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Active Trust is the Key

I have spent almost half my life in the business of helping people with their money. When I entered the profession the first principle I learnt was that of 'uberrima fides', the principle of utmost good faith. It was as true then as it is now and this 'promise' forms an essential part of any insurance contract and in my view any working relationship with a financial services provider and their client.

Trust is the cornerstone of financial planning and wealth management. It seems incredulous that as we enter the close of 2011 'mistrust' provides the starting point for so many in our industry still. As much as we all worry about a 'run' on banks there has been a much more damaging run on trust in financial matters, building up over a number of years.

There is, of course, well documented previous as to why this has become the case. These are worrying times. In a major report by the respected academics at The University of Nottingham looking into issues of trust, it was stated that a significant number of consumers have faith in their financial providers only because they feel they have no choice. Some organisations effectively survive on their reputations alone amid a lack of consumer trust in the people who run them. The report concluded that the public are moderately trusting of their 'own' financial institutions but tend not to trust financial institutions in general. 'Forced trust' exists for example in simply having to have and operate a bank account.

It is this forced trust that must be converted to 'active trust' based on first principles. For the financial planning professional their businesses must act with these basic and trusted fundamentals at the core without compromise. So much of the industry has been built up pushing product and chasing investment returns without reference to the risk-return relationship to the investor involved.

There has been a significant disconnect in terms of understanding the real needs of consumers and designing solutions that deliver on-promise. Structures have to be a slave of objectives and not the other way around. The process of managing money and managing risk must be aligned.

The most appropriate outcome and return for an investor is not necessarily the highest - it is what meets their needs delivered through a risk-management framework that really matters. Quantum has to come before risk. Money must be managed forward not backwards and this has to be regularly stress-tested as an adviser/consumer partnership. Trust is an emotional action driven by positive and appropriate interaction and should not be underestimated.

Shane Mullins

I believe businesses get the behaviours they reward. Most if not all businesses are there to make a profit but profit at all costs is not always good profit. Too much history of the financial sector has been based on 'making the sale', often at the expense of its' customers. The trust factor has broken down to such an extent that people are confused and don't know where to turn next. This is a perilous and unnecessary state. This is the real problem that needs fixing permanently and the reason that I and many others in our industry are pushing for positive change.

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