



## EINLADUNG ZUR NÄCHSTEN VERANSTALTUNG DES POTSDAM RESEARCH SEMINAR IN ECONOMICS

Wir laden Sie herzlich zur nächsten Veranstaltung des Potsdam Research Seminar in Economics am **25.10.2016** ein.

Das Seminar findet von **14.00 bis 16.00 Uhr** (c.t.) in Raum **3.06.S 27** statt.

Referent:

**Dr. Andreas Orland**  
Universität Potsdam

Thema des Vortrages:

**Giving Advice about Complex Products: The Case of Financial Investments**

Abstract:

Consumers often rely on advisors when facing decisions about complex products. In the financial services industry compensation schemes and rules concerning the disclosure of conflicts of interest are subject to change. I try to answer whether recently proposed or implemented regulatory changes improve the advice clients receive and how clients respond to the advice. I present the design of laboratory experiments and preliminary results from two pilot sessions. In my experiments student subjects take the role of advisors and clients which are randomly matched for 18 rounds. Lotteries with different, randomly determined payoffs serve as financial products. Advisors decide about which product out of four they recommend their client. For the advisors there are different levels of conflict-of-interest between serving their own and their client's interest. Clients are not aware of the payoffs of the products the advisors can choose from and decide about following their advisor's recommendation or not. In case they do not follow, the client receives a safe outside option and the advisors receive nothing. If the client follows, he receives the lottery payoff and the advisor receives a commission. Incentivized first- and second-order beliefs about the expected payoff of the recommended product are elicited. The treatment variable of the two pilot sessions is whether the commission of the recommended product is disclosed to the clients or not.

Preliminary results show that there is no difference in advisors' behavior between treatments. However, the clients follow their advisors recommendation more frequently in the disclosure treatment compared to the non-disclosure treatment. One driver of this behavior are the clients' more optimistic beliefs about their advisors' honesty, elicited in the post-experimental questionnaire.

Wir freuen uns auf Ihre Teilnahme.