

## FOR IMMEDIATE RELEASE

## PRESS RELEASE

**INVESTORS LEFT UNPROTECTED AND OUT OF POCKET FROM FAILING IFA ADVICE**

- **A failure to diversify adequately means average UK investor has lost 15% of assets since 2007**
- **36% of investors that had seen some change in advice felt that their IFA had been slow to respond to the financial crisis**
- **71% of investors feel IFA advice has hardly changed since 2007, despite wealth destruction and unprecedented financial turmoil**
- **Advisor focus on capital appreciation at odds with investors seeking to preserve wealth and manage risk**

**29<sup>th</sup> June 2009, London.** A failure of IFAs to effectively diversify their clients' portfolios, combined with a slow or inappropriate response to the financial crisis and recession, has led to a significant deterioration in wealth amongst private investors, according to research released today. The research, conducted by YouGov, and commissioned by World Gold Council, shows a significant breakdown in communications and understanding between investors and IFAs, which left portfolios overly exposed to higher risk assets and ill-equipped for a crisis.

The nationwide survey, which examined the priorities of investors and investment advice of IFAs since 2007, questioned 315 IFAs and 325 private investors in June 2009. It found that:

- One in five private investors has lost more than a quarter of their wealth<sup>1</sup> over the past 24 months and a half has lost more than 16%.
- 42% of private investors felt that their advisor was either slow to respond to the challenges of the financial crisis, or that they disagreed with the advice which they received.
- More than two thirds of private investors have changed their own investment priorities over the last 24 months, with a large majority of this group (67%) placing a greater emphasis on protecting their assets. Yet, nearly three-quarters (71%) detected little or no change in the advice they receive from their advisors.
- Most worryingly, the research highlighted a significant dislocation in the investment objectives of private investors and the focus of IFA advice. 50% of investors have historically given more weight to a 'capital preservation' strategy, a view not reflected in the advisor base, who say, 2 to 1, that their emphasis prior to the financial crisis was on capital appreciation.
- Some IFAs (16%), in response to the financial crisis, have taken steps to diversify the market risks affecting client portfolios by reducing their clients' equity exposure. However, by far the most common response was simply to increase equity diversification, often at the expense of investing in defensive assets which historically perform well in times of crisis. For example, 83% of investors said that their advisors had no position or viewpoint on gold at all, despite its traditional defensive role.

<sup>1</sup> excluding main residence

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Marcus Grubb, Managing Director of Investment Research Marketing at World Gold Council said today:

“It is clear that much of the private investor community was geared towards protecting their wealth and yet the focus of the IFA community prior to the crisis has been on chasing returns. Not only does this expose a breakdown in communication between IFAs and the community which they serve, but the research also points to an inability of advisors to protect their clients assets by responding quickly to changing financial and economic circumstances. These findings, and the recommendations of the FSA’s Retail Distribution Review, reinforce the need for IFAs to re-examine their investment advice.

“A greater understanding of diversification is needed to ensure that, irrespective of market conditions, an investor’s portfolio has the necessary defences to ride out the fiercest of economic storms. Many IFAs, investors and commentators have characterised the wealth destruction that we have seen over the past 24 months as representing a failure of diversification due to poor performance across almost all asset classes. However, our research points more to a failure to diversify adequately; investors were simply not advised to invest in those assets with the best diversification properties. Once again private investors have suffered in monetary terms from a stable door being closed when the horse has long since gone.”

**ENDS**

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**Notes to Editors****Methodology**

The nationwide YouGov online survey questioned 315 IFAs and 325 private investors.

- A survey of 325 **Private Investors**
  - Net investable assets (excluding main residence) at least £100,000
  - Average investable assets per respondent = £555,000
  - Distribution of assets across the sample is as follows

	%
£100 000 to £249 999	39
£250 000 to £499 999	30
£500 000 to £749 999	14
£750 000 to £999 999	8
£1 Million to £1 999 999	7
£2 Million to £4 999 999	2
<b>Total</b>	<b>100%</b>

<sup>1</sup> excluding main residence

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- Interviews self-completed, online
- Fieldwork dates 9<sup>th</sup> to 11<sup>th</sup> June 2009
  
- A survey of 315 **Financial Advisers**
  - Over 40% advise on client assets in excess of £5 million
  - 22% advise on client assets in excess of £20 million
  - Interviews self-completed, online

Fieldwork dates 9<sup>th</sup> to 11<sup>th</sup> June 2009

### **World Gold Council**

World Gold Council's mission is to stimulate and sustain the demand for gold and to create enduring value for its stakeholders. It is funded by the world's leading gold mining companies. For further information visit [www.gold.org](http://www.gold.org)

### **About YouGov**

YouGov is a global full service market research company, primarily using online panels to provide quantitative and qualitative research across a range of specialisms. These include consumer markets, financial services, technology and telecoms, media, politics and the public sector. YouGov's full service offering spans added value consultancy, syndicated product offers, omnibus, qualitative research and field and tab services. YouGov is considered the pioneer of online market research and was the only research company named in the 2008 Deloitte Technology Fast 50. Its well-documented and published track record in predicting election outcomes demonstrates the accuracy of its survey methods and in turn the quality of its client service work.

<sup>1</sup> excluding main residence