

Financial Anxiety: A Barrier to Accessing Professional Advice

WHAT IS ADVISOR ANXIETY?

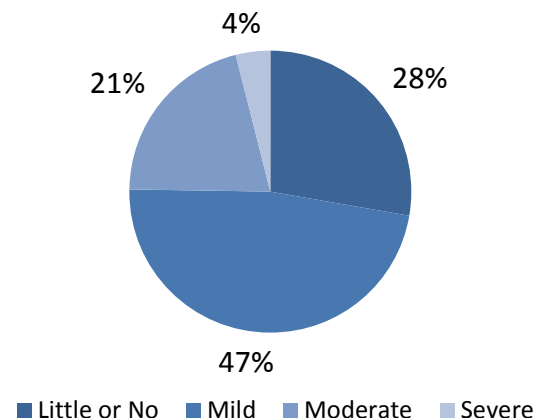
When considering the prospect of visiting a financial professional for advice, some individuals quickly become anxious. It really doesn't matter whether the topic is changing one's super investment allocations, making a salary sacrifice decision, finding the best way to invest for a child's college education, or obtaining general financial advice, some people just feel uneasy about meeting with a financial advisor.

Medical doctors have long been aware of the fact that embarrassment, or the possibility of it, can keep individuals from seeking medical assistance, even when they are concerned about symptoms that seem serious (Shinn et al., 2004). In the financial arena, it is believed that a comparable form of advisor anxiety stems from one of two different sources (or both): (1) expectations of being negatively judged by the financial professional (what researchers refer to as evaluation anxiety), or (2) feelings of discomfort at the prospect of sharing personal information with a professional advisor (disclosure anxiety). According to investigators Paul Gerrans at the University of Western Australia and Douglas Hershey at Oklahoma State University, financial advisor anxiety can represent a very real barrier to success when it comes to formulating a long-range financial plan.

PREVALENCE OF ADVISOR ANXIETY

A recent study supported by National Seniors Productive Ageing Centre (NSPAC) that focused on retirement saving and investing revealed advisor anxiety is not uncommon. Investigators in this 2012 study administered a web-based questionnaire to nearly 2300 Australian adults, 40-75 years of age. A portion of the questionnaire included an 11-item advisor anxiety test. The researchers found that just short of 1/3 of the sample experienced little or no anxiety at the prospect of visiting a financial professional, about half of respondents indicated a mild level of anxiety, and the remaining 25 per cent of respondents revealed moderate-to-severe anxiety levels (see figure).

Advisor Anxiety Level



WHO IS LIKELY TO EXPERIENCE ADVISOR ANXIETY?

Findings from the study revealed that certain types of individuals were more likely to experience financial advisor anxiety than others. Statistical analyses of the risk factors associated with advisor based worry included:

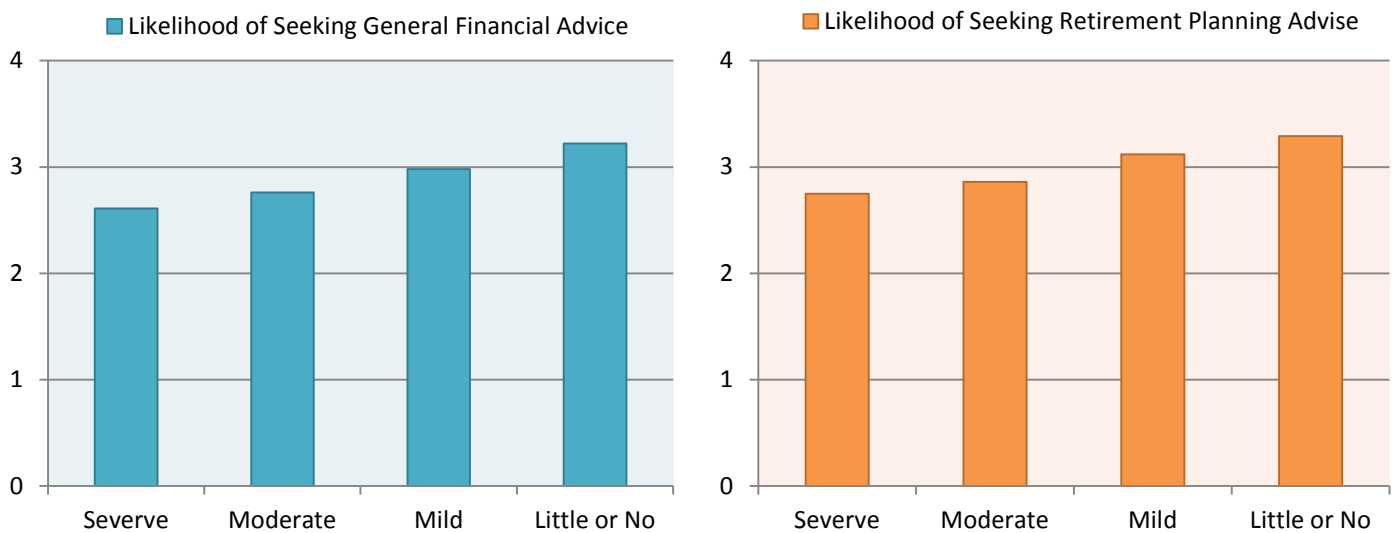
- Being younger
- Being less educated
- Having a lower income level
- Limited knowledge of retirement issues
- Limited knowledge of financial issues

Interestingly, one’s gender was found to be unrelated to anxiety levels (men and women scored equally on the test), and anxiety levels were shown to be roughly equivalent across individuals living in different Australian states.

WHAT ARE THE IMPLICATIONS OF HAVING ADVISOR ANXIETY?

Advisor anxiety not only causes worry among those affected, but it is also linked to the likelihood of seeking general financial assistance and retirement advice. These effects can be seen in the figure at right. The extent to which individuals reported the prospect of seeking help from financial professionals in the future—which could range from a minimum value of 1 (not at all likely to seek professional assistance) to a maximum value of 5 (likely will seek out professional assistance) were clearly shown to be related to anxiety levels.

Help Seeking Behaviour



WHAT CAN BE DONE IF YOU HAVE ADVISOR ANXIETY?

The way in which to overcome financial advisor anxiety depends to some extent on the source of the investor’s concern. Individuals with evaluation anxiety should realize that the financial advising process is essentially forward-looking. That means that financial advisors don’t find it productive to negatively judge their clients for poor planning, frivolous spending, and sloppy recordkeeping practices that have happened in the past. Instead, they focus their attention on steps that can be taken to improve the individual’s future financial situation. In contrast, those with disclosure anxiety need to realize that although there is no single set of rules that govern the behaviour of all types of advisors, most financial professionals are bound to keep their client’s personal information strictly private. Many have well-developed security measures in place to ensure confidentiality (e.g., storing client data in a securely locked facility; data encryption).

For more information on the services offered by different types of financial professionals and how to choose the one that best fits your needs, consider browsing the MoneySmart resources at www.moneysmart.gov.au/investing/financial-advice

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