

Clients: So many investment products, so little understanding

Survey reveals investors confused by crush of options – and not sure what they are

By [Liz Skinner](#)

May 7, 2012 3:17 pm ET



Advisers must stay on top of the latest investment products because many investors say they're overwhelmed by investment choices and find many to be overly complex.

In fact, a third of the investors who responded to a survey conducted in February by [MFS Investment Management](#) said they feel inundated by investment choices; 40% feel financial products are too complicated.

“The industry has a lot of capabilities that we didn't have before and by that very nature, some of the investments are complicated,” said William Finnegan, senior managing director of global retail marketing for MFS. “Younger investors want to understand these products more.”

Investors' bewilderment often starts with the product description, Mr. Finnegan said.

For example, more than 60% of the respondents found a product described as a mutual fund that protect against rising inflation “extremely appealing.” However, when asked about “absolute return funds,” only 14% found them appealing, Mr. Finnegan said.

Advisers can help investors by simplifying the concepts and explaining clearly how a product solves a problem and achieves a financial goal, he said. The survey also showed that about 81% of investors who responded said they expect their adviser to keep them up-to-date about new and innovative investment products.

A quarter of the investors said their need for financial advice has increased in the past 12 months. The younger the investors, the more likely they were to need more information.

About 34% of those aged 31 to 45, so-called Generation X, say their need for advice grew in the past year. About 45% of those who are younger than 31, known as Generation Y, acknowledged a greater need for professional advice, the survey showed.

But be warned: more than a third of the surveyed investors – even more among younger people — believe the information they find on the Internet about investments is just as good as what they would get from a financial adviser.

About half of Generation X investors believe information from the Internet is just as good and 57% of those from Generation Y have just as much faith in info from the Internet as they would from an adviser.

Mr. Finnegan said advisers should be concerned about this finding, but says the good news is that almost all age groups say they have an increased need for advice.

“My suggestion to advisers is to send them to reputable sites where they can learn more,” he said. “You can no longer assume that investors are not going to check, as almost all investors have become validators.”

The survey, which was conducted in February, polled 974 investors.