

Pioneer Global
Asset Management
Research Unit

**Financial Information,
Trust and Delegation: How
do they Affect Portfolio
Choice?**

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*The 2003 UniCredit - Bank of Italy
Survey*

Milan

November 2, 2004



Two types of investors

Do-it-alone (28%)



Take financial decisions by their own

- Need to collect a lot of information
- Need to face significant costs of managing their assets

Delegators (72%)



Let the intermediary choose for them
(14% entirely, 58% monitor and interact)

- Can save on information collection costs
- May achieve a more diversified portfolio

Bottom line

- Not very different in terms of characteristics
- Also some evidence that do-it-yourself investors do worse in terms of Sharpe ratios than delegators and are less diversified
- Question: why don't they delegate? What limits delegation?

In the UCI sample only few do not trust (25%). But among the do-it-yourself many do not trust (44%)



Can an intermediary affect customer's trust ?

No final answer available but trust can be decomposed into three components:

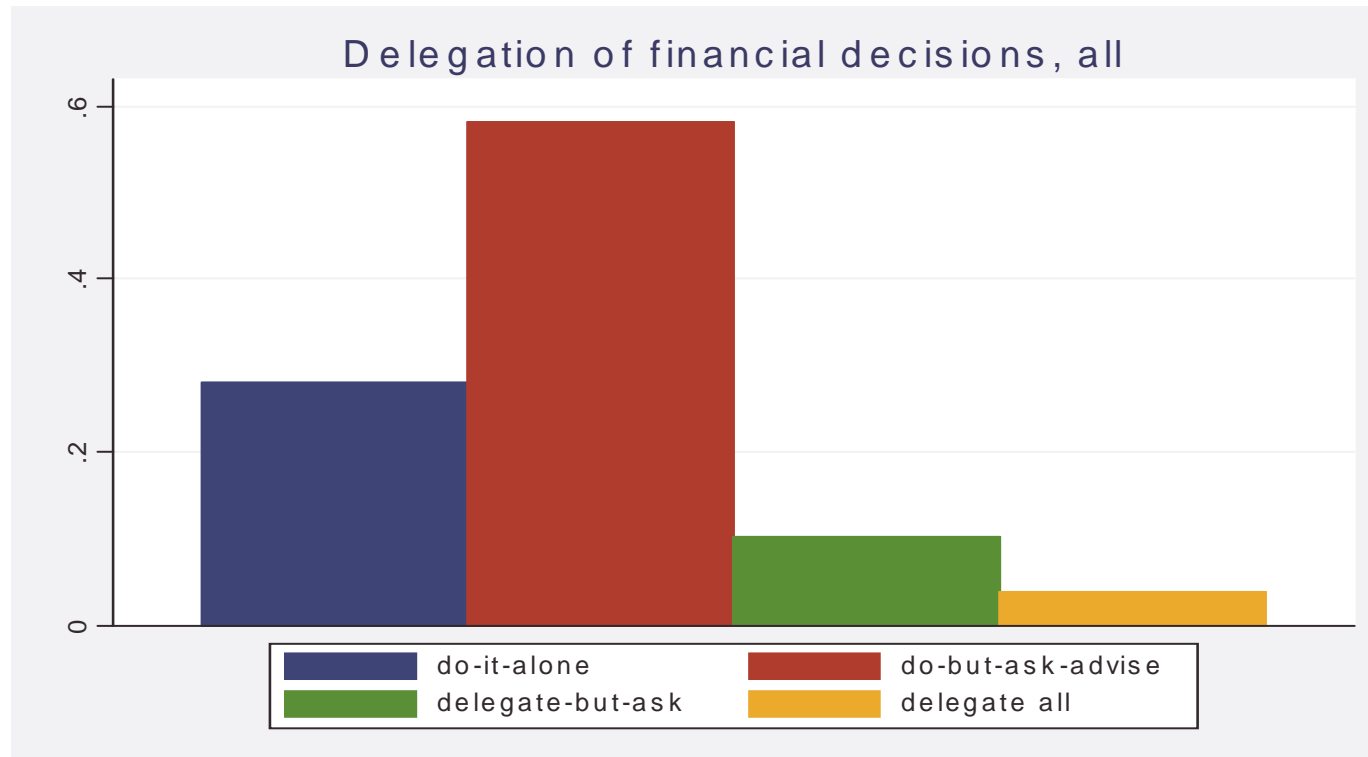
- Trust induced by origin (education received at childhood: depends on where you were born and raised)
- Trust induced by residence: depends on the community where you currently live
- Trust induced by the actions of the person/institution to be trusted. There is evidence that these actions matter:
 - More trust among those with longer relation with UCI
 - More trust if UCI is the main bank
 - Less trust if customer is retail
 - Less trust among the low wealth (received little attention by UCI?)

Summary

- The bank-customer relationship is highly trust intensive
- Lack of trust can limit financial exchanges and determine poorer portfolio allocations
- A minority, but a non-negligible fraction, has little trust in UCI. These clients do worse than they could have done with trust. UCI could benefit too
- There is room for actions aimed at improving trust

Appendix

How many delegators and do-it-yourself...



- 28% are do-it-alone types, 58% delegate but monitor and interact with advisor, 14% let the intermediary do the job

Note: Unweighted data

... and who are they?

	Do-it-alone	Delegators
Age	52.0	55.7
Male	0.74%	0.70%
Average years of education	12.1	11.9
Investment in info (min)	65.8	61.4
Very low risk averse	5.5%	2.6%
Low Risk averse	35.1%	31.4%

Note: Unweighted data

Answer: lack of trust in advisor

	Do-it-alone	Delegators	Whole sample
Trust a lot	13,7%	33,4%	29,2%
Trust sufficiently	42%	46,9%	45,9%
Trust a little	23,7%	12,9%	15,3%
Trust very little	11,7%	4,5%	6,1%
Do not trust at all	8,9%	2,2%	3,6%
N. of obs.	350	1276	1626

Note: Unweighted data. 208 clients, of which 78%(163) do-it-alone, did not answer to the question on trust in advisor because this was not applicable (i.e. they did not have investments/an advisor)