

Keep your customer knowledgeable: independent advisors as financial educators

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Abstract

Education programmes aimed at increasing financial literacy are typically scarcely effective or have relatively quick ‘decay’ periods. In this paper, I provide evidence that financial advisors are an effective way to increase investors’ financial awareness. I check this relationship using three measures of financial literacy: basic, advanced and overall; and also test different typologies of advisors. Results indicate a moderate degree of financial literacy among the interviewees, in line with previous studies. Moreover, it appears that independent financial advisors have a significant educational role, whose function, in particular, tends to increase the ‘advanced’ financial literacy of their clients. The study has potentially important policy implications, as it provides robust evidence that investors’ financial literacy can be increased in a gradual and stable way that does not affect public funds.

Keywords: Financial Advice; Financial Literacy; Financial Education.

JEL Classification: D80, G24, I22.