sell certain products, which influences the advisor's recommendations and actions (Inderst & Ottaviani, 2012a, 2012b; Kingston & Weng, 2014). In such a case, it becomes difficult and costly for the client to implement incentives that can really drive behavior, such as prioritizing the client's interest. Moreover, most clients cannot estimate how much their advisor's services cost them, or do not know how their advisor is compensated (Cheng & Kalenkoski, 2018).

Trust Theory

Several definitions of trust exist, but the one posited by Mayer et al. (1995) is relevant to our study: "the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party" (p. 712). Common to most definitions is that a trust relationship cannot exist without the presence of a person who trusts (trustor), a trusted party (trustee), and a context involving risk-taking by the trustor.

It is remarkable how financial advising meets the characteristics of trust theory. First, it involves a relationship between a person who trusts (the client) and a person the client trusts (the advisor). Second, by delegating all or some steps to the advisor, the client is de facto taking a large risk and finds themselves in a vulnerable position. For instance, at the gathering information, analysis, and recommendation steps of the financial advising process, the client must let the advisor take actions that not only influence their financial outcomes, but whose accuracy cannot be fully assessed.

The Concept of Knowledge

Three types of knowledge are widely recognized (Paris et al., 1983). First, declarative knowledge ("know what") is the accumulation of concepts, facts, rules, laws, and principles (Anderson, 1982, 1983; Gupta & Cohen, 2002; Paris et al., 1983). Tardif (1992) considers declarative knowledge as fundamentally static, rather than dynamic, and

[9] Research around the world indicates that between 30% and 55% of respondents correctly answer the three core questions on financial literacy. In Canada, the rate is 42% (Boisclair et al., 2017), while in the United States the rate is 30% (Lusardi & Mitchell, 2011). The three core questions are: Question 1, on interest rates: "Suppose you had $100 in a savings account and the interest rate was 2% per year. After five years, how much do you think you would have in the account if you left the money to grow? More than $102; Exactly $102; Less than $102; Don't know"; Question 2, on inflation: "Imagine that the interest rate on your savings account was 1% per year and inflation was 2% per year. After one year, how much would you be able to buy with the money in this account? More than today; Exactly the same; Less than today; Don't know;" and Question 3, on diversification: "Is the following statement true or false? Buying a single company's stock usually provides a safer return than a stock mutual fund. True; False; Don't know."

thus must be translated into procedural or conditional knowledge to enable action. Second, procedural knowledge ("know how") relates to the steps and procedure followed to carry out an action (Tardif, 1992). But, as Anderson (1982) points out, declarative knowledge is necessary to implement procedural knowledge, as it would not be useful to know "how to do" if one does not know "what to do." Third, conditional knowledge ("know when and why") refers to the conditions surrounding the action (Schunk, 2012; Tardif, 1992). For instance, when and in what context is it appropriate to use a specific strategy, to favor this or that approach, or to take this or that action? Gaining an understanding of "what, how, when, and why," based on declarative and procedural knowledge, positions conditional knowledge at the top of the knowledge pyramid.

Knowledge may also be viewed as domain-specific or general (Perkins & Salomon, 1989; Schunk, 2012). Specific knowledge applies to explicit domains and is of more limited use, while general knowledge refers to skills like reading and writing, transcending disciplinary fields and extending to many domains and situations (Perkins & Salomon, 1989; Schunk, 2012). Researchers agree that solving a given problem requires both specific and general knowledge. Further, domain-specific and general knowledge do not add to the three categories presented above, but rather complement them (Tardif, 1992).

When it comes to financial advising, individuals who deal with an advisor do so on the premise that, due to their cumulative general and specific knowledge, the advisor will add value to their outcomes (Sweeney et al., 2018). Financial advisors possess higher levels of financial literacy knowledge than individuals (Azamian et al., 2022), are more analytical (Nofsinger & Varma, 2007), and rely on an established problem-solving approach (Hershey et al., 1990). Furthermore, the understanding acquired by financial advisors encompasses all kinds of knowledge (declarative, procedural, and conditional), namely, the "what, how, when, and why." A large majority of individuals do not have such an advanced level of personal finance knowledge. In other words, due to their lack of knowledge, individuals are very unlikely to be able to adequately manage their personal finances, and more specifically when compared to financial advisors.

Method

Based upon a literature review, we developed a theory-grounded integrative model showing the impact of the financial advisor on their clients' financial outcomes. Our choice of a theoretical review rests on the following premises. First, from such a review may emerge theoretical conceptualizations of a phenomenon, or advancement at a theoretical level, otherwise known as a theoretical review (Paré et al., 2015), a theory development review (Templier & Paré, 2018), or an integrative review (Snyder, 2019). Second, a theoretical literature review proves especially appropriate when studying a phenomenon that covers different fields of expertise drawing on various research perspectives (Torraco, 2005). In addition, advisors, coming from different fields such as financial planning, accounting, law, notarial law, securities brokerage, insurance, and banking, to name a few, may be involved at different steps of the financial advising process.

Data Collection

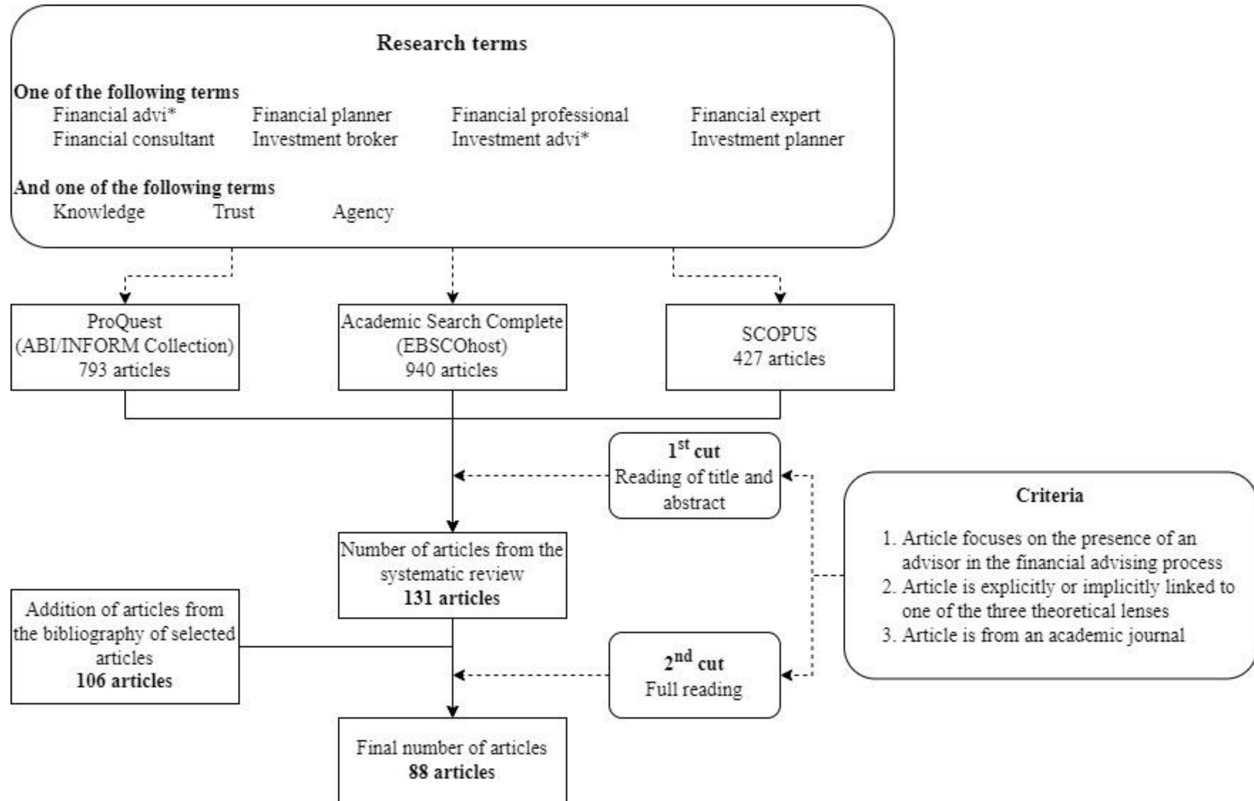
The review comprised four phases as described below (Figure 1). First, we searched, using three databases, the possible combinations of financial advisor and the three theoretical lenses. The search terms (presented in Figure 1) needed to appear either in the title, the keywords, or the abstract of articles. Based on these criteria, we identified 2,160 results.[10] Second, we sought to narrow down the results. We analyzed the title and abstract of each article based on three pre-established criteria: (1) the article must focus on the presence of an advisor in the financial advising process, (2) the article must explicitly or implicitly be linked to one of the three theoretical

[10] At this point, an article can be counted more than once if it appears in more than one database.

lenses, and (3) the article must be from an academic journal.[11] Based on these criteria, we retained 131 articles.[12] Third, focusing on these 131 articles and their references, we identified relevant articles that may not have been identified in the initial search (see Webster & Watson, 2002). Following this review, we added 106 articles, thus bringing the total number of articles to 237. Finally, we read the 237 articles in their entirety and evaluated them using the same criteria used in the second phase, thus bringing our final dataset to include 88 articles.

Appendix A summarizes the 88 articles. For each article, the table provides the authors, the type of financial advisor, the method used, the measurement, the outcome, and the study findings. For a better analysis, and in line with the integrative model, we present the articles categorized through the three theoretical lenses. The dataset reflects the diversity of expertise and fields associated with financial advising, as it includes articles published in marketing, finance, economics, psychology, management, accounting, and financial planning. As an aside, even if the PFP field is of prime importance for individuals and the economy, it is surprising to see the limited number of journals dedicated to PFP.

Figure 1. Literature Review Search Steps



Source(s): Author's own creation

[11] This criterion mostly explains the sharp reduction of articles since there is an important number of professional publications in financial planning.

[12] From this point on, the results from the three databases were combined, eliminating the possibility of the same article being counted more than once.

Data Analysis

The data analysis builds upon the three theoretical perspectives and relies on the six steps of the PFP process developed by the CFP Board (2017) as a proxy for the financial advising process (Figure 2). Based on the combination of the theoretical perspectives and the six steps, we pinpoint where in the process and how the advisor affects their clients' financial outcomes.

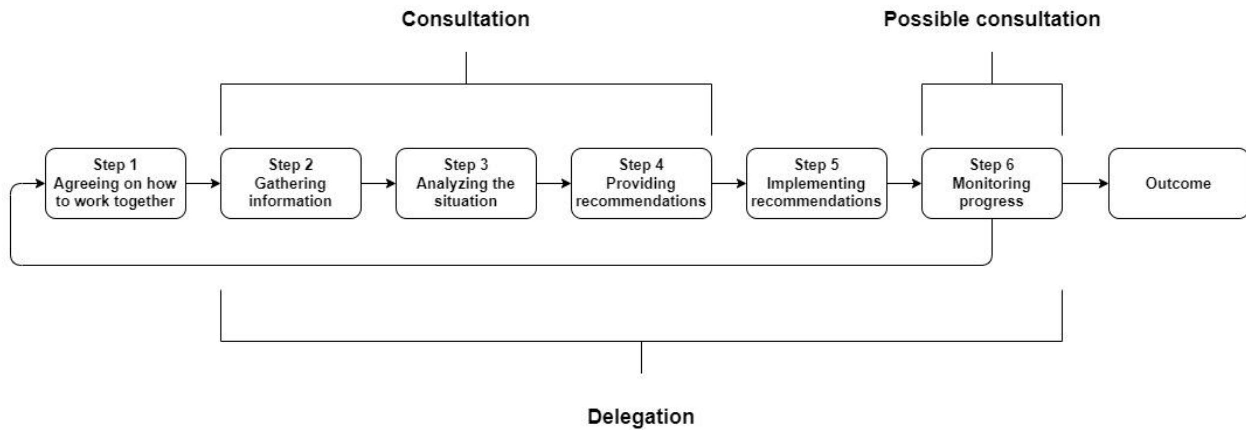
Figure 2. Six Steps of the Financial Advising Process

Source(s): adapted from CFP Board, 2017

The first step, *agreeing on how to work together*, sets the parameters of the relationship between the financial advisor and the client. It consists of a deal specifying the services provided by the advisor, such as the next steps where the advisor will be involved. The second step, *gathering information*, covers the collection of information and documents from the client for analysis. At the third step, *analyzing the situation*, the advisor assesses the client's financial situation to identify relevant strategies and options, weighing the benefits of each, to develop recommendations. At the fourth step, *providing recommendations*, the advisor provides recommendations to the client on how to best optimize their financial outcomes. The fifth step, *implementing the recommendations*, involves ensuring the implementation, either by the client or the advisor, according to the terms of the deal established in Step 1. The sixth step, *monitoring progress*, closes the loop. It consists of assessing the evolution of the situation and adjusting when the conditions require it. The sixth step brings a circularity to the process as it leads to a relaunch of the process when needed.

Winchester and Huston (2015) report that financial advice may fall into either a modular approach, when happening on an ad hoc basis regarding a specific topic, or an integrated approach, when advice follows a comprehensive process staggered over time. Only the level of involvement of the actors (client or advisor) changes according to the six steps. For instance, Figure 3 shows the six steps when a client delegates the process (from steps 2 through 6) to an advisor, while, when clients opt for consultation, they retain the right to implement or not the advisor's recommendations (thus taking control of step 5). Depending on the arrangement, step 6 (monitoring progress) may either be the responsibility of the client or part of the mandate given to the advisor.

Figure 3. Possible Arrangements between the Client and the Advisor



We consider that these six steps, even if developed to frame the financial planning process, adequately capture the financial advising process as they are quite generic and focus on a client-advisor relationship.

Findings

Three main findings arise from our analysis. First, the advisor's impact on their clients' financial outcomes depends upon the theoretical lenses used and the executed steps. Second, the review brings forward the need for an integrative model, since the articles report divergent results. Third, the review highlights other factors, such as the type of advisors involved, which refers to the holding of different professional designations.

Financial Advising and Agency Theory

Prior research reports on the clash of interests at an aggregate level (Dvorak, 2015; Hackethal et al., 2012; Mullainathan et al., 2012), as well as at specific steps (Angelova & Regner, 2013, 2018; Chalmers & Reuter, 2020; Foerster et al., 2017). Advisors can maximize their own interest at the expense of their clients, first by taking financial advantage of third-party offerings when issuing a recommendation and monitoring (Anagol et al., 2017; Christoffersen et al., 2013; Hackethal et al., 2012), and second by providing minimal effort when analyzing and monitoring (Dvorak, 2015; Liu, 2005).

The financial advisor's effort is mainly observed through the customization of their clients' portfolios. In a comparative analysis of advisory firms' retirement plans and their clients' retirement plans, Dvorak (2015) shows that both retirement plans are very similar, with the exception that plans offered to clients favor investments with higher fees. Advisors minimize the effort and maximize the fees charged to clients by limiting the customization of clients' retirement plans. Similarly, Foerster et al. (2017) find that advisors offer an imperfect copy of their personal portfolio to their clients. By recommending a comparable asset allocation base to all clients, advisors limit their efforts while receiving compensation for the actions taken. Foerster et al. (2017) estimate that clients annually pay fees of around 2.5% of their assets to obtain the same advice given to all other clients. Bolton et al. (2007) find that if higher fees can be earned, the more the recommendations will be detrimental to the client. Other tactics used by advisors include pressing clients to make more trades, which increases advisors' fees (Hackethal et al., 2012; Hoechle et al., 2017), or recommending a suboptimal or wrong investment option to clients while favoring advisors' fees (Angelova & Regner, 2013, 2018; Kingston & Weng, 2014). In short, consistent with an agency theory perspective, some advisors prioritize their own interests over their clients' interests (Burke et al., 2015).

However, a long-term horizon relationship (Jarratt et al., 2007), a competitive market (Bolton et al., 2007; Stoughton et al., 2011), and the setting up of control mechanisms (Calcagno et al., 2017) do mitigate the conflict of interests in financial advising. Considering the precarious position of the clients, Chalmers and Reuter (2020) even suggest that an individual would receive a better service from well-constructed default financial advice than from a conflicted financial advisor. For instance, advanced software makes it possible nowadays to obtain such default financial advice at a low cost.

Financial Advising and Trust Theory

Clients may either fully trust their advisor and thereby consent to the advisor's power on their financial outcomes, or they may not fully trust the advisor, for a variety of reasons, and will prefer to limit the advisor's impact. Related to financial advising, two steps prove critical regarding the trust relationship: the agreeing step, when the client chooses to either delegate or consult the advisor on an ad hoc basis, and the implementing step, where the client relies on the advisor's recommendations.

Our review reveals two main findings related to trust theory. First, the more the client trusts the advisor, the more likely it is that the client will completely delegate to the advisor (Calcagno et al., 2017; Gennaioli et al., 2015; Monti et al., 2014). Second, the more the client trusts the advisor, the more likely is it that the client follows the advisor's recommendations (Barnett White, 2005; Deng & Liu, 2017; Eriksson & Hermansson, 2019; Georgarakos & Inderst, 2014; Johnson & Grayson, 2005; Lachance & Tang, 2012; Pauls et al., 2016). Moreover, trust does allow clients to relieve themselves of the mental burden of managing their finances. For instance, in the context of a laboratory experiment measuring brain activity, Engelmann et al. (2009) find that clients prefer to delegate the mental burden of making investment decisions by following advisors' recommendations.

Financial Advising and the Concept of Knowledge

The advisor's knowledge plays a key role during the financial advising process and ultimately impacts its effectiveness (Hershey et al., 1990; Hershey & Walsh, 2000). Translated into the six-step framework, advisors seem particularly adept at : (1) Gathering information, (2) Analyzing the situation, and (3) Monitoring progress. In short, equipped with superior knowledge, advisors may directly influence their client's financial outcomes. For instance, regarding their personal financial situation, Azamian et al. (2022) report that financial advisors are better prepared for retirement, have less debt, are better insured, and are more likely to have an estate plan than the public. For clients with an advisor, studies report greater value of assets held (Liu et al., 2019), better portfolio diversification (Pan et al., 2020), better use of tax instruments (Cici et al., 2017), and reduced wealth volatility (Grable & Chatterjee, 2014). As positive influences on their clients, we may cite the clients' saving practices (Chatterjee & Lu, 2023; Fan, 2021; Mountain et al., 2021) and the setting and committing to financial goals (Marsden et al., 2011; Martin & Finke, 2014).

Some studies on advisors' knowledge credit their positive impact on their clients' financial outcomes to knowledge that can be viewed either as declarative (i.e., an accumulation of facts, concepts, or rules) (Cloyd, 1995, 1997; Hershey & Walsh, 2000; Spilker, 1995) or as procedural (i.e., systematic steps and procedures) (Barrick & Spilker, 2003; Fischer & Gerhardt, 2007; Hershey et al., 1990). Research indicates that advisors with specialized knowledge obtain better results in information search strategies, the quantity of results, and the relevance of the information found (Barrick & Spilker, 2003; Cloyd, 1995, 1997; Hershey & Walsh, 2000; Spilker, 1995). Hence, an advisor's knowledge positively affects the quality of the analysis performed (Hershey & Walsh, 2000), with its declarative and procedural forms being the most salient. Such knowledge permits them to perform better problem-solving processes, reducing errors, and thereby providing higher quality solutions to clients (Hershey et al., 1990).

Financial Professional Designations

Holding a professional designation (e.g., CFP®) may modulate the impact of the advisor on their clients' financial outcomes as it positively influences the client's trust in the financial advisor (Agnew et al., 2018; Dean, 2017; Guillemette & Jurgenson, 2017; James, 2013) as well as the level of knowledge of financial advisors (Arman & Shackman, 2012; Blanchett, 2019; Kim et al., 2018; Lei, 2019). Underlying these findings is the evidence that holding a professional designation that includes a code of ethics induces the advisor to put the interests of their clients first (Finke et al., 2009). For example, both in Canada and the United States, CFPs must follow the code of ethics' principles of their designations. Those codes include notably fiduciary duty, duty of loyalty to the client, integrity, competence, diligence, professionalism, and confidentiality (CFP Board, 2018; FP Canada, 2022). However, we leave the analysis of the impact of designations to future research.

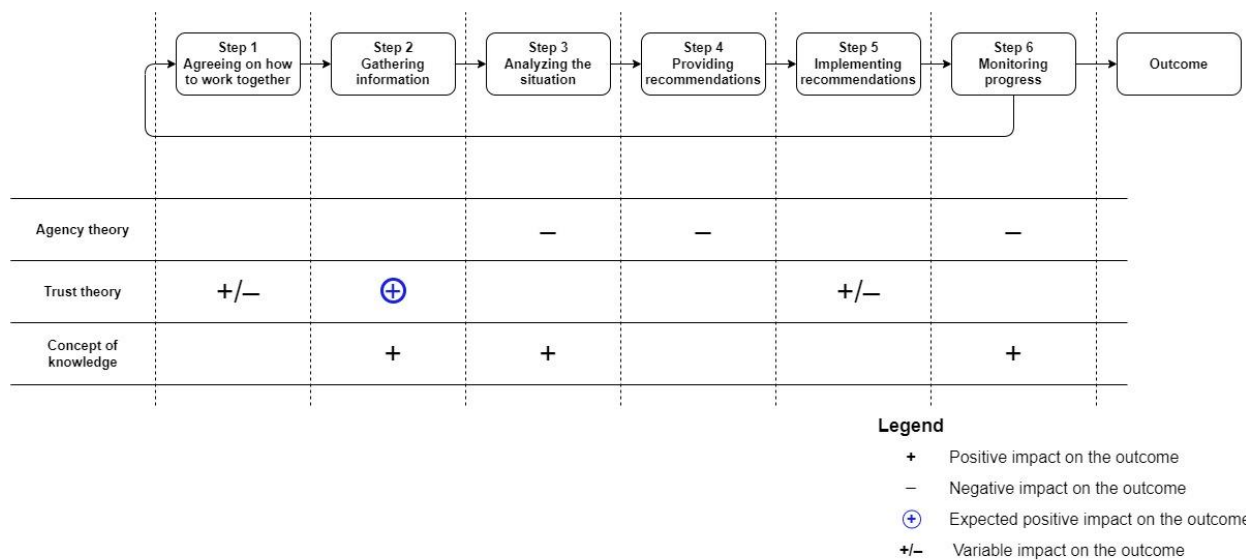
Toward an Integrative Model of Financial Advising

We present in this section an integrative model showing the impact of the financial advisor on their clients' financial outcomes. We elaborate the model in two phases. First, in Figure 4, we discuss and illustrate the impacts associated with each of the three theories for each step where they manifest. Second, in Figure 5, we present the integrative model of financial advising across the three theories, when the process is performed alone (unassisted) versus when the process is performed with a financial advisor. The integrative model shows how the interactions between the three theoretical lenses impact clients' financial outcomes.

Impacts on Clients' Financial Outcomes associated with each Theoretical Lens

Figure 4 summarizes the findings where the advisor's impact on their clients' financial outcome may be positive or negative. Figure 4 includes the case when clients choose to delegate the entire process to an advisor, as well as when clients opt for ad hoc consultations at certain steps.

Figure 4. Summary of the Impacts (positive or negative) of the Financial Advisor on Their Clients' Financial Outcome



Agency theory. Using an agency theory perspective, incentives outside the client's reach and the lack of control over the advisor's actions creates a clash of interests that leads advisors to maximize their own interests at the expense of the client. More specifically, the lack of client control over the advisor's actions is seen at the analyzing (Foerster et al., 2017), recommendations (Angelova & Regner, 2013), and monitoring steps, while the negative impact of incentives plays out at the recommendations (Angelova & Regner, 2013) and monitoring steps (Hoechle et al., 2017). Figure 4 illustrates this direct negative impact where advisors are thinking of themselves first when they are presented with the opportunity to do so.

Trust theory. With a client-advisor trust relationship, it is when agreeing on how to work together and on implementing the recommendations that trust has its greatest impact. The more clients place trust in their advisors, the more they delegate power (Monti et al., 2014) and the more they follow their advisors' recommendations (Barnett White, 2005). Accordingly, the impact on the clients' financial outcome can be positive or negative, depending on the level of trust placed in the advisor.

But what may be the impact of trust on the other steps? One may say that the importance of trust is rather evident when gathering information, since an advisor's analysis of a client's situation depends upon the information available (Hershey et al., 1990). In other words, clients may ask themselves if they should provide all relevant personal information to their advisor? Fischer and Gerhardt (2007) and Foerster et al. (2017) argue that when the client provides private information, this allows the advisor to personalize recommendations. Accordingly, the client should provide all available information to the advisor. On this point, Omarzu (2000) mentions that clients must consider the risk associated with the disclosure of personal information, where such risk brings trust theory into play. The level of trust a client has in the advisor will determine the level of information sharing. Here, trust in the advisor can directly and positively impact clients' financial outcomes. Figure 4 illustrates this essential element to reflect the impact of trust theory more accurately at the gathering information step. To our knowledge, this information is often overlooked in the data we analyze (one exception is Alsemgeest (2022)). This element appears in Figure 4 as a blue plus symbol surrounded by a circle.

Concept of knowledge. Based on prior research, it is when gathering information, analyzing the situation, and monitoring progress that the concept of knowledge plays an important role and where it has a positive impact. Equipped with proven knowledge, the financial advisor can: (1) better identify the information needed for analysis, (2) better assess the client-specific situation and possible options, and (3) better determine whether to restart the process based on the results obtained (Hershey et al., 1990; Hershey & Walsh, 2000). Figure 4 illustrates the direct and positive impact of the advisor's level of knowledge.

Synergistic Effect of the Three Theoretical Lenses

The interplay between agency theory, trust theory, and the concept of knowledge complexifies an advisor's contribution to their clients' financial outcomes due to a synergistic effect. Depending on the theoretical perspectives taken, the advisor may have a positive impact or a negative impact.

Figure 5 proposes an integrative model of this synergistic effect based on four core questions associated with the six steps, namely:

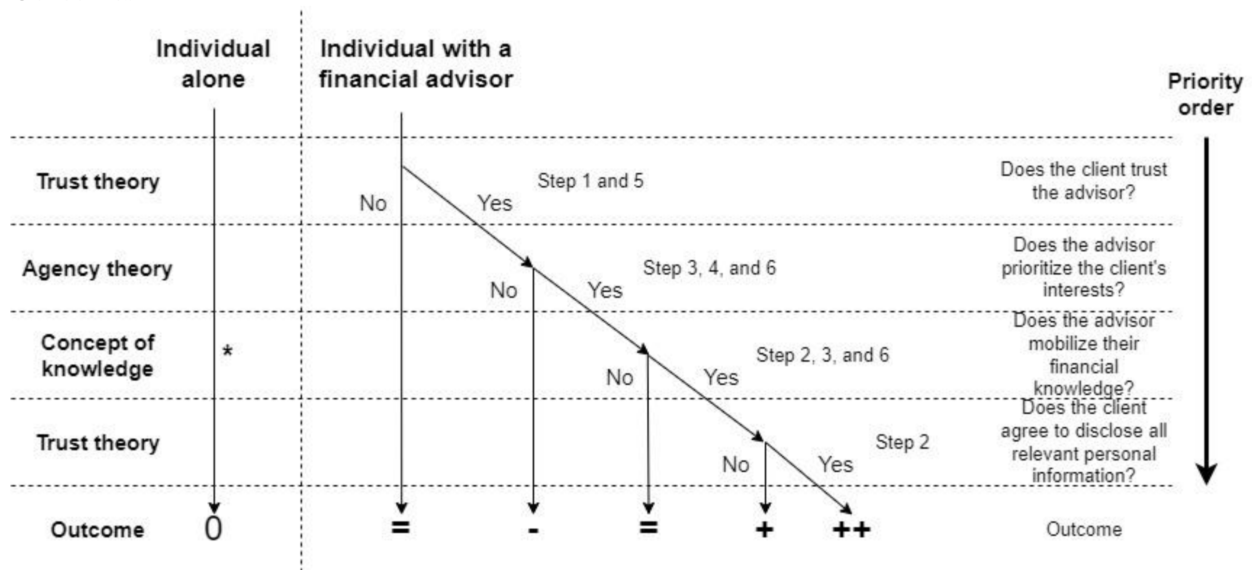
1. Does the client trust the advisor?
2. Does the advisor prioritize the client's interest?
3. Does the advisor mobilize their financial knowledge?
4. Does the client agree to disclose all relevant personal information?

The integrative model resembles a decision tree, where the individual answers the four questions by "yes" or "no." The model helps to understand what is inside the "black box;" that is, the services

provided by the advisor, a credence good. Three elements underlie the integrative model: (1) the four questions provide a priority order, (2) the step in the process determines which theoretical lens will dominate, and (3) a theory applies or not depending on whether the individual performs the process alone or is assisted to various degrees by a financial advisor.

Figure 5 illustrates the advisor's impact on outcomes by contrasting when the process is carried out alone (unassisted), with the outcome set to zero, or with an advisor, even if factors such as individual financial knowledge may affect the financial outcome. We aim to conceptualize an anticipated positive outcome when the financial advisor is involved, as well as situations where the advisor's involvement may result in an outcome that may be equal to or worse than when an individual acts alone. We will now turn to an analysis of findings around the four core questions.

Figure 5. Integrative Model of the Impact of Financial Advisors on Their Clients' Financial Outcomes



Does the client trust the advisor? The answer to that question underlies agreeing on how to work together and implementing the recommendations. For these two steps, trust theory plays a primary role over the two other theoretical lenses since the client delegates to the advisor. When the client trusts the advisor, then the effects of agency theory and the concept of knowledge may come into play to influence the outcome of the process.

At the implementation step, if the client does not accept the advisor's recommendations, the negative impact related to an advisor's self-interest or the positive impact related to an advisor's knowledge will not manifest

themselves in the financial outcome. Stated otherwise, using a trust theory lens, a decision by a client to turn down an advisor's recommendation results in a positive impact if the recommendation is harmful, and in a negative impact if the recommendation is beneficial (Monti et al., 2014). However, if the client accepts the advisor's recommendations, it places the individual in a vulnerable position where they cannot mitigate the effects, positive or negative, associated with the other steps of the process. As a reminder, trusting can be beneficial, but over-trusting can lead to abuse by the financial advisor (Gennaioli et al., 2015; Schwartz et al., 2011).

Does the advisor prioritize the client's interests? This question puts forward agency theory, with emphasis on analyzing the situation, providing recommendations, and monitoring progress. Here, the client trusts the advisor, opening the door to potential conflicts of interest, depending on whether the advisor prioritizes their interests or the clients' interests. If an advisor maximizes their own interests, not only does it negatively impact their clients' financial outcomes, but it also cancels the effects of the concept of knowledge. In this regard, Blanchett (2019) and Bergstresser et al. (2009) report that the advisor's conflict of interest can negate the benefits associated with the advisor's knowledge and expertise. Alternatively, if advisors prioritize clients' interests, then they can make use of their knowledge. When the client and advisor's interests coincide, the advisor can have a strong positive influence on a client's financial outcomes (Finke, 2013).

Does the advisor mobilize their financial knowledge? This question comes into play when the client trusts the advisor and when the advisor prioritizes clients' interests. The advisor's knowledge will impact a client's financial outcome when gathering information, analyzing the situation, and monitoring progress. When the advisor has specific knowledge helpful for dealing with a given situation, being able to leverage their skills and expertise to maximize the client's interests, this may have a significant positive impact. Alternatively, when the advisor does not have the necessary knowledge or is unable to leverage the required knowledge, this will not only negate the advisor's influence but will also prevent trust theory from manifesting itself at the gathering information step.

Does the client agree to disclose all relevant personal information? The last question involves trust theory when gathering information. Full disclosure of clients' personal information to the advisor will impact the clients' financial outcomes under the following conditions: (1) the client follows the advisor's recommendations or has delegated the entire process to the advisor, (2) the advisor prioritizes the client's best interests, and (3) the advisor is competent and mobilizes their knowledge. When these three conditions are present and clients disclose all relevant personal information, advisors find themselves in a position to personalize their advice and achieve "optimal" results (Fischer & Gerhardt, 2007; Foerster et al., 2017). In addition, sharing of private information by the client allows the advisor to achieve a greater positive impact on their clients' financial outcome.

Conclusion, Limitations, and Future Research

This paper presents the current state of knowledge regarding the impact of financial advisors on their clients' financial outcomes. Based on a review and analysis of prior research and using the six steps of the PFP process as a template for financial advising, we document in detail where the advisor may play a positive or negative role for their clients. We then propose an integrative model, linking three theoretical lenses, namely agency theory, trust theory, and the concept of knowledge, when the process is performed alone (unassisted) or with a financial advisor. The integrated model helps to answer our research question, which is, "What is the impact of the financial advisor on their clients' financial outcome?"

In summary, agency theory underlies clients' financial outcomes via advisor actions when analyzing, recommending, and monitoring. An advisor's conflict of interests will manifest itself directly and negatively on clients' financial outcomes. Trust theory provides a useful conceptual lens at various steps of the financial advising process. When gathering information,

the client's trust with respect to the advisor directly and positively influences the outcome. However, when agreeing on how to work together and when implementing advisor recommendations, trust in the advisor may manifest indirectly, either positively or negatively. As for the concept of knowledge, it positively and directly influences the outcome of the process via its impact on the advisor's gathering information, analyzing, and monitoring. These three theoretical lenses interact in a specific sequence, as shown in Figure 5, providing a better understanding of the impact of the financial advisor.

Our main research contributions are as follows. First, we propose a theory-driven review of the financial advising literature, relying on three theoretical lenses to explain the financial advisor's impact. Second, we propose an integrative model of the financial advisor's impact, linking the three theoretical lenses and explaining the divergent results found in prior research. This model allows researchers and practitioners to integrate the reality of the financial advising environment by linking the effects of the advisor's level of involvement to the steps performed in practice, thus enhancing the model's relevance for both academics and practitioners. Last, based on four financial advising core questions developed in this paper, we seek to better capture the key concept of credence good, as provided by a financial advisor's services, and provide explanations on how the advisor's involvement will impact their clients' financial outcome compared to when an individual decides to act in an unassisted manner.

This study contributes to the growing interest of academics, financial advisors, professional associations, regulators, financial institutions, and society in examining the role played by financial advisors for their clients. A healthy and prosperous economy depends notably on financially literate individuals, but the latter are facing an increasingly complex financial marketplace. How can individuals navigate financial decisions in challenging times? Should financial decisions rest with the individual alone or be a function of both individual decisions and advisory assistance? In the United States, Canada, and abroad, the financial advising ecosystem should enable individuals to access, understand, and use financial products and services to their benefit. It should be easy for everyone to manage their revenues, expenses, debts, and savings. Accordingly, the current study also adds to the financial literacy domain.

This research has limitations. The role played by financial advisors is very important to investigate but difficult to research, given the complexity of financial advisors' service as a credence good and its impact on their clients' financial outcome. Even if personal finance is critical for individuals and in the economy, surprisingly, research in the area is rather limited and scattered. For instance, quality academic journals specialized in PFP are very rare. That said, our review of prior research, and our analysis through theoretical frameworks, has still permitted us to identify relevant articles to develop an integrative model. We agree that our model provides a limited picture of a complex construct and requires further investigations.

For future research, it would be relevant to validate empirically the integrative model developed. Case studies and interviews should be conducted with stakeholders, such as advisors, banks, and clients, to know more about the financial advising process and, more importantly, the role played by financial advisors. Professional associations such as FP Canada or the US CFP Board should be involved. Collecting data using a diversity of methods among various stakeholders may only help to better capture the phenomena. Financial professional designations also seem to modulate the impact of the advisor on their clients' outcome through various training, certifications, and diplomas. How designations impact clients' perceptions in the process requires investigation. Future research may also look at how advisors use technology, such as software, to access specialized knowledge.

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Appendix A

Table of Articles

Authors	Type of Financial Advisor	Methodology	Measurement of Agency, Trust, or Knowledge	Outcome Measurement	Findings
			Agency Theory		
Anagol et al. (2017)	Insurance agents	Field experiment (audit study)	Choice of self-serving recommendations	Different life insurance options	Advisors are more likely to recommend the option that maximizes their commission
Angelova & Regner (2013)	Participants acting as financial advisors	Lab experiment	Choice of self-serving recommendations	Different investment options	Advisors are more likely to recommend the option that maximizes their commission Lump sums lead the advisor to recommend more the favorable option for the client
Angelova & Regner (2018)	Participants acting as financial advisors	Lab experiment	Choice of self-serving recommendations	Different investment options	Advisors are more likely to recommend the option that maximizes their commission Competition and reputation can lead the advisor to recommend more the favorable option for the client
Beyer et al. (2013)	Participants acting as insurance advisors	Lab experiment	Choice of self-serving recommendations	Different extended coverage options	Advisors are more likely to recommend the option that maximizes their commission
Bigel (2000)	Certified Financial Planners (CFP) and non-certified financial advisors	Mail survey	No explicit measure, but a measure of ethics	Comparison of the results on the ethical questions	Holding a professional title is linked to a higher level of ethics The form of compensation does not affect the level of ethics of planners

Bluethgen et al. (2008)	Independent financial advisors, title not specified	Survey	Choice of self-serving assets and the choice of actively managing portfolios	Assets allocation	Compensation structure and advisor's rationality are the two most important predictors of the quality of advice provided to clients
Bolton et al. (2007)	Not applicable	Analytical model	Choice of self-serving recommendations	Recommendation choice	The more profit the financial institution can make by directing clients to a particular type of investment, the more tempted it will be to do so, even if this affects its credibility.
Burke et al. (2015)	Financial advisors, title not specified	Literature review	Not applicable	Not applicable	Financial advisors maximize their own interests at the expense of their clients' interests
Chalmers & Reuter (2020)	Brokers, title not specified	Archival data with field experiment and online survey	The conflict of interest of brokers is assumed	Annual return and volatility of assets	If a default option for a retirement plan exists and it is well designed, individuals are better off with it than with financial advice with a conflict of interest Advisors recommend assets with high commissions
Chen & Richardson (2018)	Participants acting as financial advisors	Lab experiment	Choice of self-serving recommendations	Client's monetary results minus the amount paid	Advisors are more likely to recommend the option that maximizes their commission
Chen & Richardson (2019)	Participants acting as financial advisors	Lab experiment	Choice of self-serving recommendations	Client's monetary results	Advisors are more likely to recommend the option that maximizes their commission
Christoffersen et al. (2013)	Mutual funds broker	Archival data	Choice of mutual funds with higher incentive	The positive or negative flow to a mutual fund	Commissions from mutual funds affect broker recommendations
Cupach & Carson (2002)	Insurance agents	Mail survey	Choice of self-serving recommendations	Amount and type of insurance recommended	The form of compensation for insurance agents does not

					affect their product recommendations
Danilov et al. (2013)	Bank employees	Lab experiment	Choice of self-serving recommendations	Different financial product options	Advisors are more likely to recommend the option that maximizes their commission Group incentives amplified the effect
Dvorak (2015)	Financial advisory firms	Archival data	Choice of mutual funds with higher fees	The variation in fees between the funds held in the retirement plan for their own employees and their clients	The retirement plans for their clients and their employees are very similar, except that the clients have higher fees
Finke (2013)	Financial advisor, title not specified	Literature review	Not applicable	Not applicable	The positive contribution of the financial advisor could be negated by the presence of a conflict of interest between the advisor and the client
Foerster et al. (2017)	Financial advisor, title not specified	Archival data	No explicit measure	Investors' portfolio of assets	Clients' portfolio is an imperfect copy of their advisor's Clients pay 2.5% of the value of the portfolio annually to receive the same advice as all of the advisor's other clients
Golec (1992)	Financial advisor, title not specified	Archival data	Incentives provided by the mutual funds to the advisor	Performance of the mutual funds	Mutual funds with base fees and advisor incentives attract more investment and have better financial results
Hackethal et al. (2012)	Independent financial advisor and bank-related financial advisor, title not specified	Archival data	Incentive to do more trade	Performance of the investment portfolio	Clients with either type of advisor perform worse than those investing alone The portfolios of advised clients have more trades than those of clients investing alone

Hackethal et al. (2010)	Financial advisor, title not specified	Archival data and phone survey	Advisor’s willingness to initiate contact with clients	Transaction volume and type of product acquired	Based on financial advice, clients trade more and purchase more products, which benefits the bank
Hoechle et al. (2017)	Financial advisor, title not specified	Archival data	No explicit measure	Comparison of the performance of advisory and non-advisory trades with benchmarks	Trades following the advisor's recommendations perform worse than independent trades and benchmarks The effect is worse when it is the advisor who initiates the contact for the client to trade
Inderst & Ottaviani (2012b)	Financial advisor, title not specified	Analytical model	Choice of self-serving recommendations	Advice on which option to choose	Commission-based compensation promotes the maximization of the advisor’s interests with naïve clients, but not with wary clients
Jarratt et al. (2007)	Wealth Management Advisor	Analytical model	Choice of self-serving recommendations	Investment choices	Advisors have a vested interest in finding a balance between maximizing their own short-term interest and retaining the trust of clients so that they remain their clients
Kingston & Weng (2014)	Financial advisor, title not specified	Analytical model	Choice of self-serving assets allocation	Assets allocation	Advisors favorize their own interest by selecting growth-maximizing assets when they receive a percentage of assets under management
Krausz & Paroush (2002)	Financial advisor, title not specified	Analytical model	Choice of self-serving recommendations	Advice on which option to choose	Advisor pushes the risky option, which is associated with a better return for himself, even if the client is risk-averse
Lai (2016)	Insurance agents, wealth managers, and independent financial advisors	Mixed methodology	Presence of incentives	Not applicable	Recommendations made by financial advisors are strongly affected by commissions, bonuses, and sales quotas

Liu (2005)	Financial advisor, title not specified	Analytical model	Choice of self-serving recommendations and efforts	Clients' return on investment	Simply sharing the return on the investment fails to maximize the advisor's effort
Mietzner & Molterer (2018)	Bankers, title not specified	Archival data	Choice of self-serving recommendations	Investment in a specific type of asset	Commissions create a gap between the recommendations made by the advisor and those that would optimize the client's situation
Mullainathan et al. (2012)	Financial advisor, title not specified	Field experiment (audit study)	Choice of self-serving modifications to the initial portfolio	Variation on the initial portfolio based on advice	Advisors encourage the acquisition of funds with high fees and the multiplication of transactions Advisors are willing to accommodate client wishes when they coincide with their own interests, but try to reverse the situation when the client's vision does not favor their own interests
Oehler & Kohlert (2009)	Financial advisor working in a bank, title not specified	Field experiment (audit study)	Choice of self-serving recommendations	Variation of advisors' recommendations	Advice provided by the advisor is of higher quality when the client is more financially literate The information provided by the advisor to the client is generally of low quality
Stoughton et al. (2011)	Financial advisor, title not specified	Analytical model	Presence of kickbacks	Clients' wealth	Kickbacks offered by portfolio managers to financial advisors negatively affect clients' wealth
Van Dijk et al. (2008)	Insurance brokers	Archival data and online survey	Choice of self-serving recommendations	The return on investment of the life insurance policy	Insurance brokers do not generally recommend the best product to their clients
			Trust Theory		

Barnett White (2005)	Participants acting as financial advisors	Lab experiment	A 7-point Likert scale question	The decision to follow the recommendation	Clients' decision to follow the recommendation is based on the advisor's ability in risky and non-emotional situations and on the advisor's benevolence in risky and emotional situations
Bhattacharya et al. (2012)	Software-generated advice	Archival data with field experiment	No explicit measure	The decision to implement the recommendation	Very few clients (about 5%) implement unsolicited recommendations The presence of unbiased advice is not enough to ensure that clients follow it
Burke & Hung (2021)	Financial advisors, different denominations	Archival data	A combination of multiple questions using Likert scale	The under-diversification of assets and the holding of risky assets	Individuals who trust are more likely to get financial advice Individuals who trust hold more publicly traded stocks Unsolicited financial advice has no real impact on clients' behavior
Calcagno et al. (2017)	Financial advisor, title not specified	Archival data	A 5-point Likert scale question	The decision to delegate decision-making to the advisor	Clients who trust more their advisor are more likely to completely delegate financial decision-making
Deng & Liu (2017)	Financial advisor in a broad sense	Analytical model	Represented by a variable in the model	The portfolio at the end of the period	The more trust the client has in the advisor, the more inclined the client is to invest in the risky asset
Engelmann et al. (2009)	The expert providing advice is presented as a professor of economics	Lab experiment	Neural activity visible by fMRI during the decision-making	The decision to follow the expert's recommendation	Access to expert advice leads participants to rely on the expert's opinion and to offload the mental burden of decision-making
Eriksson & Hermansson (2019)	Financial advisor working in a bank, title not specified	Online survey	A combination of two questions	Financial assets purchased from the bank and monthly flow	The length of the relationship with the advisor, the environment and the trust

				invested in mutual funds	placed in the advisor positively affect the total assets held by the client with the bank as well as the amounts invested monthly in mutual funds
Gennaioli et al. (2015)	Financial advisor in a broad sense	Analytical model	Represented by a variable in the model	The portfolio at the end of the period	The more trust the client has in the advisor, the more likely they are to completely delegate the process
Georgarakos & Inderst (2014)	Financial advisor, title not specified	Archival data and analytical model	A dichotomous question	The decision to invest in the stock market	The more clients trust their advisor, the more likely they are to follow their advisor's recommendations for participating in the stock market
Gurun et al. (2018)	Registered investment advisor	Archival data	Comparison of the decision to move their assets to a checking account	The decision to continue the relationship with the advisor	Clients who have been affected by financial fraud stop doing business with the advisor who suggested the investment
Johnson & Grayson (2005)	Financial advisor, title not specified	Mail survey	Cognitive and affective trust are both based on five questions	The value of sales per account and the number of different products owns by the client	Clients who trust more their advisor are more likely to want to return to them in the future Advisors who have more cognitive trust from their clients have better sales effectiveness
Lachance & Tang (2012)	Five types of financial advisor	Archival data	A 7-point Likert scale question	Soliciting the services of a financial advisor	Individuals who trust financial advisors more seek their services in all five areas
Linnainmaa et al. (2018)	Financial advisor, title not specified	Archival data	The length of client-advisor relationship	Participation in the stock market, i.e., holding risky assets	The more clients trust their advisor, the more likely they are to follow their advisor's recommendations to participate in the stock market Clients who seek out an advisor participate more in the

					stock market and take more risk (30% more) in their investments
Mackinger et al. (2017)	Financial advisor, title not specified	Survey	A combination of five questions	Willingness to cooperate with the advisor	Trust in the advisor affects clients' intention to cooperate under uncertainty
Monti et al. (2014)	Financial advisor, title not specified	Interviews and survey	A combination of four questions	Clients' indication on whether they would completely delegate	Clients report that they delegate primarily because they trust their advisor and lack financial knowledge (77% say they delegate and trust their advisor)
Pauls et al. (2016)	Financial advisor, title not specified	Archival data	A dichotomous question	The decision to follow the advisors' recommendation	The more trust the client has in the advisor, the more likely they are to follow the advisor's recommendations
Stolper (2018)	Software-generated advice	Archival data	No explicit measure	The decision to implement the recommendation	Very few clients (8.8%) implement the recommendations within a year of receiving the advice The presence of unbiased advice is not enough to ensure that clients follow it
Winchester & Huston (2017)	Financial services professional, title not specified	Survey	Clients' willingness to recommend the advisor to someone else	The value of financial advice after cost	Trust in the advisor increases the value of consulting an advisor by reducing the costs associated with the client's control of the advisor. When the client has more trust, they control less
			Concept of Knowledge		
Azamian et al. (2022)	Financial advisor, 63% of the respondents are	Online survey	No explicit measure, but advisors are considered as professional in	Debt, retirement plan, investment, estate plan, and cash flow	The financial advisor group is better prepared for retirement, has less debt, has more liquidity, is better insured and

	Certified Financial Planners (CFP)		comparison with the general population		is more likely to have an estate plan
Barrick & Spilker (2003)	Tax specialists	Lab experiment	A combination of eight questions on the topic	The information collected by the participants are compared with those of an experts' panel	Problem-specific knowledge positively and directly (indirectly, via the search strategy) affects information collection performance in the presence (absence) of collecting assistance
Bergstresser et al. (2009)	Mutual funds broker	Archival data	No explicit measure, but brokers are considered as professional in comparison to their clients	The performance of mutual funds sold or acquired through a broker or directly by the client	Mutual funds purchased through a broker perform worse than those purchased directly by the client Results could be explained by the conflict of interest between the broker and the client
Bluethgen et al. (2008)	Financial advisor, title not specified	Archival data	No explicit measure, but advisors are considered as professional in comparison to their clients	Diversification of assets in the clients' portfolio	Advisory-assisted clients have better portfolio diversification Clients who receive advice trade more and therefore have higher transaction costs
Bodnaruk & Simonov (2015)	Mutual fund managers	Archival data	No explicit measure, but managers are considered as professional in comparison to their clients	Comparison of the results of mutual fund managers with those of individuals	Mutual fund managers are no better than individuals when it comes to their personal investments
Chatterjee & Fan (2023)	Financial advisor and CFP	Archival data	No explicit measure, but the presence of a professional is considered	Retirement savings, 6 components	People living in financial advice deserts are less likely to have retirement accounts and to contribute regularly to their retirement accounts
Cici et al. (2017)	Financial advisor, title not specified	Archival data	No explicit measure, but advisors are considered as	The change in equity ownership in the funds	Financial advisors provide tangible benefits to investors,

			professional in comparison to their clients	before and after a tax distribution	particularly with respect to taxation
Cloyd (1995)	Tax specialists	Lab experiment	A combination of eighteen questions on the topic	The information collected by the participants are compared with those of an experts' panel	Prior knowledge positively affects the number of relevant items found, the ability to differentiate between relevant and irrelevant items, and reduces the amount of time needed to complete the information search
Cloyd (1997)	Tax specialists	Lab experiment	A combination of eighteen questions on the topic	The information collected by the participants are compared with those of an experts' panel	Prior knowledge positively affects the number of relevant items found
Cummings et al. (2013)	Financial advisor, title not specified	Archival data	No explicit measure, but the presence of an advisor is considered a positive influx of knowledge	Holding an individual tax-free account (ROTH IRA)	Solicitation of a financial planner positively influences ownership of an individual tax-free account
Direr & Visser (2013)	Financial advisor, title not specified	Archival data	The holding of a university degree	The percentage of assets invested in the stock market in relation to total assets	Individuals who consult with financial advisors with higher levels of education are more likely to invest in the stock market than clients of those with lower levels of education
Fan (2021)	Financial advisor, title not specified	Archival data	No explicit measure, but the presence of an advisor is considered a positive influx of knowledge	Saving behaviors and credit usage	Individual's search for information and the external search for information (financial advisor) are positively associated with saving and good credit usage
Fischer & Gerhardt (2007)	Financial advisor, title not specified	Analytical model	No explicit measure, but advisors are considered as	The extent of investment errors made by individuals	Financial advice helps individuals reduce their investment mistakes

			professional in comparison to their clients		
Grable & Chatterjee (2014)	Financial advisor, title not specified	Archival data	No explicit measure, but the presence of an advisor is considered an added value	Wealth change	Individuals who sought a financial advisor experienced a 6.25% lower loss of wealth as a result of a recession compared to those who did not seek an advisor
Hanna & Lindamood (2010)	Unspecified	Analytical model	No explicit measure	No explicit measure	The value of advice increases the more of the client's wealth may be lost, i.e., wealth volatility
Hershey et al. (1990)	Financial planning professional, title not specified	Lab experiment	A combination of a ten-page test and professional functions	The type of information requested and the spoken process	Experts solved the problem in less time and in fewer steps than novices Experts have a more structured resolution process than novices Experts select more relevant information than novices
Hershey & Walsh (2000)	Accountants and financial planners	Lab experiment	A combination of thirty-two questions on the topic	The deviation between the participants' solutions and those of an experts' panel	Individuals with specialized knowledge select more relevant information than those with general knowledge, who still select more relevant information than naïve individuals Individuals with specialized knowledge deviate less from the experts' solution than those with general knowledge, who still perform better than naïve individuals
Horn et al. (2009)	Financial advisor, title not specified	Archival data	No explicit measure, but advisors are considered as	The composition of the asset portfolio	Investors who seek out a financial advisor make better investment choices

			professional in comparison to their clients		
Hudson & Palmer (2014)	Financial advisor in a broad sense	Archival data	No explicit measure, but advisors are considered as professional in comparison to their clients	A combination of ten questions on financial behaviors	Low-income individuals who seek out a financial advisor have better savings behaviors and better budget management
Hung & Yoong (2013)	Financial advisor, title not specified	Lab experiment and archival data	No explicit measure, but the presence of an advisor is considered an added value	The choice of asset allocation	Respondents who seek financial advice perform better than those who do not seek advice Unsolicited financial advice is not followed by participants in the experiment
Kramer (2012)	Financial advisor, title not specified	Archival data	No explicit measure, but advisors are considered as professional in comparison to their clients	The performance of the asset portfolio	There is no difference in risk-adjusted performance between individuals investing alone or with an advisor The asset portfolio of clients seeking an advisor is better diversified
Liu et al. (2019)	Financial advisor in a broad sense	Archival data	No explicit measure, but advisors are considered as professional in comparison to their clients	Annual investment, financial asset holdings and total assets	Individuals who receive financial advice hold more financial assets
Marsden et al. (2011)	Financial advisor, title not specified	Online survey	No explicit measure, but advisors are considered as professional in comparison to their clients	Having established long-term financial goals, calculating the amount needed for retirement or having an emergency fund	Respondents who consult a financial advisor have better financial habits

Martin & Finke (2014)	Financial advisor, title not specified	Archival data	No explicit measure, but advisors are considered as professional in comparison to their clients	Wealth accumulated for retirement	Individuals who seek the help of a financial planner and follow a comprehensive retirement plan are building greater wealth for retirement
Montmarquette & Viennot-Briot (2015)	Financial advisor, title not specified	Online survey	No explicit measure, but advisors are considered as professional in comparison to their clients	Assets held	Individuals with a financial advisor for a minimum of four years have more financial assets than those without an advisor The influence of the financial advisor is primarily through improved client savings practices
Montmarquette & Viennot-Briot (2019)	Financial advisor, title not specified	Online survey	No explicit measure, but advisors are considered as professional in comparison to their clients	Assets held	For the period from 2009 to 2013, individuals who retained their financial advisor saw the value of their assets grow by 16.4%, while the value of assets for those who left their advisor grew by 1.7% for the same period.
Moreland (2018)	Financial advisor in a broad sense	Archival data	No explicit measure, but the presence of an advisor is considered an added value	Financial behaviors	Individuals who consult a financial advisor have better financial behaviors, such as holding a savings account or paying their credit card on time and in full
Mountain et al. (2021)	Financial advisor, title not specified	Online survey	No explicit measure, but the presence of an advisor is considered as a source of learning	Financial behaviors	Individuals who consult a financial advisor have better financial behaviors
Pan et al. (2020)	Financial advisor, title not specified	Archival data	No explicit measure, but the presence of an	Participation in the stock market	Financial advice affects stock market participation for individuals with high financial

			advisor is considered an added value		literacy and a preference for diversification
Park & Yao (2016)	Financial advisor in a broad sense	Archival data	No explicit measure, but advisors are considered as professional in comparison to their clients	Attitude to risk and asset ownership	Individuals who use a financial planner are more consistent in their risk taking and financial behaviors
Shapira & Venezia (2001)	Financial advisor, title not specified	Archival data	No explicit measure, but the presence of an advisor is considered a positive influx of knowledge	Timing of transactions, transaction volume and yield	Clients investing with an advisor make more trades than those investing alone Clients investing with an advisor earn a higher return before commissions than those investing alone
Smith et al. (2012)	Financial advisor, title not specified	Archival data	No explicit measure, but the presence of an advisor is considered a positive influx of knowledge	Holding an individual tax-free account (ROTH IRA)	Individuals with a financial advisor or higher level of financial literacy are more likely to hold an individual tax-free account
Spilker (1995)	Tax specialists	Lab experiment	A combination of ten questions on the topic	The keywords selected by the participants are compared with those of an experts' panel	Knowledge positively affects the number of relevant keywords selected The procedural group selects the most relevant keywords, followed by the declarative group and finally the naive group
Von Gaudecker (2015)	Financial advisor, title not specified	Archival data	No explicit measure, but advisors are considered as professional in comparison to their clients	The cost of under-diversification of assets	Individuals who do not consult a financial advisor or who do not have a high level of financial literacy are at the greatest risk of experiencing losses related to asset under-diversification

Winchester & Huston (2014)	Financial advisor, title not specified	Survey	No explicit measure, but advice comes from experts	The progress individuals felt they had made in achieving their financial goal	An ongoing relationship with a financial advisor improves the financial goal attainment of individuals who perceive themselves to be less in control
Winchester & Huston (2015)	Financial advisor, title not specified	Survey	No explicit measure, but advice comes from experts	Individuals rate their performance in accumulating wealth, preventing losses, and smoothing consumption	Middle-class individuals who receive integrated financial advice are 3 times more ready for retirement, 2 times more able to use their benefits, and nearly 2 times more likely to have an emergency fund
Winchester et al. (2011)	Financial advisor, title not specified	Survey	No explicit measure, but advice comes from experts	Long-term commitment to a financial goal	Individuals who consult a financial advisor have a greater long-term commitment to their financial goals, i.e., they rebalance their portfolio more
Zhang (2014)	Authorized Financial Adviser (AFA)	Archival data	No explicit measure, but advice comes from experts	Annual return on investment and asset allocation	The return on investment of individuals receiving financial advice is not significantly higher than that of individuals investing alone Individuals receiving financial advice hold more risky assets (stocks and property) than individuals investing alone