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Survey Reveals ETFs Have Surpassed Mutual Funds as Preferred Investment Vehicle by Financial Advisers

2015 Trends in Investing Survey shows continued growth of ETF use among advisers since 2006

DENVER – As an investment vehicle that advisers use and recommend, Exchange-Traded Funds (ETFs) now surpass mutual funds in popularity, according to a recent survey conducted by the Journal of Financial Planning and the FPA Research and Practice Institute™, a program of the Financial Planning Association® (FPA®).

The 2015 Trends in Investing Survey marks the first time since the survey was first completed in 2006 that ETFs have assumed the role of preferred investment vehicle among advisers, with 81 percent of financial advisers surveyed currently using or recommending ETFs with their clients—the most popular investment vehicle among 17 options. Seventy-eight percent of advisers surveyed currently use or recommend mutual funds (non-wrap) with clients. The survey has shown continued growth in the popularity of ETFs since 2006, when just 40 percent of survey participants indicated they used or recommended ETFs. This percentage grew to 44 percent in 2008, to 79 percent in 2014, and to 81 percent in 2015.

The 2015 survey, which was fielded in March and received 303 online responses by financial advisers of various backgrounds, also indicated that 51 percent of advisers plan to increase their use or recommendation of ETFs with clients over the next 12 months. No other investment vehicle showed this level of anticipated increased usage. For example, 23 percent of respondents plan to increase their use of mutual fund wrap programs, and 22 percent plan to increase their use of individual stocks.

"ETFs continue to grow in popularity among advisers and investors thanks to their traditional cost effectiveness, tax efficiency, transparency, flexibility and liquidity; however, the ETF landscape has become increasingly complex in recent years," says FPA Practice Management Director Valerie Chaillé, CFP®, who is also president of SummitView Financial in Indianapolis, Ind. "It's important for advisers to ensure they fully understand the nuances of the ETFs they're recommending and that their clients understand what they're investing in, as well as the cost and potential risks involved."

Although the concept of smart beta has gotten a lot of media attention recently, survey results indicate that only 22 percent of advisers have used smart beta ETFs with clients in the last 12 months. When asked how their use/recommendation of smart beta ETFs has changed over the last 12 months, 14 percent of advisers surveyed said it has increased.

Other key survey findings:

- The 2015 Trends in Investing Survey also showed that advisers continue to be moving away from annuities, with 38 percent currently using/recommending variable annuities, compared 41 percent last year, and a high of 58 percent in both 2006 and 2008.

- Advisers have been recently (over the past three-months) re-evaluating asset allocations due to anticipated/existing income and investing tax legislation; 24 percent and 28 percent, respectively.

- Although the majority of advisers (61 percent) believe a blend of active and passive management provides the best overall investment performance (taking into account costs associated with each style), more advisers are likely to have increased their use of passively managed funds over the last year (24 percent), then actively managed funds (15 percent).

- The survey also showed that advisers maintain a positive long-term economic outlook, with 51 percent "bullish" for the next five years, compared to just 41 percent who are "bullish" over the next six months.

Of those surveyed, 93 percent are CERTIFIED FINANCIAL PLANNER™ (CFP®) professionals and 62 percent indicated that they or their firm manages ongoing investments on a discretionary basis. A full report of **The 2015 Trends in Investing Survey** is now available **HERE** and includes additional details and narratives.

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