

**Joanna Długosz, Jarosław  
Skorwider**

---

## Conditions for Development of the Financial Advisory Services for Households

---

Olsztyn Economic Journal 4/1, 72-82

---

2009

Artykuł został opracowany do udostępnienia w internecie przez Muzeum Historii Polski w ramach prac podejmowanych na rzecz zapewnienia otwartego, powszechnego i trwałego dostępu do polskiego dorobku naukowego i kulturalnego. Artykuł jest umieszczony w kolekcji cyfrowej [bazhum.muzhp.pl](http://bazhum.muzhp.pl), gromadzącej zawartość polskich czasopism humanistycznych i społecznych.

Tekst jest udostępniony do wykorzystania w ramach  
dozwolonego użytku.

---

---

**CONDITIONS FOR DEVELOPMENT  
OF THE FINANCIAL ADVISORY SERVICES  
FOR HOUSEHOLDS**

*Joanna Długosz, Jarosław Skorwider*

Chair of Finance and Banking  
University of Warmia and Mazury in Olsztyn

**Key words:** financial advisory services, households, financial investments, management of financial surplus.

**Abstract**

Financial advisory services have been developing extensively since 2001. Because of the short period of functioning of that type of services in the financial market the clients perceive the currently available offer with reserve. So far, they have been interested mainly in loan advisory services, mainly in the housing market. Until recently that area was the main domain of banks although the wide range of available products caused that the clients started looking for professional advice not only from the bank consultant, who is interested in selling the products of represented company, but also from professional loan adviser who was able to collect information from the market and prepare the best financial options for the client.

The study aimed at determining the scope of financial advisory services implemented in the area of placing the financial surplus of medium affluent households and directions of its development. The study covered 496 medium affluent households from Warmia and Mazury voivodship. They possess adequate funds for implementing long-term investment programmes, they are more aware of the necessity of saving and they see their gaps in knowledge on financial instruments. They lack confidence in financial advisers and belief that the quality of services provided, and first of all their effectiveness, would be worth the price demanded for the advice.

**UWARUNKOWANIA ROZWOJU USŁUG DORADZTWA FINANSOWEGO  
NA RZECZ GOSPODARSTW DOMOWYCH**

*Joanna Długosz, Jarosław Skorwider*

Katedra Finansów i Bankowości  
Uniwersytet Warmińsko-Mazurski w Olsztynie

**Słowa kluczowe:** doradztwo finansowe, gospodarstwa domowe, inwestycje finansowe, zarządzanie nadwyżkami finansowymi.

### Abstrakt

Doradztwo finansowe w Polsce rozwija się intensywnie od 2001 r. Z uwagi na krótki okres funkcjonowania tego rodzaju usług na rynku finansowym klienci z rezerwą odnoszą się do obecnej oferty. Do tej pory byli oni głównie zainteresowani doradztwem kredytowym, szczególnie na rynku mieszkaniowym. Do niedawna ten obszar był główną domeną banków, jednakże szeroka oferta produktowa sprawiła, że klienci zaczęli poszukiwać fachowej pomocy nie tylko u doradcy bankowego, który jest zainteresowany sprzedażą produktów własnej firmy, lecz także u profesjonalnego doradcy kredytowego, który potrafi zebrać informacje z rynku i przygotować najlepsze warianty finansowe dla klienta. Celem badań było określenie zakresu usług doradztwa finansowego realizowanego w obszarze lokowania nadwyżek finansowych średnio zamożnych gospodarstw domowych i kierunków jego rozwoju. Badaniem objęto 496 średnio zamożnych gospodarstw domowych z województwa warmińsko-mazurskiego. Mają one odpowiednie środki finansowe na realizację długofalowych programów inwestycyjnych, są bardziej świadome konieczności oszczędzania oraz widzą swoje niedostatki w wiedzy na temat instrumentów finansowych. Brakuje im tylko zaufania do doradców finansowych i przekonania, że jakość świadczonych usług, a przede wszystkim ich efektywność, będzie warta ceny, jakiej żądają za poradę.

## **Introduction**

Households, as increasingly active participants in the financial market formulate the demand for professional financial intermediation and advisory services. Their goal is to satisfy the joint as well as the individual household members. Dynamic development of products and services available in the Polish financial market causes an increased demand of clients for professional advise aimed at optimisation of purchasing decisions.

Use of financial services by households results from diversified needs. HARRISON (2000) identifies among them the needs related to accessibility of cash, insurance of the property owned, transfer of funds, delaying the payment and the need for financial advice. The use of financial advisory services is not the basic aim of consumer activity but it allows optimisation of the process of making the choices of complex financial products. Such services are necessary for both obtaining additional sources of capital and for placement of financial surplus, i.e. in the process of saving and capital investing.

## **Legal regulations applicable to financial advisory services**

Neither in Europe nor in the American market the uniform, comprehensive regulations concerning the legal position of the financial adviser have been developed. That lack of homogeneity causes problems related to defining the independent financial advisory services. According to the European Union

directive concerning financial intermediation services, a financial adviser is an objective professional whose role is to provide the client with knowledge on managing the capital in a way allowing the client independent taking of specific decisions concerning purchase of financial products and unrestricted movement within the financial market.

The initial information concerning the profession of the financial adviser was recorded in the United States in 1976. At that time it was described as “personal finance planner”. The Financial Planning Standards Boards Ltd. was the first institution that trained and employed financial planners. In 1980, it started expansion outside the USA awarding the first licenses for training, examining and drafting personal financial plans. Those initial licenses were granted in the countries with equivalent financial and legal systems, i.e. the United Kingdom and Australia.

In Continental Europe, until the present day, no uniform European system of certification for the profession of the financial adviser has been developed. On the other hand, however, it is a general standard in the EU countries that the advisers must pass examinations verifying their qualifications at regular time intervals (every 2–3 years). The examination consists of two parts: theoretical and practical (development of the financial plan).

In Europe the total of 48 industry organisations associating financial advisors and overseeing the quality of services they provide operate. The most important ones are Belgian FECIF (The European Federation of Financial Advisers and Financial Intermediaries) established in 1999, German European Federation of Financial Professionals (EFFP) and British Financial Services Authority (equivalent to the Polish Securities and Stock Exchange Board – Polish Financial Supervision Authority).

In Poland, as of the 16<sup>th</sup> of November 2006, the Association of Financial Advisers (European Federation of Financial Professionals Poland – EFFP Poland) has been in operation. It assesses the quality of services provided by its members (certified personal financial advisers), takes care of the high, consistent with the principles of FECIF level of training and certification of financial advisers in Poland. Advisers certified by German EFFP can be members of the Association. For that purpose they pass a special examination. Eligibility to take the examination is obtained through completing training at schools and institutions accredited by the EAFP, i.e. European Academy of Financial Planning in Warsaw, Wrocław University of Economics and The Gdańsk Academy of Banking. As at the 31<sup>st</sup> of December 2007, there were around 600 certified Personal Financial Advisers in Poland.

The principles of providing services by financial advisers have been developed by the European Commission. According to the provisions of European legislation the advisors have the duty to inform the client about their indepen-

dence or links to financial institutions the products of which they distribute. Before obtaining the offer, the client should be informed in what register the intermediary is registered and where possible complaints concerning his services could be filed. The information provided by the adviser must be provided in writing, detailed and in the official language of the country, in which the information is provided (or other language agreed by the parties). The financial advisers are required to be insured against civil liability.

In European legislation there are no regulations governing the remuneration of financial advisers. They receive various types of compensation for their services – some receive commission on products sold from financial intermediaries, others fees for advisory service delivered payable by the clients, still others receive both (KOSSOWSKI 2007).

### **Conditions of financial advisory services development**

Financial advisory services have been developing extensively in Poland as of 2001. As a consequence of short period for which the services of that type have been available in the financial market the potential clients look with reserve at the currently available offer. The clients were interested mainly in the lending advisory services, particularly in the housing lending market. Until recently that area was the main domain of banks, but the wide offer of products caused that clients started searching for professional advise not only from the bank adviser, who is interested in selling products of his own company, but also from a professional financial adviser, who is able to collect information from the market and prepare the best financial options for the client.

The market of advisory and intermediation services in investing the financial surplus has started developing during the last two years only thanks to the higher level of household savings. Increased wages and decreased unemployment level caused that capital accumulation processes appeared also in the medium affluent households.

Accumulation of savings by households has the micro and the macro-economic dimension as this is the process leading to building of wealth and development of capital, which is the condition for sustainable economic growth (RYTELEWSKA 2005). The decision concerning resignation from current consumption for the future consumption must be carefully considered to give favourable effects for the investor. The created portfolios of investments will be dependent on income of the households, their preferences for liquidity as well as skills of operating within the financial market.

The study “The Poles and the money” conducted by PBS in August 2007 concerning savings and financial customs of the citizens showed that Poles showed improving knowledge of financial market’s operation, but when they had to use an increasing number of available products and services they kept to their saving customs and tested methods that were associated first of all with banks (PIOTROWSKI 2007). Bank is still perceived as the institution of public confidence and as a consequence is a more secure depository than the other participants of the financial market.

Analyses conducted by the company “Analyze Online” indicate that the value of household savings increased systematically and in September 2007 reached the value of PLN 684,5 billion. Compared to the countries of the Old Union an average Pole still has savings that are 10 times smaller. During the last quarter again an increase in the share of deposits (36,1% share in the structure of savings) and cash outside banks (11,1%) could be observed while at the same time a decrease was recorded in the share of the domestic investment funds (15,6%) and shares of public companies (9,5%). Those changes were a consequence of the decreases in prices of shares at the stock exchange and withdrawal of the clients from risky investment funds. During the entire year 2007, the savings in the banks increased slower than debts and as a consequence the gap between loans and savings increased (BAR 2007). The data indicates that some of the clients did not transfer the surplus to less risky financial instruments but instead withdrew from the investments entirely. Studies by PBS showed that 58% of the Poles had no savings, which shows why the market of saving products developed at an unsatisfactory pace.

Professionalism and effectiveness of that type of services is the basic problem for potential clients of financial advisory companies. In Poland there is no liability of the adviser for his professional actions and decisions. It is hard for a person who does not know finance to assess professionalism of the adviser and effectiveness of the proposed solutions (ŚLIPERSKI 2007). There are also some difficulties with defining the scope of activities of the financial consultant – should he be an intermediary, a seller or a financial adviser to the client. Those conditions show that activities concerning licensing of that type of activities should be seen as positive.

Poles point at advisory companies as an increasingly important source of knowledge on saving and investing to which they turn for advice. The advisers do particularly well in the area of mortgage loans and sales of participation units of investment funds. Analyses of the market indicate that the value of loans originated will continue increasing but the higher dynamics of growth will be observed in the investment advisory services (CHOCHOŁOWSKI 2007). Additionally segmentation of clients based on the household income (low affluent, medium affluent, wealthy) as well as specialisation in the offer of

services (mortgage loans, investment products) is increasingly well visible in the market of financial advisory services (KOSSOWSKI 2007).

### **Goal and methodology of studies**

The studies aimed at determining the scope of financial services implemented in the area of placement of the financial surplus of medium affluent households and the directions of its development. This formulation of the goal of the study required defining the profile of that group of households, identifying their propensity for investing, determining the structure of types of financial advisory services used as well as forecasts and preferred changes in that area.

The study encompassed 496 medium affluent households from Warmia and Mazury voivodship. The subject scope of the study encompassed single person households generating incomes of at least PLN 5000 net and households consisting of more persons that generated the income of at least PLN 7000 net. As indicated by the review of literature concerning the scope of the investment offer the clients rely mainly on the activities of banks or their own knowledge (CHOCHOŁOWSKI 2007). As a consequence the entities selected for the study were those that used banking services of personal banking in 2007, that means were actively interested in effective allocation of their funds. For that reason the targeted research sample selection was applied. In gathering empirical materials the questionnaire-based method was applied by using the questionnaire prepared in collaboration with one of the banks. Methods of comparative analysis were used for processing the results.

### **Characteristics of the research sample**

The group of clients covered (the questionnaire respondents were the members of households who made the largest contribution to the household budgets or decided on the investment expenditures made) was dominated by persons whose average age was 30–45 years (Fig. 1), which resulted from a few premises. Accumulation of capital is a long-term process and the services offered required possessing adequate financial resources. As a consequence, relatively few young people could benefit from personal banking services. The small group of respondents over 45 years of age could be explained by lower propensity for using financial services altogether, the necessity or willingness of spending the funds for the needs of the nearest family or for own needs, which results in terminating the investing or, in case of clients who became more affluent, resulted in their shift to another segment of services.



Fig. 1. Age structure of the studied sample

Source: Own work.

According to the ESA (European System of Account) methodology, the sector of households encompasses both the households of people who are consumers only and households of individuals operating own business (RYTELEWSKA 2005), and as a consequence both those groups were included in the studied sample.

Over 88% of the encompassed households were situated in towns. People investing their financial surplus worked mainly in the financial sector (38,9%), operated own business (24,0%) or were independent professionals (22,0%). The respondents used the full scope of the banking services offered to them but most frequently they used settlement services (59,9%) and lending services (59,3%). The majority of households used mainly the basic services. For that group of entities the bank was the settlement-credit institution and not a financial adviser to the client, even if they used that type of bank services offered.

The nationwide studies conducted in Poland (RZANNY 2007) also indicated that the distribution of people with high incomes concentrated in urban agglomerations. The affluent persons were usually in the age group of 30–35 years, which means that they started their careers during 1990s and currently held management positions in the financial or trade sector. They use services of banks mainly for maintaining settlement-savings accounts (95%), payer cards (70%) and credit cards (53%). The vast majority of them show high propensity for investing. They invest mainly in products characterised by high expected rate of return (investment funds, life insurance, real property), and they are limited to a limited extent in time deposits, but they want to continue investing.

## Directions of placement of financial surplus

The households invested the available surplus funds in various financial instruments, which is presented in Figure 2. Purchase of investment funds participation units (48,8%) was the main form of funds allocation followed by investments in real property (38,1%) and listed joint stock companies (37,1%). Deposit products were treated as complement to the client's investment portfolio.

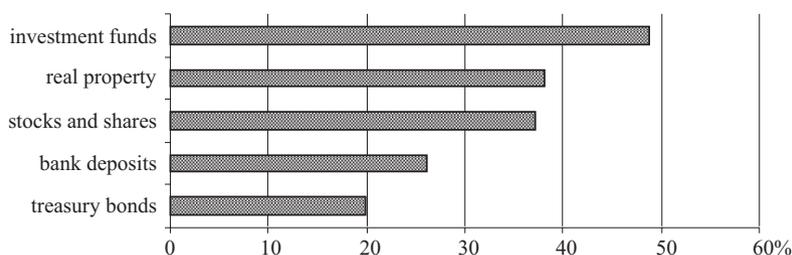


Fig. 2. Current directions of financial surplus allocation

Source: Own work.

The clients allocated the largest proportion of funds in stock funds (28,6%) and balanced funds (26,2%), which was supported by positive situation in the financial markets. Diversification of investment portfolio is also visible as concerns the investment funds. The level of profitability obtained caused that that group of households was ready to accept a higher risk level. RYTELEWSKA (2005) indicates that in the case of financial services, the scope of interest of the consumers expands with passage of time – from high liquidity and low risk level products to low liquidity products that require significant financial resources. Such processes were observed in the group of households covered although they continued to maintain a certain secure investment packages in their portfolios.

The analyses conducted showed that over 75% of households covered planned continuing the investment process in the future. Around 37% of households declared the possibility of accumulating in the coming year of the investment capital amounting up to PLN 50,000 and another 35% projected accumulating between PLN 50,000 and PLN 100,000. The preferred directions for investing that financial surplus are presented in Figure 3.

Clients continue their interest in allocating their financial surplus in investment funds and real property to an even greater extent than currently. Weakening of the financial market observed during the last 6 months of 2007 caused a decrease in direct investing in stocks/shares among the members of

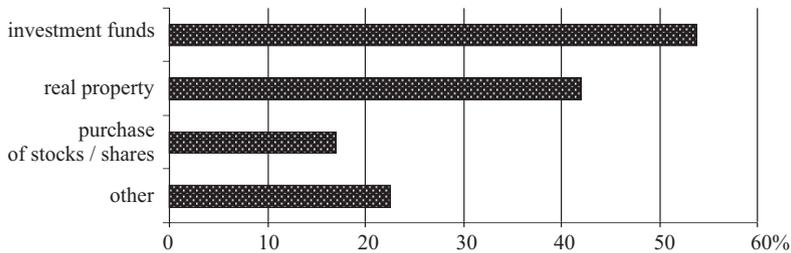


Fig. 3. Preferred directions of investment for the future financial surplus

Source: Own work.

the group studied while their interest in entrusting capital to specialists from investment funds increased. We should expect here the transfer of funds to less risky funds, although some of the investors do not intend to liquidate their investments expecting profits in a longer term. Own financial capacities of the studied households make it impossible to reach the declared amounts for investments and that is why over 66% of those households intend to use bank loans. This applies in particular to purchase of real property.

### Scope of financial advisory services in the area of allocation of financial surplus

The respondents of the study based their investment strategies mainly on their own knowledge or intermediation of banks or other sources. Only 33.1% of households used the financial advisory services. Those were not just the services offered within the frameworks of bank financial advisory services but also and first of all financial advisory services provided by external companies – the most popular brands among those available in the market were Expander, Open Finance and Notus. The subject scope of those advisory services to the studied group of clients is presented in Figure 4.

First of all, the clients used advisory services concerning investment products (78,8%) and lending products (46,8%); significant were also the services concerning pension products (32,9%) and use of European Union funds (23%) – which was of interest to people operating their own businesses.

The studies conducted indicate that optimisation of the process of financial surplus allocation considering individual possibilities of the client should be the main objective of financial advisory services (79,8%), and that requires continual collaboration between the service provider and the service user. In most cases clients have contacts with the bank as the basic financial institution, so that is where the largest potential for development should be seen.

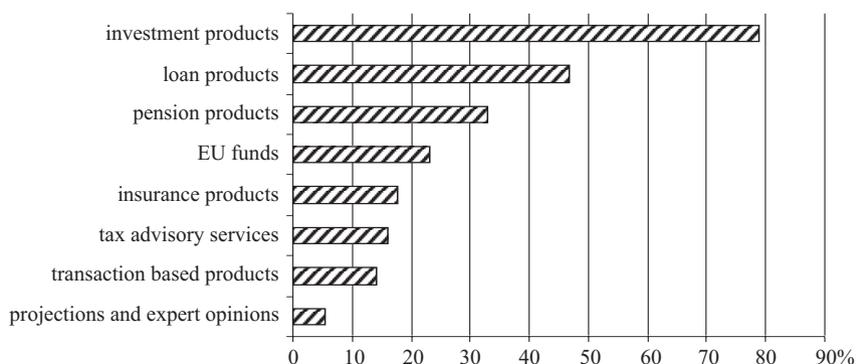


Fig. 4. Subject scope of advisory services used

Source: Own work.

While lending advisory services can be linked to a particular bank, the investment advisory services should be focused on a wide range of financial instruments existing in the market, not only within a given capital group within which a given bank operates.

The respondents (37,3%) pointed out that relieving the clients from completing unnecessary paperwork related to the investments made, when the adviser acts on commission from the client and using his power of attorney implements the investment strategy chosen by client, should be an important element. Activities of the adviser should be focused on providing help in taking financial decisions (22,0%) and modelling the structure of the investment portfolio (22,6%), however, the clients see protection of assets and risk management as even more important tasks (33,1%). Also ŚLIPERSKI (2007) points out that the adviser should first of all focus on protection of client's capital and only later on multiplying it and at the same time he should implement a certain educational objective – show how to manage money, which is different from investment or credit advisory services.

## Conclusion

Development of the financial market causes that moving within it creates major difficulties for a large proportion of the clients – one has to either educate himself, possess appropriate capital management skills or use services of other entities. The studies conducted indicate that there is a very high potential for development of financial advisory services in the area of allocation of financial surplus of households although it is necessary for both financial institutions and external companies to undertake a combat to win the clients.

Households already possess adequate funds to implement long-term investment programmes, are more aware of the necessity to save and also see the shortcomings of their knowledge on financial instruments. They are just short of confidence in financial advisers and believe that the quality of services provided, and first of all their effectiveness will be worth the price demanded for advice. Only professionalism in providing services can cause that clients would resign own investment attempts switching to competent financial advisors whose services are worth paying for.

The fluctuations in the financial market that are currently experienced offer a good moment for initiating the combat for the client. Showing the potential and persuading him to prepare long-term investment strategy will allow development of that segment of services.

Translated by JERZY GOZDEK

Accepted for print 19.03.2009

### References

- Bankowość detaliczna*. 2005. Ed. G. RYTELEWSKA. PWE, Warszawa.
- BAR T. 2007. *Czy doradca finansowy będzie musiał być maklerem?* www.ithink.pl of 12.12.2007.
- CHOCHOŁOWSKI B. 2007. *Rekordowe wyniki i optymistyczna przyszłość*. Nasz Rynek Kapitałowy, 3.
- HARRISON T. 2000. *Financial Services Marketing*. Pearson Education, London.
- KOSSOWSKI M. 2007. *Expander, czyli polskie doradztwo w soczewce*. Nasz Rynek Kapitałowy, 3.
- PIOTROWSKI G. 2007. *Czy potrafimy oszczędzać?* Gazeta Ubezpieczeniowa, 30.
- RZANNY M. 2007. *Zamożni czy już bogaci? Portret inwestora-konsumenta polskiej klasy średniej*. Materials of the Conference of Financial Advisory Service. MillwardBrown SMG/KRC. www.privatebanking.pl of 13.10.2007.
- ŚLIPERSKI M. 2007. *Ciasno na polskim rynku doradztwa finansowego*. Gazeta Ubezpieczeniowa, 6.