

Birds of a feather:

The impact of social proximity on the propensity to follow financial advice

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Abstract Trust has been identified as key to customers' use of financial advice and the question how trust is built has recently received increased academic attention. This paper adds to our understanding of the customer-advisor relationship by proposing and testing a previously unconsidered mode of trust formation: social proximity. Via homophily individuals' affinity for similar others, social proximity provides an environment conducive to trust development in personal relationships. Using a unique dataset of over 2,000 bank clients, we find that social proximity, as measured by the homophily dimensions age, gender, and social status, has a strong positive impact on advisees' propensity to follow financial advice. Controlling for advisor heterogeneity and a host of client characteristics, we document a difference of 8.8 pp. in the likelihood of following when we compare interactions between clients and advisors exhibiting the highest versus lowest number of similarities across the different homophily dimensions. Moreover, we find that this difference is driven by homophily on gender and age for the group of male clients while it stems from homophily on social status among female clients.

Keywords: Financial advice, social proximity, trust, homophily, household finance

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1. Introduction and related research

Due to sweeping reforms of the pensions systems in many countries of the world, ordinary consumers have assumed increased autonomy in the planning of their personal financial well-being even though a host of empirical evidence suggests that they lack the financial literacy to cope with this responsibility.¹ Moreover, efforts to improve the situation by educating inexperienced individuals have proven largely ineffective.² Against this background, relying on professional financial advice appears to be a promising approach which unsophisticated consumers might pursue in order to avoid uninformed financial decisions.

Indeed, a large majority of consumers all over the world rely on the services of financial advisors. A recent survey suggests that as much as 81% of all German households report the financial advisor at their house bank to be the single source of information to consult when it comes to financial matters (DSGV, 2014). Chater et al. (2010) corroborate the importance of financial advice in a large-scale study of consumers across eight EU member countries: 80% of the surveyed households turn to a personal advisor for their investment decisions. Similarly, Hung and Yoong (2013) report that 75% of individuals in the US seek advice before conducting stock market or mutual fund transactions.

Yet, the theoretical and empirical evidence regarding the benefits of expert financial advisors is at best mixed. While some contributions suggest that financial advice can improve portfolio efficiency (e.g. Bhattacharya et al., 2012; Finke, 2013), many other studies find that portfolios managed by advisors underperform benchmarks (e.g. Bergstresser et al., 2009; Chalmers and Reuter 2015; Von Gaudecker, 2015), and advisors often fail to debias customers (Hackethal et al., 2012a) and even encourage misconceptions which are in line with their own interests by reinforcing return chasing and promoting the reallocation of assets into actively managed funds with higher fees (Mullainathan et al., 2012).

Given the largely negative record of expert advice when it comes to improving households' financial decisions, why do people continue to consult with financial advisors?

Recent research has identified trust as an important determinant of advice use. In fact, trustworthiness has been reported the key criterion when choosing a financial advisor (Johnson and Grayson, 2005; Lachance and Tang, 2012) and,

¹ See Lusardi and Mitchell (2014) for a recent review of the extensive literature on financial literacy

² See Fernandes et al. (2014) for a recent meta-study on the effectiveness of financial education programs.

despite the questionable value of expert advice, most advisees trust their advisors (e.g. Gennaioli et al., 2015; Monti et al., 2014; Mullainathan et al., 2012). Moreover, Georgarakos and Inderst (2011) and Hackethal et al. (2012b) find that customers with low financial literacy are more likely to follow the advice they receive if they trust their advisors. Thus, in order to understand how interpersonal trust governs the customer-advisor relationship, the question of how trust evolves has recently received increasing academic attention.

While in theory, interpersonal trust develops from aligned incentives of consumer and advisor (Sniezek and Van Swol, 2001; Yaniv and Kleinberger, 2000), consumers typically do not possess the discernment to tell conflicted recommendations from unbiased advice (e.g. Chater et al., 2010). Similarly, Agnew et al. (2016) document in an experimental setting that customers perceive advisors' professional credentials as a sign of expertise, but face severe difficulties discriminating fake credentials from real ones, thereby undoing the signal effect.

Instead, a number of recent studies document that advisees turn to salient factors when forming their impressions about the trustworthiness of the advisor. In an early study, Johnson and Grayson (2005) distinguish cognitive and affective dimensions of trust. While cognitive trust is based on knowledge and experience, affective trust arises from the confidence the client places in her advisor based on feelings generated by the level of care and concern which the advisor demonstrates. Given that a substantial knowledge asymmetry typically prevents customers from assessing the quality of the advice they receive, the authors highlight the role of affective trust in financial advice. Mullainathan et al. (2012) corroborate the pivotal role of client trust which is not knowledge-driven in an audit study by, where trained mystery shoppers meet with financial advisors to discuss their portfolio efficiency. The authors document that the majority of auditors stated that they would return to the advisors they consulted in order to obtain actual advice even after they had learned about their self-interested catering strategies in the subsequent debriefing. In a related study, Monti et al. (2014) survey retail investors at an Italian cooperative bank and show that their investment decisions can be explained in large part by a simple heuristic based on how customers perceive the communication style of their financial advisors rather than by the features of the recommended investment products.

Clearly, this mode of interpersonal trust formation i.e. independent of fundamentals may well be exploited by opportunistic advisors. Gennaioli et al. (2015) present a model in which trusted advisors do not correct investors' errors but instead have a strong incentive to cater to their biased beliefs. This prediction is supported in Mullainathan et al. (2012) and Anagol et al. (2013) as

well as by the experimental results in Agnew et al. (2016) who demonstrate that a customer’s perception of her advisor’s ability can be manipulated by using a simple strategy where confirming the client’s pre-existing view on an easy topic builds trust in the advisor which subsequently persists regardless of the quality of future advice.

In this paper, we propose and test a previously unconsidered driver of trust formation in the context of financial advice, i.e. social proximity among customers and advisors. Evidence in sociology shows that individuals enjoy an easier mutual understanding and are more comfortable with others who share similar characteristics and experiences, a phenomenon which has been dubbed “homophily” by Lazarsfeld and Merton (1954).³ This affinity for similar others provides an environment conducive to trust development in all kinds of personal relationships ranging from marriage and friendship to professional interactions like advice taking. Thus, there are powerful homophily effects in who individuals consider to be their relevant others and those whose opinions they attend to (Burt, 1982; Friedkin, 1993; Lawrence, 2000). Specifically, social homophily implies that when a customer detects elements of similarity in her advisor, a shift in normative expectations leads to the development of a cooperative and accommodating attitude towards the advisor such that her intentions and actions are interpreted favorably (Mills and Clark, 1982; Silver, 1990; Uzzi, 1996). Moreover, Pentland (2008) finds that the higher the complexity, domain specificity, and knowledge requirements of the communication task, the more people consciously or unconsciously rely on unspoken “social signals”.

Drawing on the sociology literature, we use the three homophily dimensions gender, age, and social status to investigate the impact of social proximity on customers’ propensity to follow advice. We find that social proximity to the advisor has a strong positive impact on customers’ likelihood of following financial advice: controlling for the impact of advisor heterogeneity as well as a host of client characteristics previously shown to drive the propensity to heed advice, we document an economically meaningful difference in the propensity to follow advice attributable to social proximity of as much as 8.8 percentage points when we compare interactions between clients and advisors exhibiting the highest versus lowest number of similarities across the different homophily dimensions.

Moreover, we investigate the individual impact of each of the homophily dimensions separately and find gender differences in the relative relevance of the different homophily dimensions: while the increased propensity to follow due to

³ See McPherson et al. (2001) for a review of the voluminous literature on social homophily.

social proximity is triggered by homophily on gender and age among male clients, similarities regarding the social status seem to be the driving factor behind homophilous behavior of female clients. Thus, our findings suggest that social proximity is a previously unconsidered determinant of interpersonal trust formation which likely governs the customer-advisor relationship and has an economically relevant impact on customers' propensity to follow the investment advice they receive.

Besides improving our understanding of the trust formation process in the context of financial advice, we contribute to at least three additional strands of literature. First, we provide novel evidence explaining individuals' willingness to follow advice (e.g. Bhattacharya et al., 2012). Even controlling for advisees' financial literacy levels, which have been identified as the primary driver of their likelihood of following financial advice in prior research (Bucher-Koenen and Koenen, 2015; Calcagno and Monticone, 2015; Georgarakos and Inderst, 2011; Stolper, 2016), we report a significant positive influence of social proximity on the extent to which customers follow the advice they receive. Second, our study adds to the research on the economic implications of homophily (e.g. Berger et al., 2013; Cohen et al., 2010; Hegde and Tumlinson, 2014; Hwang and Kim, 2009). Third, our findings with respect to the sex differences in the relative importance of salient versus non-salient homophily dimensions for customers' propensity to follow advice contribute to the broader literature on gender-based differences in financial decision making, i.e. in overconfidence (e.g. Barber and Odean, 2001), financial literacy (e.g. Bucher-Koenen et al., 2016) or stock market participation (e.g. Almenberg and Dreber, 2015)

The remainder of this study is organized as follows. Section 2 describes our data and variables. In section 3, we present our empirical results regarding to impact of social proximity on advisees' propensity to follow financial advice. Section 4 concludes.

2. Data and variables

2.1. Sample selection

We are able to draw on a unique dataset provided by a German savings bank. Savings banks are locally owned and run and concentrate on universal banking targeting individuals and SMEs. Together with co-operative and private banks, they represent the three tiers of banking in Germany and, by the end of 2015, accounted for 37.4% in aggregate German retail deposit business which totaled just over 1,8 billion euro (DSGV, 2015). Generally, savings banks tend to attract

traditional bank customers with a preference for a strong and long-lasting relationship with their house bank. Our bank offers a broad range of financial services to its retail customers such as checking accounts, savings accounts, securities accounts, loans, and mortgages.

For our analysis, we focus on those retail clients who consult with one of the banks' financial advisors in order to receive investment advice pertaining to risky securities. Each client who opens an account at the bank is assigned an advisor who is the main contact person for the customer at the bank.⁴ Clients can either place their investment orders independently or they can make use of optional financial advice provided by bank employees for free. In the latter case, customers receive investment advice in the form of specific recommendations at the level of the individual security during personal counseling meetings with their financial advisor. Our dataset covers the time period from October 2013 to March 2016 and the counseling meeting, i.e. the personal interaction between customer and advisor, represents our main object of study. Thus, we eliminate customers with no advisor interaction during our investigation period. Moreover, we are interested in the potential impact of social proximity between customer and advisor for customers' propensity to follow investment advice. Obviously, this implies that clients have received advice in the first place and therefore we exclude all counseling meetings from our sample, in which no investment recommendations were made.

We merge four data sources to investigate our research questions. Our first database supplies detailed demographic characteristics of advised bank customers including age, gender, income, household size and nationality as well as marital and professional status. Moreover, we have information about clients' financial wealth and total assets as well as the length of their relationship with our bank and their individual risk propensity, which the advisor elicits as part of the "Know Your Customer" form and which is updated periodically. Unfortunately, we lack data on customer financial literacy, which has been shown an important determinant of individuals' likelihood of following financial advice in a number of recent contributions (Bucher-Koenen and Koenen, 2015; Calcagno and Monticone, 2015; Hackethal et al., 2012b; Stolper, 2016) in our primary dataset. To overcome this data limitation, we follow Stolper (2016) and construct a de-

⁴ Note that we lack information about the assignment process. Specifically, we cannot assume customers to be assigned randomly to advisors. However, in the regression analysis, we use advisor fixed effects which obviate the need for random assignment.

mographics-based financial literacy variable.⁵ To this end, we use survey data on the financial situation of German households provided by the Deutsche Bundesbank in the Panel on Household Finances (PHF) which provides us with a test-based measure of financial literacy designed by Lusardi and Mitchell (2008) as well as detailed demographics for a representative sample of 3,565 households across Germany.⁶ In brief, we take the coefficient estimates obtained from an empirical model of financial literacy based on the PHF data to predict the financial knowledge of customers in our main dataset.⁷

As a unique feature of our dataset, we also have demographic information about all advisors in our sample. Specifically, our second database contains advisor characteristics including age, gender, marital status, nationality and household size which we need in order to construct our measure of social proximity between customer and advisor.

Third, we have detailed records of each counseling meeting during our period under review including the date of the meeting and the set of recommendations at the level of the individual security along with the corresponding expenditures required to implement the investment advice.⁸

Finally, the bank provided us with detailed transaction records of all advised customers. Again, account activity is available at the level of the individual security including the respective investment amounts.⁹

Our final sample consists of 1,431 clients who consult with their advisor at least once during our investigation period. These customers are assigned to 167

⁵ Several demographic characteristics have been shown to explain a significant proportion of the cross-sectional variation in people’s financial literacy levels. Our choice of explanatory demographics draws on robust findings in the literature. Specifically, we include age, gender, professional status, income, and wealth, all of which have been confirmed to be relevant predictors of individuals’ financial literacy levels (Bucher-Koenen and Lusardi, 2011; Lusardi and Mitchell, 2014).

⁶ See Pauls et al. (2016) for a detailed description of the PHF data.

⁷ See Stolper (2016) for methodological details regarding the imputation approach which follows Browning and Leth-Petersen (2003).

⁸ Note that, for measurement reasons, we focus on those investment recommendations which customers are able to implement entirely during our period under review. Thus, we omit all counseling meetings from our sample, which include recommendations to periodically invest a fixed amount of money in savings schemes.

⁹ Note that we apply several filters to the raw transaction data provided by the bank. Specifically, we merge split orders and drop order cancellations as well as all remaining transactions which do not result in a change in account balance.

different advisors and we analyze a total of 2,378 personal client-advisor contacts via counseling meetings.

2.2. Customers

[Please insert Table 1 about here.]

Panel A of Table 1 reports summary statistics for the sampled clients and compares them to national averages for the representative retail bank client in Germany based on the PHF data. Specifically, 47.7% of clients in our sample are male, 53.0% are married, 10.5% have at least one child living in the household during the investigation period, and at 98.6%, virtually all of them hold a German citizenship. On average, customers are roughly 57 years old, have been with the bank for more than nine years and have total assets of 152,538 EUR as well as a monthly net income of 2,116 EUR.

Moreover, since pensions granted by the state and the employer are typically accumulated in separate accounts in Germany, a concentration of all private investments in one account is common practice for individuals (see e.g. Bhattacharya et al., 2012). The sampled clients' large average portfolio value of 70,461 EUR suggests that we look at their main accounts and not at 'play money' portfolios primarily intended to take small gambles (see, e.g., Goetzmann and Kumar, 2008). Thus, it is rather unlikely that the bulk of investors' privately accumulated financial wealth is held in other accounts we cannot observe.

Finally, following Calcagno and Monticone (2015), who show that individuals working in the financial sector are significantly more likely to invest autonomously, we use the clients' job data to flag individuals employed in the financial sector and construct the binary control variable `C_FIN_JOB`, which takes a value of 1 for 2.7% of customers under review.

How do the sampled households compare to the average German bank customer? Across all commercial banks in Germany, the mean portfolio value per advised client amounts to 67,444 EUR, suggesting that investors in our sample are representative in terms of financial assets. Moreover, while most of the demographics are also broadly comparable to the corresponding national averages, our sample features a higher proportion of older, female advisees as well as individuals working in the financial industry. Finally, we look at bank customers with less-than-average income and wealth and slightly lower levels of financial literacy. By and large, however, we note that clients in our sample largely resemble the representative customer at savings and cooperative banks in Germany.

2.3. Advisors

Panel B of Table 1 reports summary statistics for the advisors. 57.8% of advisors in our sample are male, 68.3% are married and again, an overwhelming majority of 99.4% of them are German citizens. The average advisor is about 41 years old, which points to an age gap of roughly 16 years between advisors and customers in our sample. Consistent with the discrepancy in average age, 34.2% of advisors raise children during our period under review, i.e. more than three times the respective percentage among customers.

The average advisor in our sample manages nine different clients and schedules roughly 15 meetings with her clients during the period under review and Panel C of Table 1 shows that the security investments recommended in an average counseling meeting sum up to as much as 25,225 EUR.

2.4. Measuring clients' propensity to follow the investment advice

Our comprehensive data allows for a simple and intuitive empirical strategy of capturing customers' propensity to follow advice. Specifically, we perform a security-by-security comparison of the recommendations they receive in each counseling meeting with their actual account activity during the thirty days after the meeting and use the respective euro values to compute a ratio of following (ROF). Thus, the ROF is a simple percentage of implemented recommendations, i.e. it is not reduced if the customer allocates funds to investments unrelated to any of the advice she has received at a time when part of it has not yet been heeded. Panel C of Table 1 reports that the average client in our sample implements as much as 74.1% of all recommendations, i.e. transacts a mean amount of 18,700 EUR in securities directly related to the investment recommendations after a personal meeting with the advisor.

Note that the ROF metric is different from the degree of following (DOF) introduced in Bhattacharya et al. (2012), which sanctions the misallocation of funds and thus might be downwardly biased when compared to the ROF. Moreover, unlike clients in our sample, advisees in Bhattacharya et al. (2012) have not solicited the investment advice they receive. However, despite these differences, we state that the average ROF is almost three times higher than the mean DOF in Bhattacharya et al. (2012) which levels off at only 25.4% thirty days after the advice has been received. In a related study, Stolper (2016), who also applies the DOF measure to investigate individuals' response to standardized financial advice on basic retirement provision and the insurance of major life risks, reports similarly low levels of following (17.3% thirty days subsequent to the customer-advisor meeting) for the subgroup of advisees who do not ig-

nore the advice in the first place. Taken together, customers in our sample thus seem to follow advisors' recommendations to a remarkably great extent when compared to the results of previous studies on the response to financial advice.

Finally, our data reveal that only 104 (4.4%) of the counseling meetings under review do not result in either a ROF of zero or a ROF of 100%, i.e. the vast majority of customers either completely disregard the advice or fully heed it. Hence, we omit meetings resulting in partial implementation of advice from our sample and use the likelihood of following (LOF) instead of the ROF as the dependent variable in subsequent analyses, which averages 75.1% across all advisees under review.¹⁰

2.5. Measuring social proximity

Social ties are distinct from, e.g. family or business-related ties in that they are neither clearly defined nor readily observable. Studies investigating social proximity typically make use of surveys and interviews to trace social proximity among individuals, where participants are asked to indicate with whom they share social ties (e.g., Uzzi, 1999; Westphal, 1999; McDonald and Westphal, 2003; Westphal et al., 2006).

In the vein of Hwang and Kim (2009) and Cohen et al. (2008) we pursue a different methodological approach and operationalize social proximity by means of demographic similarities between clients and advisors.¹¹ Specifically, we choose the four sociodemographic characteristics gender, age, marital status, and household size (to proxy for social status) and measure the degree of social proximity between customer and advisor as a function of the number of commonalities they share across the four dimensions.

This approach has a number of advantages. First, sociodemographic characteristics play a crucial role for the occurrence of homophily – i.e. an affinity for similar others – because they provide people with more or less salient attributes facil-

¹⁰ Robustness checks (available upon request) show that our results remain virtually unchanged when we use the ROF as the dependent variable in our analyses.

¹¹ Cohen et al. (2008), in their study on the impact of social proximity between fund managers and sell-side analysts on the one hand and corporate executives and directors on the other hand, use shared education networks (i.e., mutual alma mater) as a measure of social ties. Hwang and Kim (2009) analyse the role of social proximity between directors and CEOs and amend the mutual alma mater by other mutual experiences and qualities to proxy for social proximity, i.e. military service, regional origin, academic discipline, and industry affiliation as indications of an informal tie between a director and the CEO.

itating the *identification* of similar others (McPherson et al., 2001). In fact, the demographic characteristics race and ethnicity, gender, age, religion, and social status have been identified as the most important dimensions of homophily in the sociology literature.¹² Second, unlike survey-based measures of social proximity, the input values for our measure, i.e. demographic characteristics, are unambiguously observable and systematically available. Finally, to the extent that social proximity between clients and advisors under review breeds homophily, the homophilous ties likely evolve subconsciously, suggesting that they would be difficult if not impossible to elicit using survey designs.

2.5.1. *Gender and age*

The sociology literature points to an important role of gender and age similarity in breeding homophily. On the one hand, while men and women form almost equal-sized groups in the general population, work establishments (e.g. Bielby and Baron 1986; Kalleberg et al., 1996) and voluntary associations (e.g. McPherson and Smith-Lovin, 1987; Popielarz 1999) are often highly sex segregated, thereby laying the ground for homophily on gender. On the other hand, the fact that schools group age cohorts together into classrooms causes strong age-induced homophily early on (Shrum et al., 1988) and age homogeneity of contexts like work environments, and voluntary organizations generates substantial age homophily in later stages of life (Feld, 1982; Sampson, 1984). Moreover, Marsden (1988) finds that individuals display a strong tendency to confide in someone of their own age. By contrast, the further away someone is in age, the less likely this person is perceived as someone with whom to discuss important matters. Only recently, Brashears (2015) finds that age homophily among Americans has increased over time. We follow Berger et al. (2013) and specify the dummy variable GENDER equal to one if both customer and advisor are female or male, respectively. In our sample, the fraction of counseling meetings in which advisee and advisor have the same sex amounts to 54.6%. Likewise, we capture age similarity by means of the indicator variable AGE which assumes the value 1 if the absolute age difference between customer and advisor does not exceed five years. Owing to the substantial age gap between advisors

¹² Ideally, we would have added ethnicity, religion, and education, too. Unfortunately, however, we lack items on religion and education in our dataset and the indicator variable capturing the nationality of customers and advisors under review is very unevenly distributed for either group, thus preventing us from including a proxy for race or ethnicity as an additional demographic similarity in our analysis.

and clients under review, AGE equals one for only 20.0% of the sampled counseling meetings.

2.5.2. Social status

To proxy for homophily induced by similarities among customer and advisor regarding their social status, we construct the binary variables MARRIED and CHILDREN. MARRIED assumes a value of one if customer and advisor match with respect to their marital status, i.e. are either both single or both married, which holds true for 46.2% of counseling meetings in our sample. Analogously, CHILDREN equals 1 for 50.2% of all meetings under review, where either both the customer and the advisor have underage children in their households or neither one does.

2.5.3. Intensity of social proximity

Finally, to measure the intensity of the social proximity between client and advisor, we merge all four sociodemographic dimensions in a single metric. Following Girard et al. (2015), we construct the variable SOC_PROX counting the number of commonalities which client and advisor share in terms of gender, age bracket, marital status and whether or not children are being brought up in the client's as well as advisor's household at the time of the personal meeting. SOC_PROX assumes values in $[0;4]$; straightforwardly, a value of zero indicates a non-existing social ties, while the values 1-4 describe the intensity of social proximity between customer and advisor, where a higher value corresponds to a stronger link.

[Please insert Figure 1 about here.]

Figure 1 plots the distribution of SOC_PROX and shows that in nearly 90% of the counseling meetings under review, customers interact with advisors with whom they share at least one commonality. Moreover, at 37.1%, meetings in which advisees and advisors feature similarities in two of the four sociodemographic dimensions represent the largest subgroup in our sample.

3. Results

3.1. Univariate evidence

We begin our discussion of the results with a descriptive analysis of whether and how social proximity associates with the propensity to follow investment advice.

[Please insert Table 2 about here.]

Table 2 reports the corresponding evidence. The first four columns show the different sociodemographics used to measure social proximity as well as the sixteen different combinations in which the various degrees of social proximity between client and advisor may occur. Thus, combination 5, for instance, captures the subgroup of clients who consult with an advisor of their gender but are dissimilar with respect to the remaining three homophily dimensions. Similarly, combination 11 characterizes meetings in which client and advisor are within the same age bracket and match in terms of gender, whereas they differ regarding their marital status as well as regarding the fact that one of them currently raises children while the other does not. The right hand panel of Table 2 reports the corresponding values of SOC_PROX as well as their absolute and relative frequency, and, in the rightmost column, mean LOF levels computed for each of the sixteen combinations of commonalities and dissimilarities along the four sociodemographic dimensions.

While the 235 counseling meetings in which client and advisor do not feature a single commonality (i.e. combination 1) on average yield a LOF of 66.2%, the mean LOF climbs to 79.4% in the subgroup of meetings with the highest possible value of SOC_PROX (i.e. combination 16). This implies an unconditional difference in LOF levels of as much as 13.2 pp. for interactions of clients and advisors displaying the most versus least intense social ties. Moreover, we find that, unconditionally, the propensity to follow increases monotonically with every additional demographic similarity between customer and adviser. Specifically, the mean LOF level for the 698 meetings in which client and advisor share one sociodemographic commonality amounts to 69.1%, while it comes to 73.3% (77.0%) for the 822 (403) meetings with similarities along two (three) of the four homophily dimensions GENDER, AGE, MARRIED, and CHILDREN.

Taken together, the results presented in Table 2 provide preliminary evidence in support of the hypothesis that social proximity between customer and advisor positively associates with the propensity to heed financial advice. In what follows, we examine whether this positive relationship persists once we control for a battery of additional variables which have been shown to explain people's likelihood of following financial advice in prior research.

3.2. Regression analysis

3.2.1. Customer characteristics

First, all sociodemographic dimensions we use to capture social proximity enter our regression model once again as client characteristics in order to single out the effect of homophily by controlling for variation in the input parameters of our similarity measures on the part of the customers. Also, this specification allows us to account for previous findings indicating a baseline effect of the respective client demographics on individuals' propensity to heed financial advice.

Specifically, some prior evidence suggests gender differences in terms of the receptiveness to financial advice. A number of studies in the field report female advisees to be more likely to accept financial advice (Bluethgen et al., 2008; Collins, 2012; Finke et al., 2016; Hackethal et al., 2012a). Recently, however, Bhattacharya et al. (2012), Bucher-Koenen and Koenen (2015), and Stolper (2016) find that customer gender turns out insignificant in explaining advisees' likelihood of following. Thus, if anything, we would expect C_GENDER to negatively impact LOF levels.

Moreover, while Lachance and Tang (2012) are concerned with the determinants of clients' trust in financial advice rather than their inclination to follow it, one of their key findings is that customer age is significantly negatively related to trust in financial advisors. To the extent that trust should translate into behavioral manifestations of trust (Mayer et al., 1995), we would expect a negative influence of C_AGE on the propensity to heed investment advice. However, the empirical evidence regarding the influence of client age is also inconsistent: Bhattacharya et al. (2012), e.g., find age to be insignificant in explaining advisees' degree of following investment advice.

Evidence on the influence of clients' marital status is mixed, too. While Lachance and Tang (2012) and Bucher-Koenen and Koenen (2015) find that it has no measureable effect on individuals' likelihood of following advice, Stolper (2016) recently reports that being married significantly negatively relates to implementing advisors' recommendations. Thus, it is difficult to predict a sign for the marginal effect of C_MARRIED, as well.

We also control for customer household size (C_CHILDREN) which, to the best of our knowledge, has not yet been analyzed as a determinant of individuals' likelihood of following financial advice.

Second, we include a number of additional client attributes which have been found to determine their degree of following financial advice, i.e. financial literacy (Bucher-Koenen and Koenen, 2015; Stolper, 2016), working in the finance

sector (Calcagno and Monticone, 2015; Stolper, 2016), income (Lachance and Tang, 2012; Stolper, 2016), and financial wealth (Bhattacharya et al., 2012).

Third and finally, we control for customers' risk propensity and the length of their relationship with the bank as additional attributes capable of driving their inclination to heed the advice they receive.

3.2.2. Advisor characteristics

Prior evidence as to a baseline effect of the sociodemographic dimensions we use to measure social proximity is mixed on the part of advisors, too. With respect to the role of advisor age and gender, general evidence shows that both men and women tend to rely on men when connecting to information in remote domains (Aldrich et al., 1989; Bernard et al., 1988) and are more inclined to heed advice from older people who they perceive as more competent and experienced (Feng and MacGeorge, 2006; Harvey and Fischer, 1997; Nadler et al., 2003). Finding similar patterns in the context of financial advice would be consistent with popular stereotypes of financial advisors as middle-aged men. Indeed, Söderberg (2013) reports that consumers perceive male advisors as more credible and rate the financial risk inherent in the advice higher when it is given by a female advisor. Recently, however, Agnew et al. (2016) reach an opposite finding, i.e. that, even after controlling for advice quality, customers prefer female advisors more strongly and tend to discount recommendations given by older advisors. Similarly, Hoechle et al. (2015) report that female advisors and advisors with more children are more profitable, while advisor age turns out insignificant. Under the reasonable assumption that advisors' profitability is rather closely linked to customers' propensity to follow their recommendations, these results corroborate some of the evidence presented in Agnew et al. (2016).

Yet, more crucially, the literature also suggests several patterns with regards to how advisors interact with specific groups of clients. Specifically, the evidence in Bucher-Koenen and Koenen (2015) suggests that advisors anticipate that female clients are less capable in financial matters. Likewise, Roszkowski and Grable (2005) document that advisors overestimate the risk tolerance of male customers and underestimate the risk tolerance of female customers. Moreover, Söderberg (2012) finds that advisors assess their customers differently depending on their own gender. Clearly, constructing proxies to capture potential effects of the above-mentioned advisor traits on clients' propensity to follow is a daunting task.

Fortunately, however, our data structure allows to estimate our regression model using advisor fixed effects in order to control for any variation in advisor characteristics capable of driving the likelihood of following, i.e. including unob-

served heterogeneity. Besides capturing unobserved advisor heterogeneity, advisor fixed effects also ensure that estimated marginal effects of the client characteristics which we include in our model reflect the true impact ascribable to them, i.e. are not confounded by advisor effects we cannot capture. Finally, advisor fixed effects obviate the need for random assignment of clients to advisors.

To illustrate why advisor fixed effects are particularly beneficial in our setting, consider advisor skill as an unobserved characteristic likely to determine our dependent variable LOF, i.e. the likelihood of customers to follow the advisor’s recommendations. While advisor skill represents an unobservable parameter in our model, it is reasonable to assume that the bank’s sales controlling has some information about their advisors’ individual capabilities. Suppose further that bank executives want to leverage the skills of their employees and match advisors with above-average skills to wealthy clients. If such non-random client-advisor assignment is practiced – which we cannot effectively rule out in our setting – and regression analysis without advisor fixed effects uncovers a positive effect of customer wealth, then this may indeed reflect a greater inclination of wealthier clients to follow their advisors’ recommendations. However, the positive marginal effect of customer wealth on LOF levels may as well be spurious in that the observed influence in fact stems from the positive association between advisor skill and deal rate.

3.2.3. Regression model

To examine the impact of social proximity on the propensity to follow financial advice while controlling for customer and advisor characteristics, we estimate the following logit model

$$\text{LOF}_i = \alpha + \beta \text{SOC_PROX}_i + \gamma' \mathbf{c}_i + \delta' \mathbf{m}_i + \varepsilon_i \quad (1)$$

where LOF_i denotes our binary variable indicating whether or not the household has implemented the investment advice their received at the bank within thirty days following counseling meeting i , and SOC_PROX_i captures the intensity of social ties between customer and advisor in meeting i . As discussed in section 3.2.1, we include a number of customer characteristics alongside our key explanatory variable SOC_PROX , which have been shown to feature predictive power regarding individuals’ propensity to follow advice. These regressors are captured by the vector \mathbf{c}_i in the model. Moreover, any advisor heterogeneity potentially driving LOF levels is captured by means of advisor fixed effects (cf. section 3.2.2). Finally, we control for variation in the counseling meetings, i.e. the sum

of all recommendations received as well as proportion of buy recommendations and length of meeting, which enter the equation via the vector m_i . All regressions are estimated using robust standard errors clustered at the level of the personal meeting i and feature monthly time fixed effects over the period under review.

3.3. Main results

[Please insert Table 3 about here.]

Table 3 reports average marginal effects obtained from logit estimations as specified in equation (1) and presents the main results of this study. Univariately, we estimate a statistically significant positive effect of social proximity between customer and advisor on the likelihood of following investment advice in our sample, i.e. corroborating the descriptive evidence in section 3.1.

More importantly, however, even when we control for the impact of observed and unobserved advisor heterogeneity as well as a host of client characteristics captured in c_i and meeting controls included via m_i , the marginal effect of an additional demographic similarity of customer and advisor on the likelihood of following continues to be highly statistically significant and amounts to 2.2 pp ($z = 2.91$). To spell this out, we observe a difference in LOF levels exclusively attributable to social proximity in the order of 8.8 pp. when we compare interactions between clients and advisors exhibiting the highest versus lowest social proximity. While this is less than the total unconditional effect of roughly 12.6 pp. estimated in specification (1), our multivariate results still provide strong evidence in support of an economically meaningful influence of homophily on individuals' propensity to follow financial advice.

Turning to the remaining regressors, we find that older and male clients as well as clients who hold more financial assets are somewhat more likely to follow the investment advice they receive, albeit in case of gender only borderline significantly so. Interestingly, our results confirm the puzzling role of financial literacy documented in Bucher-Koenen and Koenen (2015) and Stolper (2016): the higher the client's financial literacy levels, the less likely she is to heed the recommendations of her advisor, thus supporting the notion of a complementarity of financial literacy and financial advice. Moreover, we document that the few customers who work in the financial sector are significantly less inclined to follow the investment advice they obtain. While this is consistent with the evidence provided in Calcagno and Monticone (2015) and Stolper (2016), we are very

careful not to overstate the explanatory power of C_FIN_JOB, since values of this variable are very unevenly distributed across customers in our sample.

Finally, all meeting controls prove statistically significant. Specifically, the longer the counseling meeting, the higher the total amount of recommendations received, and the more buy recommendations included, the less likely advisees are to implement the advice.

Next, we replace our key explanatory variable SOC_PROX in the regression model with each of the four sociodemographics entering our measure of social proximity in turn in order to investigate the individual marginal effect of each homophily dimension on clients' propensity to follow financial advice. The results of specifications (3) to (6) are reported in the righthand panel of Table 3. Across all customers under review, we find a significant effect of gender homophily as well as homophily on marital status. Holding all other explanatory variables at their means, the mean LOF for a client who meets with a same-gender advisor is 2.17 pp. higher ($z=2.15$) and, at an average 5.04 pp. ($z=2.49$), the positive marginal effect of a customer and advisor having the same marital status is even larger in magnitude. By contrast, LOF measures of clients who consult an advisor with a matching age bracket are virtually indistinguishable from those who are advised by younger or older agents, respectively, leading us to conclude that the impact of age homophily is immaterial in our setting. Similarly, children living in the household do not turn out to represent a significant homophily dimension in isolation, either. When we compare interactions in which both client and advisor have underage children living at home *or* neither one has with the remainder of meetings, we do not find a statistically significant difference in clients' average LOF levels.

3.4. Gender differences in the impact of homophily on clients' propensity to follow advice

In this section, we test for sex differences in the impact of homophily on gender and age. Evidence from the organizational behavior literature indicates that both men and women prefer to consult with men when acquiring information related to more distant domains (Bernard et al., 1988; Aldrich et al., 1989). Given that financial advisory services typically involve substantial information asymmetry between customer and advisor, this implies a role of gender homophily in our setting only for male clients.

Likewise, Brashears (2008) finds that women regard alters at the highest and lowest end of the age distribution as less dissimilar than men of the same age. This suggests a higher perceived social distance of male clients towards advisors

outside their age brackets, implying a greater relative importance of age homophily for them.

[Please insert Table 4 about here.]

Table 4 reports the corresponding results. First, Specification (1) replicates the multivariate analysis of gender homophily for male clients (Panel A) and female clients (Panel B), respectively, and indeed documents strong evidence in support of sex differences with respect to the impact of gender homophily on customers' likelihood of following advice. For the group of male advisees, the marginal effect of gender homophily continues to be highly significant and even increases in magnitude: on average, LOF levels for male clients who consult with a male advisor are as much as 4.2 pp. ($z=3.71$) higher as compared to the complementary group of cross-sex counseling meetings. By contrast, the effect of gender homophily on LOF levels bears a *negative* sign for the group of female advisees (albeit it does not turn out statistically significant). Thus, if anything, the effect of gender homophily on women's propensity to follow advice appears to be negative. This pattern is consistent with the notion that gender homophily only plays a role for male clients.

Second, we test for sex differences in the influence of age homophily. Again, consistent with this notion that male clients perceive the social distance towards advisors outside their age brackets as higher, the impact of age homophily reported in specification (2) in fact more than doubles in magnitude and further gains in statistical significance for male clients as compared to the corresponding marginal effect for the full sample of advisees (1.56 pp. versus 0.66 pp.). At the same time, AGE loses its explanatory power among the group of female customers under review, suggesting that age homophily has no impact on women's propensity to follow advice.

Finally, we perform gender-specific regressions for the two homophily dimensions MARRIED (specification (3)) and CHILDREN (specification (4)) which we use to capture social status and uncover another interesting pattern of gender differences regarding the role of homophily for clients' likelihood of following investment advice. Specifically, female advisees appear to exhibit homophilous behavior on marital status and, to a lesser extent, on household size, while we do not find any measurable impact of these two demographic dimensions among male customers. While the impact of sameness on whether or not children are currently living in the household is relatively small and only weakly significant (1.63 pp.; $z=1.71$), the marginal effect of MARRIED turns out significant and,

as compared to the full sample, further increases in magnitude (6.94 pp.; $z=2.09$) for the group of female advisees.

Taken together, we document evidence of sex differences in the relative importance of the homophily dimensions gender, age, and social status which is consistent with prior findings in the organizational behavior literature. For male clients, the increased propensity to follow the investment advice received from advisors to which they are more socially proximate appears to stem from salient similarities, i.e. homophily on gender and age. By contrast, the positive impact of social proximity on the likelihood of following seems to be induced by non-salient similarities regarding the social status for the group of female advisees. By differentiating between status homophily (similarity based on ascribed status) and value homophily (based on values, attitudes, beliefs), Lazarsfeld and Merton (1954) provide a possible interpretation of the observed sex difference. Specifically, to the extent that commonalities in terms of marital status and whether or not children are living in the household may be interpreted as proxies to pin down value homophily as opposed to status homophily (captured by the demographics gender and age), our results point to status homophily being the driver behind trust formation among male customers and value homophily determining trust formation among female clients.¹³

4. Conclusion

Given the largely negative record of expert advice when it comes to improving households' financial decisions, why do people continue to seek and follow financial advice? Trust has been identified as key to explaining customers' demand and use of financial advice and, accordingly, the question how trust is built has recently received increased academic attention.

This paper adds to our understanding of the customer-advisor relationship by proposing and testing a previously unconsidered mode of trust formation: social proximity. Via homophily individuals' affinity for similar others, social proximity provides an environment conducive to trust development in personal relationships. Using a unique dataset of over 2,000 bank clients, we find that social proximity, as measured by the homophily dimensions age, gender, and social status, has a strong positive impact on advisees' propensity to follow financial advice. Controlling for advisor heterogeneity as well as a host of client character-

¹³ Note that the pronounced role of value homophily may also be interpreted as consistent with the traditional role of women as "kin keepers" (Moore 1990)

istics previously shown to drive the propensity to heed advice – most importantly financial literacy –, we document an economically meaningful difference in the propensity to follow advice attributable to social proximity of as much as 8.8 percentage points when we compare interactions between clients and advisors exhibiting the highest versus lowest number of similarities across the different homophily dimensions. Thus, our findings suggest that social proximity is a previously unconsidered determinant of interpersonal trust formation which likely governs the customer-advisor relationship and has an economically relevant impact on customers’ propensity to follow the investment advice they receive. Moreover, we find that this difference is driven by homophily on gender and age for the group of male clients while it stems from homophily on social status among female clients, indicating a different relative importance for salient dimensions of status homophily (gender, age) as opposed to non-salient dimensions of value homophily (social status) for male and female advisees, respectively.

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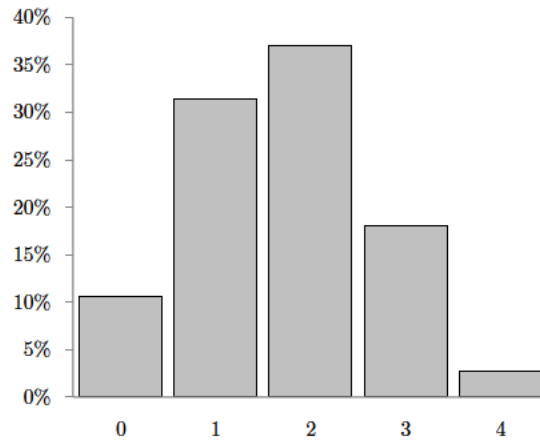
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Table 1
Summary statistics

Measurement unit	Sample								PHF		
	N	Mean	Std.-Dev.	Min.	25 th	Median	75 th	Max.	Mean advised	Mean all	
<i>Panel A: Clients</i>											
C_GENDER	Dummy = 1 if client male	1,431	0.4766	0.4996	0	0	0	1	1	0.5780	0.5105
C_AGE	Client age (years)	1,431	57.09	16.56	19	48	58	69	99	51.93	51.99
C_NATIONALITY	Dummy = 1 if client German	1,431	0.9860	0.1177	0	1	1	1	1	0.9600	0.9215
C_MARRIED	Dummy = 1 if client married	1,410	0.5298	0.4993	0	0	1	1	1	0.5350	0.5022
C_CHILDREN	Dummy = 1 if at least one child in client household	1,431	0.1048	0.3064	0	0	0	0	1		
C_INC	Client monthly net income (EUR)	1,431	2,116	2,427	0	753	1,821	2,927	46,022	2,727	2,324
C_FINWEALTH	Client financial assets (EUR)	1,431	70,461	124,815	0	9,753	28,964	77,053	1,705,193	67,444	34,017
C_WEALTH	Client total assets (EUR)	1,431	152,538	181,737	4,362	47,114	94,838	188,439	2,088,064	238,229	152,069
C_RISK_PROP	Client risk propensity (1 5)	1,431	2.642	0.8533	1	2	3	3	5		
C_FIN_LIT	Client financial literacy (0 3)	1,431	2.413	0.7244	1.259	1.735	2.260	2.498	2.921	2.550	2.447
C_FIN_JOB	Dummy = 1 if client works in finance sector	1,431	0.0273	0.1629	0	0	0	0	1	0.0093	0.0112
C_LENGTH_REL	Length of relationship with bank (years)	1,201	9.411	9.307	0	0.0767	7.633	15.46	34.35		
<i>Panel B: Advisors</i>											
A_GENDER	Dummy = 1 if advisor male	167	0.5775	0.4957	0	0	1	1	1		
A_AGE	Advisor age (years)	167	40.55	10.64	24	30	41	50	63		
A_NATIONALITY	Dummy = 1 if advisor German	167	0.9940	0.0774	0	1	1	1	1		
A_MARRIED	Dummy = 1 if advisor married	167	0.6826	0.4669	0	0	1	1	1		
A_CHILDREN	Dummy = 1 if at least one child in advisor household	167	0.3413	0.4756	0	0	0	1	1		
A_SEC_HOLD	Dummy = 1 if advisor holds risky securities	167	0.8323	0.3747	0	1	1	1	1		
A_#CLIENTS	Number of different clients per advisor	167	9.373	13.25	2	2	4	11	99		
A_#MEETINGS	Number of different meetings per advisor	167	14.98	31.42	2	2	4	13	255		
<i>Panel C: Recommendations and post-advice account activity</i>											
M_SUM_REC	Total amount of recommendations per meeting (EUR)	2,378	25,225	28,392	800	9,000	15,000	30,000	309,742		
M_%BUYS	Fraction of buy recommendations per meeting (%)	2,378	0.9594	0.1689	0	1	1	1	1		
M_LENGTH	Length of meeting (minutes)	2,378	42.82	16.09	15	30	45	60	60		
ROF	Ratio of following; % of recommendations implemented	2,378	0.7410	0.4271	0	0.4118	1	1	1		
LOF	Likelihood of following; excludes partial following of advice	2,274	0.7514	0.4323	0	1	1	1	1		

This table reports descriptive statistics of our sample. See section 2 for detailed variable descriptions.

Figure 1
Distribution of SOC_PROX



This figure plots the distribution of the count variable capturing similarities between client and advisor along the four dimensions gender, age, marital status, and children in the household (SOC_PROX). See section2 for a detailed variable description.

Table 2
Social homophily and the propensity to follow financial advice - Univariate evidence

Combination no.	GENDER	AGE	MARRIED	CHILDREN	SOC_PROX	N	%	Mean LOF
1	0	0	0	0	0	235	10.6	66.2
2	0	0	0	1	1	190	8.6	67.3
3	0	0	1	0	1	191	8.6	72.6
4	0	1	0	0	1	48	2.2	59.1
5	1	0	0	0	1	270	12.2	69.7
6	0	0	1	1	2	199	9.0	72.7
7	0	1	0	1	2	67	3.0	71.4
8	0	1	1	0	2	32	1.4	52.0
9	1	0	0	1	2	223	10.1	76.8
10	1	0	1	0	2	241	10.9	77.9
11	1	1	0	0	2	59	2.7	56.8
12	0	1	1	1	3	46	2.1	74.1
13	1	0	1	1	3	226	10.2	77.1
14	1	1	0	1	3	102	4.6	76.8
15	1	1	1	0	3	28	1.3	82.0
16	1	1	1	1	4	61	2.8	79.4
						2,218	100.0	72.7

This table reports descriptive evidence on the homophily dimensions (GENDER, AGE, MARRIED, CHILDREN), the social proximity value (SOC_PROX), and the category means of customers likelihood of following (LOF). See section 2 for detailed variable descriptions.

Table 3
Social homophily and the propensity to follow financial advice - Main results

	Regressions with LOF as the dependent variable					
	(1)	(2)	(3)	(4)	(5)	(6)
<i>Homophily dimensions</i>						
SOC_PROX	0.0316 *** (0.0083)	0.0221 *** (0.0076)				
GENDER			0.0217 ** (0.0101)			
AGE				0.0066 * (0.0037)		
MARRIED					0.0508 ** (0.0204)	
CHILDREN						0.0155 (0.0179)
<i>Client characteristics</i>						
C_GENDER		0.0392 * (0.0217)	0.0288 (0.0204)	0.0402 * (0.0222)	0.0280 (0.0184)	0.0294 (0.0213)
C_AGE		0.0030 *** (0.0009)	0.0032 *** (0.0008)	0.0032 *** (0.0008)	0.0031 *** (0.0008)	0.0032 *** (0.0009)
C_NATIONALITY		0.0699 (0.0803)	0.0450 (0.0799)	0.0454 (0.081)	0.0377 (0.0786)	0.0438 (0.0796)
C_MARITAL		-0.0016 (0.0229)	-0.0136 (0.0215)	-0.0112 (0.0216)	0.0142 (0.0241)	-0.0118 (0.0217)
C_CHILDREN		0.0131 (0.0081)	0.0139 * (0.0082)	0.0102 (0.0062)	0.0122 * (0.0071)	0.0092 * (0.0052)
C_(ln)INC		-0.0080 (0.0065)	-0.0077 (0.0066)	-0.0080 (0.0067)	-0.0081 (0.0066)	-0.0079 (0.0069)
C_(ln)FINWEALTH		0.0266 ** (0.0145)	0.0273 ** (0.0145)	0.0244 * (0.0152)	0.0265 ** (0.0143)	0.0243 * (0.0149)
C_FIN_LIT		-0.0168 *** (0.0054)	-0.0164 *** (0.0052)	-0.0170 *** (0.0055)	-0.0169 *** (0.0054)	-0.0168 *** (0.0054)
C_RISK_PROP		0.0071 (0.0116)	0.0076 (0.0117)	0.0071 (0.0118)	0.0055 (0.0116)	0.0074 (0.0118)
C_FIN_JOB		-0.1497 *** (0.0519)	-0.1555 *** (0.0529)	-0.1567 *** (0.0541)	-0.1465 *** (0.0521)	-0.1567 ** (0.0656)
C_LENGTH_REL		-0.0010 (0.0011)	-0.0010 (0.0012)	-0.0011 (0.0011)	-0.0011 (0.0011)	-0.0011 (0.0011)
<i>Meeting controls</i>						
M_(ln)SUM_REC		-0.0534 *** (0.0129)	-0.0547 *** (0.0122)	-0.0542 *** (0.0132)	-0.0535 *** (0.0131)	-0.0544 *** (0.0181)
M_%BUYS		-0.1544 ** (0.0776)	-0.1594 ** (0.0768)	-0.1598 ** (0.0795)	-0.1558 ** (0.0775)	-0.1596 * (0.0865)
M_LENGTH		-0.0028 *** (0.0007)	-0.0028 *** (0.0006)	-0.0028 *** (0.0007)	-0.0028 *** (0.0007)	-0.0028 *** (0.0009)
<i>Advisor FE</i>	No	Yes	Yes	Yes	Yes	Yes
<i>Time FE</i>	No	Yes	Yes	Yes	Yes	Yes
N	2,218	1,876	1,876	1,876	1,876	1,876
Pseudo R ²	0.0312	0.2348	0.2126	0.2112	0.2203	0.2113
Wald χ^2	58.49	348.44	345.15	343.08	349.50	343.16
Prob. > χ^2	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Log pseudolikelihood	-1288.40	-599.40	-569.51	-570.54	-567.33	-570.50

This table reports marginal effects of the logit regression specified in section 3.2.3.

Table 4

Social homophily and the propensity to follow financial advice - Results by client gender

	Regressions with LOF as the dependent variable			
	(1)	(2)	(3)	(4)
<i>Panel A: Male clients</i>				
GENDER	0.0416 *** (0.0112)			
AGE		0.0156 ** (0.0049)		
MARRIED			0.0327 (0.0368)	
CHILDREN				0.0024 (0.0172)
<i>Client characteristics</i>	Yes	Yes	Yes	Yes
<i>Meeting controls</i>	Yes	Yes	Yes	Yes
<i>Advisor FE</i>	Yes	Yes	Yes	Yes
<i>Time FE</i>	Yes	Yes	Yes	Yes
N	1,093	1,093	1,093	1,093
Pseudo R ²	0.2844	0.2748	0.2727	0.2753
Wald Chi ²	168.11	178.32	178.69	167.36
Prob. > Chi ²	0.0000	0.0000	0.0000	0.0000
Log pseudolikelihood	-244.33	-243.61	-240.38	-243.46
<i>Panel B: Female clients</i>				
GENDER	-0.0173 (0.0304)			
AGE		0.0028 (0.0468)		
MARRIED			0.0694 ** (0.0331)	
CHILDREN				0.0163 * (0.0095)
<i>Client characteristics</i>	Yes	Yes	Yes	Yes
<i>Meeting controls</i>	Yes	Yes	Yes	Yes
<i>Advisor FE</i>	Yes	Yes	Yes	Yes
<i>Time FE</i>	Yes	Yes	Yes	Yes
N	1,183	1,183	1,183	1,183
Pseudo R ²	0.2649	0.2650	0.2736	0.2673
Wald χ^2	152.25	152.17	154.58	154.22
Prob. > χ^2	0.0000	0.0000	0.0000	0.0000
Log pseudolikelihood	-252.99	-250.01	-252.94	-252.16

This table report marginal effect of the logit regression specified in section 3.2.3.