THE ROLE OF SIMILARITY-ATTRACTION IN THE SELECTION OF A FINANCIAL PLANNER IN THE NELSON MANDELA BAY

BY

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DECLARATION

I, Leomile Khalikane (221385002) and Tapiwa Rusere (217045774), hereby declare that the treatise, “The role of similarity-attraction in the selection of a financial planner in the Nelson Mandela Bay”, for the degree Bachelors Commerce Honours, is our own work and that it has not previously been submitted for assessment or completion of any postgraduate qualification to another university or for another qualification, and that all the sources we have used or quoted have been indicated and acknowledged as complete references.

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EXECUTIVE SUMMARY

Despite the importance of financial planners, people have paid little attention to them and the consumers who make use of them. The lack of information into the nature of how financial planners are selected increases the challenges which clients face. The usage of financial planners is South Africa is low and this can be attributed to various factors such as financial exclusion and a lack of financial literacy. Other factors include different backgrounds, ethnicities and gender. Consumers who do not make use of financial planners resort to informal saving schemes such as stokvels or borrowing from loan sharks. These are not the safest options accessible to consumers but a lack of financial knowledge about other options available is one of the problems consumer face. In order to increase the usage of financial planners, research on this topic was undertaken and the primary objective of this study was to investigate the extent that the similarity-attraction model influences the selection of financial planners in the Nelson Mandela Bay.

An in-depth literature review was carried out, and hypotheses were formulated to assess the relationship of various aspects of similarity-attraction and the selection of a financial planner. An empirical investigation was conducted using questionnaires as the measuring instrument. The sample was made up of 99 respondents. The collected data was statistically analysed. The exploratory factor analysis (EFA) ensured the validity of the measuring instrument and Cronbach's alpha coefficients confirmed the reliability of the measuring instrument. It was identified that individuals are able to relate to other individuals more if they share the same values and beliefs, or if they share a similar gender, age, ethnicity, culture, risk tolerance or level of education. The results of the EFA led to the creation of new variables namely, cultural identity and risk tolerance, because of factor loadings that loaded together. This led to a reformulation of the hypotheses.

Furthermore, the computation of descriptive statistics summarised the sample data. Pearson's correlation coefficients were conducted to assess the relationships of the variables that were operationalised. There were weak but positive correlations between cultural identity and risk tolerance.

The information available with regards to the role of similarity-attraction in the selection of a financial planner is richer because of contributions made in this study. The engagement between clients and financial planners will increase and improve owing to the recommendations provided.

CHAPTER ONE
INTRODUCTION AND BACKGROUND TO THE STUDY

1.1 INTRODUCTION AND BACKGROUND TO THE STUDY

Financial planners can help improve the financial well-being of consumers and assist them in making better financial decisions (Louis & Chartier 2017:182-183). However, consumers in South Africa are not making use of financial planners and this has led to over-indebtedness and not using financial products aimed at increasing their wealth (Stedall & Venter 2016:322). Furthermore, financial literacy in South Africa is low, meaning individuals do not understand the use of finance-related information to make sound financial decisions (Rousseau & Venter 2016:237). There are vast amounts of complicated financial products and consumers seek financial planners who can adequately represent their needs.

According to the The World Bank (2015:10) women are more likely to make use of financial services than men. Coloured and Black South Africans are less likely to have access to regulated financial services than Asian or White South Africans and those who live in the rural areas have less access to financial services than those in urban areas. Zeka, Goliath, Antoni and Lillah (2016:77) attribute the low usage of financial planners in South Africa to the unwillingness by consumers to trust them, and a lack of understanding of the services that they offer. Furthermore, there is a gap in many financial services firms in which females feel misunderstood by their financial adviser (Sommer, Lim & MacDonald 2018:39). Botha, du Preez, Geach, Goodall, Palframan and Rossini (2018:76-79), point out that there are many disclosures that are required as per the Financial Advisory and Intermediary Services (FAIS) Act and it is evident that there is more emphasis placed on legislative disclosures than building a relationship with the client. Financial planners are required to build a relationship of trust with the client as per the first step of the financial planning process (Botha *et al.* 2018:9).

According to Rossini and Manne (2010:5) a financial planner is important as due to the services that they offer through the use of their available resources. Thus, they are effective in estate planning, tax planning, retirement planning, education planning for children, long term and short term insurance as well as cash flow management (Botha *et al.* 2018:12). According to Gradidge (2016:14), a key requirement for an effective relationship with a financial planner is trust. Zeka *et al.* (2016:79) indicate that an individual should have a high level of trust in the relationship between the financial planner and client, as there is an expectation that the financial planner will not behave irresponsibly, nor take advantage of the dependent position of the client. Therefore, the financial planner or adviser should not take advantage of illiterate clients, whenever they assist. To assist in building a relationship with the client it is important that the client can relate to the financial planner.

According to Sommer *et al.* (2018:39), the similarity-attraction model states that individuals tend to be attracted to those similar to themselves. This is because similarities between individuals decrease uncertainty, whereas dissimilarities increase uncertainty (Mitteness, DeJordy, Ahuja & Sudek 2016:631). Individuals feel a sense of reward when their beliefs and attitudes are shared by another person because their biases are validated (Sommer *et al.* 2018:39). Individuals prefer predictability in their interactions with others however; there are situations where individuals exercise additional effort to interact with people who are dissimilar because of anticipated benefits from the acquisition of new information (Mitteness *et al.* 2016:631).

1.2 PROBLEM STATEMENT

South Africans do not feel represented by financial planners for a variety of reasons which include different backgrounds, ethnicities and gender (Hofmeyr & Govender 2015:1). By investigating the reasons people in the Nelson Mandela Bay area choose financial planners it will be determined whether or not the perceived similarity of the client to the financial planner influences their selection criteria. The similarity-attraction model proposes that people are more likely to relate to and trust another individual if they can identify aspects that are similar or different that in that person (Sommer *et al.* 2018:39). Individuals are able to relate to other individuals more if they share the same values and beliefs or based on whether they share the same gender, ethnicity or level of education. According to Zeka *et al.* (2017:77), there is a low usage of financial planners by clients in South Africa. As per the first step of the financial planning process of establishing and defining the professional relationship between client and adviser, it is suggested that the similarity-attraction model can be used to determine which aspects clients relate to in financial planners. The aspects identified can hopefully be used to assist in building a relationship of trust and increase in the usage of financial planners by individuals (Botha *et al.* 2018:9).

1.3 RESEARCH OBJECTIVES

The primary, secondary and methodological objectives of the study will be presented in the paragraphs below.

1.3.1 PRIMARY OBJECTIVE

The primary objective of the study was to establish the extent that the similarity-attraction model affects the selection of financial planners in the Nelson Mandela Metropolitan area.

1.3.2 SECONDARY OBJECTIVES

The secondary objectives support the primary objective, and the secondary research objectives are as follows:

SO^1 To determine which financial planning services individuals seek assistance with.

SO^2 To determine which aspects individuals relate to in a financial planner.

SO^3 To determine the effect of demographic variables in the selection of a financial planner.

1.3.3 METHODOLOGICAL OBJECTIVES

The following methodological objectives will be achieved as per the primary objective of the study:

MO^{1} To conduct a literature review on the financial planning environment and the six step financial planning process as well as the similarity-attraction model and the factors that influence the selection of a financial planner in The Nelson Mandela Metropolitan area.

MO^{2} To develop an appropriate research design and methodology.

MO^{3} To develop a research instrument that will be used to collect the data necessary for the study.

MO^{4} To analyse the data collected using appropriate statistical techniques.

MO^{5} To provide recommendations and suggestions to the financial planners, as well as individuals, companies and organisations for future planning purposes.

1.3.4 RESEARCH HYPOTHESES

The following research hypotheses are presented:

H^{1} There is a relationship between ethnicity and the similarity attraction of a financial planner.

H^{2} There is a relationship between gender and the similarity attraction of a financial planner.

H^{3} There is a relationship between risk tolerance and the similarity attraction of a financial planner.

H^{4} There is a relationship between education and the similarity attraction of a financial planner.

H^{5} There is a relationship between language and the similarity attraction of a financial planner.

1.4 BRIEF LITERATURE OVERVIEW

1.4.1 INTRODUCTION

A brief literature overview is provided where the financial planning Industry is discussed. This will be followed by the importance of financial planning and the relationship that is built between the financial planner and client. This will then be followed by a discussion of the usage of financial planning and the association to the similarity-attraction model will be presented.

1.4.2 THE FINANCIAL PLANNING INDUSTRY

Financial planning is a service-based industry that assists clients in meeting their financial and lifestyle goals (Botha *et al.* 2018:3). The industry has many complicated financial products aimed at increasing value for clients, which requires financial planners to continuously update their skills and knowledge (Louis & Chartier 2017:170). This will ensure that financial planners are up to date with the constant information and technological advancement. There is a focus on increasing ethical behaviour because of the potential to lose a client's life savings or mismanage their funds for personal gain (Botha *et al.* 2018:7). In order to build a relationship of trust with customers, financial planners need to adhere to high ethical standards, so the industry's reputation is viewed in a positive manner (Van Tonder and Roberts-Lombard (2016:2). To this regard there are many standards and codes in place to ensure financial planners know what behaviour is expected of them. The Financial Advisory and Intermediary Services Act (FAIS) was introduced in 2008 in order to regulate the activities of Financial Services Providers (FSPs) to ensure appropriate advice and information is provided to clients (Botha *et al.* 2018:3). According to Zeka *et al*. (2016:79), this was done to ensure that clients are sold products and services that cater to their individual financial needs. This also ensures that individuals make informed decisions with regards to the purchase of financial products and services which can often be complex in nature (Botha *et al.* 2018:35). Adherence to the FAIS Act also assists in the building of trust between the client and the financial advisor. This expresses assurances that both parties will act in the best interest and not place either party in unnecessary risk (Berndt & Tait 2014:29).

The increase in robo-advisors in the industry has made it more affordable to use non-traditional financial planning methods. However, face-to-face interactions are still needed for more risky and complex financial products and services that are not easily comprehendible.

1.4.3 THE IMPORTANCE OF FINANCIAL PLANNING

Koloba (2018:52), states that South Africa has a poor savings culture because they are known to be a consuming nation. A financial planner can urge clients to spend less on goods and services that negatively impact the client's financial well-being. Financial planners help clients live within their means and plan for their future by encouraging saving and investments (Botha et al. 2018:4). A financial planner also assists clients achieve their financial goals and also plan for retirement (Botha *et al.* 2018:4). Without financial services, many people would not be able to plan for unforeseeable future events that include unemployment, disability, economic downturns and funerals.

1.4.4 USAGE OF FINANCIAL PLANNING

According to Agarwal, Rastogi and Mehrotra (2009:343), individuals will only use or reject a product or service due to their awareness or perception of it. There is a global improvement in awareness levels of financial planning however, the levels still remain low (Varma 2012). Financial literacy is low in South Africa and this means individuals do not understand the use of personal finance-related information to make sound financial decisions (Rousseau & Venter 2016:237). The usage of financial planners is low because of financial exclusion of the marginalised poor who are not part of the domestic financial system (Louis & Chartier 2017:173). According to the World Bank (2015:10), 70.3 percent of adults in South Africa have access to a transaction account, compared to 34.5 percent for Sub-Saharan Africa and 70.5 percent for other upper middle-income countries. In South Africa, socio-demographic factors affect account ownership. Women are more likely to have access to regulated financial services than men (86% and 81% respectively), Coloured and Black South Africans are less likely to have access to regulated financial services than Asian or White South Africans and those who live in the rural areas have less access to financial services than those in urban areas (World Bank 2015:10).

1.4.5 THE SIMILARITY-ATTRACTION MODEL

According to Bernier and Scassellati (2010:286), when someone perceives another person to be similar to themselves, they become attracted to that person. Kaptein, Castaneda, Fernandez and Nass (2014:343), support this by stating that there is a need for people to be consistent with societal norms and values, so they gravitate towards those who have similar attitudes and beliefs. When people communicate with others who are similar to themselves there are positive feelings derived especially from rewarding interactions. This sense of needing to belong can be seen in the interactions between clients and financial advisors. According to Sommer *et al.* (2018:40), women are more risk-adverse when it comes to matters concerning money. Coughlin and D'Ambrosio (2009:85), reinforce this notion by stating that women are more conservative in their investment planning goals. This can lead women to searching for female financial planners who could better serve their needs because of the assumption that their tolerance of risk is similar. According to Sommer *et al.* (2018:40), women tend to have less investment confidence than men leading to less investment experience. In this regard women would utilize male financial planners because they are perceived to be more confident. Finke, Huston and Winchester (2011:19), state that people will seek help outside their social circle or society when issues are complex or if there is a need for specialised knowledge. Because professionals are more knowledgeable in their area of expertise it motivates clients to hire them because of the perceived benefit they bring. However, there could also be a problem with overconfidence especially with young male investors who might not seek financial advice because of the belief that investment information is readily available and easily comprehendible (Finke *et al.* 2011:19).

1.5 OVERVIEW OF THE RESEARCH DESIGN, PARADIGM AND METHODOLOGY

The following section will briefly discuss the secondary and primary research, research design, research paradigm and the research methodology for this study. The population, sampling and data collection, design of the measuring instrument and data analysis will also be discussed.

1.5.1 RESEARCH PARADIGM

Denzin & Lincoln (2005:3), defined research paradigm as the pattern that is based on philosophical assumption. There are two main paradigms namely positivistic and phenomenological research paradigms. Phenomenology is the study of people's experience from a point of view of the first person (Bryman & Bell 2011:147). Phenomenological paradigm is a qualitative research method used to describe a situation or fact in an accurate manner and not using any preconceived assumptions (Groenewald 2004:44). Positivistic paradigm describes a worldview to understanding that experience gained from experimentation, observation and reason should be the underlying factors for understanding human behaviour. For this study positivistic paradigm will be used because cause and effect relationships will be analysed (Kivunja & Kuyini 2017:30). Human behaviour can be predicted by the causal laws that have been identified by the researchers (Struwig & Stead 2017:5).

1.5.2 RESEARCH METHODOLOGY

The research methodology is the systematic underpinning that investigates and analyses how a phenomenon came about (Igwenagu 2016:4). Quantitative research generates hypotheses and theories, while qualitative research uses empirical data to come up with a phenomenon (Antwi & Hamza 2015:4). Qualitative research is research that uses data that is not numerical in nature and this non-numerical information includes words, pictures and drawings (Struwig & Stead 2017:12). Importance is placed on generating theories rather than proving them (Bryman & Bell 2011:31). The study used a quantitative research methodology because facts will be formulated, and patterns will be revealed about the behaviour of people in order to answer questions about the role of similarity-attraction in the selection of a financial planner (Igwenagu 2016:4).

1.5.3 RESEARCH DESIGN

According to Akhtar (2016:68), research design is a guide that defines how research is conducted. Research design is the procedure of the proposed research work that sets the conditions for the data collection and data analysis that is relevant to the research purpose (Akhtar 2016:68). A quantitative method was used with a positivistic paradigm. It is believed that knowledge could be obtained through observation and experiment (Rahi 2017:3). There are qualitative and quantitative methods of data collection. Qualitative data collection methods focus on deep, rich and thick data and samples are collected on purpose rather than at random (Struwig & Stead 2017:127). This method of data collection is exploratory in nature, hard to measure, takes time and is costly to conduct (Quinlan, Babin, Carr, Griffin & Zikmund 2015:153). Quantitative methods of data collection focus on hard, reliable data which can be quantified and statistically analysed to observe influence (Struwig & Stead 2017:114).

1.5.4 DATA COLLECTION

Primary data collection entails the observation of people and situations and involves the asking of questions (Struwig & Stead 2017:89). Secondary data collection is data that is readily available from sources that do not include the current research project (Struwig & Stead 2017:82).

According to Andrews, Higgins, Andrews and Lalor (2012:16), secondary data is defined as the existing data that has already been collected by someone. Secondary research should be conducted in order to enable the researcher to reach the primary purpose of the study. Longenecker, Moore, Petty and Palich (2006:134), state that secondary data includes internal or external sources such as the internet, journal articles, books, newspapers, magazines, annual reports and financial reports. Furthermore, the Nelson Mandela University library, GoogleScholar database, EBSCOhost and others which are academically accepted was used to gather secondary data.

Struwig and Stead (2017:82), define primary data as data that has been collected for the study by the researchers. Researchers can use interviews, surveys or questionnaires in quantitative studies to collect data (Struwig & Stead 2017:89). Questionnaires are a method of data collection that contain questions in order to gather information from respondents and are made up of open-ended and closed questions. Open-ended questions allow respondents to express themselves in their responses and closed question provide a set response that respondents can choose from (Quinlan *et al.* 2015:155). For the purpose of the study, questionnaires were used as they are highly structured and can accommodate a large number of participants in the research (Quinlan *et al.* 2015:155).

1.5.4.1 Population

According to Quinlan *et al.* (2015:398), the population is everybody or a group of people that could be included in the research. For the purposes of this study the targeted population will be consumers/individuals who make use of financial services. Due, to the fact that data cannot be collected from the whole population, therefore, a sample will be used.

1.5.4.2 Sample and sampling method

A sample is a subgroup of the larger population (Quinlan *et al.* 2015:399). A sample of 200 participants was chosen in the Nelson Mandela Bay Metropolitan area. Non-probability sampling was used.

1.5.4.3 Design of the measuring instruments

A 5-point Likert scale questionnaire was used in the study and the series statements that were asked will be rated from a scale of 1 to 5. 1 indicating that the respondent strongly disagrees with the statement and 5 indicating that the respondent strongly agrees. The first part of the questionnaire had questions pertaining to the demographics of the individual. The rest of the questionnaire will have list scales for the factors that influence the similarity attraction in the selection of a financial planner.

1.5.4.4 Ethics

Guarantees were made to participants that their contribution to the research will only be viewed by the researcher or supervisor of the research project (Quinlan *et al.* 2015:46). Anonymity is guaranteed to the participants as they will not be identified during the research process or afterwards (Quinlan *et al.* 2015:46). The nature of the research and any information of concern to the participants was communicated to the participants.

1.5.4.5 Data analysis

According to Tyamko and Jana (2017:33), data analysis is the methodology of applying statistical and logical techniques to define, demonstrate and evaluate data. According to (Omair 2014:102), descriptive statistics is used to summarize data from a sample using numerical summaries and graphs. Descriptive statistics that were used include frequencies, ranges, means, modes, medians and standard deviations (Quinlan *et al.* 2015:359). Inferential statistics takes data from a sample and makes inferences about the population. Inferential statistics can make judgements on whether the probability of observed differences or similarities between groups is dependable or whether it is by chance. Nassaji (2015:130), indicates that in order to determine criterion validity, the exploratory factor analysis (EFA) could be used. For this study EFA was conducted to test the validity and factor loadings of more than 0.5 will be valid. Cronbach's alpha coefficients will be calculated to test for reliability. Cronbach alpha's coefficients over 0.7 are regarded as acceptable. According to Van Tonder and Roberts-Lombard (2016:6), coefficients above 0.7 constitute the minimum acceptable scale reliability. The data from the questionnaires will be analysed using computer programmes Microsoft Excel and Statistica 12. The statistics will be used to determine which factors influence individuals' intentions to make use of a financial planner.

1.6 STRUCTURE OF THE RESEARCH

Chapter One: Introduction and Background to the study: Financial Planning and what it entails will be discussed. The introduction and background will be followed by the problem statement. Reasons why financial planners are not utilized will be discussed and the conjunction with Similarity-attraction will be presented. In addition, the usage of financial services will be mentioned. The research objectives which will focus on the expectations of the study will be stated.

Chapter Two: Literature Overview: In this chapter financial planning industry, the importance of financial planning, the usage of financial planning and the similarity attraction-model will be discussed. The role similarity-attraction plays in the selection of a financial planner will be presented.

Chapter Three: Research design, paradigm and methodology: The study methodology, research design and the geographical location of the study is mentioned as well as the intended study population and sample. The design of the measuring instrument will be stated in addition to other data collection and data analysis methods. The research design in this study will be explained by expanding on the research paradigm and research methodology. The primary and secondary data collection methods will be presented as well. The sampling methods, ethics and data analysis will be elaborated upon.

Chapter Four: The empirical results: In this chapter the analysis of the findings will be presented. Statistical analysis will be conducted, and inferences will be made from the results.

Chapter Five: The summary, conclusion and recommendations: This chapter will summarise all the research conducted, provide a conclusion and recommendations for future practice and referencing.

CHAPTER TWO
LITERATURE REVIEW OF FINANCIAL PLANNING AND THE SIMILARITY-ATTRACTION MODEL

2.1 INTRODUCTION

This chapter reviews literature relating to the role of similarity-attraction in the selection of a financial planner. It adopts a funnel approach where global literature is analysed first and then focuses on local South African literature. Among other things the study will review general works on the use of a financial planner and the kind of services people want from a financial planner. The chapter then reviews literature on the similarity-attraction model.

2.2 OVERVIEW OF THE REGULATORY ENVIRONMENT OF THE FINANCIAL PLANNING INDUSTRY

Financial planning is defined as the process designed and organised to achieve the life goals and financial well-being of the consumer (Zeka, Goliath, Antoni and Lillah 2015:78). Goals provide meaning in life and help to make living worthwhile (Irving 2012:51). Financial planning is a continuous activity that assists people to make responsible monetary decisions that help them achieve their goals in life (CISI 2014). Baker and Ricciardi (2015:23), reiterates this by stating that financial planning helps clients to manage their finances in a dedicated, steady and orderly manner to ensure their investment opportunities are fully realised. Financial planning considers long-term aims and interests of individuals and how to achieve them in order to help manage their financial resources (Irving 2012:49). Furthermore, Zeka (2016:450), mentions that financial planning helps individuals achieve a greater sense of control over decisions that affect their financial well-being, which includes not being in debt and having sufficient retirement savings. Financial planning is a process that takes individuals from their present financial situation to a better and more desirable future financial situation (Matchaba-Hove 2016:159).

According to Botha, du Preez, Geach, Goodall, Palframan, and Rossini 2015:16), the life goals of consumers include creating financial wealth to ensure their ability to purchase homes, provide better education for their children and preparation for retirement. Financial planners are essential in the provision of advice to achieve the consumer's financial well-being (Zeka *et al*. 2015:76).

The Financial Sector Regulations Act, Financial Sector Conduct Authority, Treating Customers Fairly Initiative and the Conduct of Financial Institutions Act will be defined and discussed in the following section. The next section will provide an overview of financial planning, explore the usage of financial planners and discuss the six step financial planning process. A link between financial planning and the similarity-attraction model will be established. Lastly the similarity-attraction model is defined and discussed and factors in the similarity-attraction model are identified.

2.2.1 FINANCIAL SECTOR REGULATIONS ACT

According to the Government Gazette (2017:2), the Financial Sector Regulation Act (FSR Act) No. 9 of 2017 introduced the Twin Peaks model to reform the regulation of the South African financial sector. The Twin Peaks places emphasis on market behaviour and market supervision. Moreover, the Prudential Authority (first peak) and the Financial Sector Conduct Authority body (second peak) were set up to protect and further improve financial stability in South Africa by granting the capacity to the Reserve Bank to set up the Financial Stability Oversight Committee (Government Gazette 2017:2). This committee "controls and oversees financial product providers and financial services providers to improve market behaviour in order to ensure the safety of financial clients and the products and services provisioned to them" (Polity 2017). According to the Financial Sector Regulations Act (2018:2), the objectives of the FSR Act are:

- increasing quality and strength of the financial sector
- strengthen and support financial stability and integrity
- enhance consumers protection from financial services firms' conduct that could negatively affect customers

2.2.2 FINANCIAL SECTOR CONDUCT AUTHORITY

The Financial Sector Conduct Authority (FSCA) is a self-governing institution that ensures that conduct in the financial services sector is in line with the public interest (Financial Sector Conduct Authority 2017:6). The FSCA replaced the Financial Services Board (FSB) on the 1st of April 2018 and extended its official order and scope of functions to include jurisdiction over financial institutions, services and products that were not part of the FSB (Financial Sector Conduct Authority 2018a:16). The FSCA has six strategic priority focus areas for the next 3 years (National Government of South Africa 2018), that include:

- building a new organisation
- a comprehensive and modified financial sector
- a strong regulatory support structure that promotes fair customer treatment
- informed financial customers
- strengthening the efficiency and integrity of financial markets
- understanding news ways of doing business and disruptive technologies.

According to The Banking Association of South Africa (2018a), the objectives of the FSCA are:

- the protection of financial customers by promoting just treatment by financial institutions, providing financial education programs and promoting financial literacy
- enhancing and supporting the efficiency and integrity of financial markets
- assisting in maintaining financial stability.

2.2.3 TREATING CUSTOMERS FAIRLY

According to Botha, du Preez, Geach, Goodall, Palframan, Rossini and Rabenowitz 2016:78), the Financial Services Board Act No. 97 of 1990 was introduced in order to manage how financial planners in the market should treat customers. The Treat Customers Fairly (TCF) is an outcome-based regulatory and supervisory approach that was initiated to ensure that favourable outcomes that are in the interest of consumers are reached by regulated financial planning firms (Financial Sector Conduct Authority 2018b). The TCF initiative is intended to balance the interests between financial customers and the financial firms that serve them (Georgosouli 2011:405). The Banking Association of South Africa (2018b), states that the TCF outcomes are to be implemented throughout the product life cycle of the financial products and services and these include product design and promotion, advice and servicing, complaints and claims handling. Botha *et al*. (2016:30), states that the TCF consists of six important principles for the betterment of financial firm outcomes and fair customers treatment. These principles are illustrated below:

FIGURE 2.1

OUTCOMES OF TREATING CUSTOMERS FAIRLY

OUTCOME 1
Consumers can be confident that they are dealing with firms where the fair treatment of customers is central to the corporate culture.

OUTCOME 2
Products and services marketed and sold in the retail market are designed to meet the needs of identified consumer groups and are targeted accordingly.

OUTCOME 3
Consumers are provided with clear information and are kept appropriately informed before, during and after the point of sale.

OUTCOME 4
Where consumers receive advice, the advice is suitable and takes into account of their circumstances.

OUTCOME 5
Consumers are provided with products that perform as firms have led them to expect, and the associated service is of an acceptable standard and as they have been led to expect.

OUTCOME 6
Consumers do not face unreasonable post-sale barriers imposed by firms to change product, switch provider, submit a claim or make a complaint.

Source: Financial Sector Conduct Authority (2018b)

2.2.4 CONDUCT OF FINANCIAL INSTITUTIONS ACT

The Conduct of Financial Institutions (COFI) Bill is a legislative reform that ensures regulations are strong regarding the treatment of customers by financial services firms (National Treasury 2018a). Oliver Wyman (2014:43), states that the (COFI) Bill has to be aligned with (TCF) outcomes framework. The COFI Bill ensures that consumer protection is applied effectively and consistently across the financial services industry and provides futureproofing for new and upcoming financial services firms (National Treasury 2018a). According to Parliamentary Monitoring Group (2018), the FSR Act described the functions of financial sector regulators while the COFI Bill concentrates on the conduct of financial institutions. The legislative objectives that support the COFI Bill are focused on promotion financial inclusion, transformation and competition (Polity 2019). The COFI Bill is more sensitive the domestic financial environment and it will be more flexible in response to financial sector changes (National Treasury 2018b:18). Furthermore, regulatory barriers will be reduced to ensure the entry and participation of small financial institutions. (National Treasury 2018b:15).

2.3 OVERVIEW OF THE FINANCIAL PLANNING PROFESSION

Financial planning combines different dimensions such as estate planning, tax planning, retirement planning, personal debt management, healthcare provision, risk and insurance planning, funding educational needs, and as well as investment management (Botha *et al*. 2015:28). Financial planning involves assessing the current financial situation of individuals, identifying their financial goals and objectives, planning for the effective use of available financial resources, and implementing recommendations to ensure that individuals meet their financial goals (Rossini and Maree 2010:5). Furthermore, financial planning takes into account the individual’s personality, their financial status, and the socio-economic and legal environments. The financial status of individuals, and the prevailing socio-economic environment, can lead to the adoption of strategies that help them to achieve their financial goals (Botha *et al*. 2015:5).

Irving (2012:50) states that financial planning goes beyond providing insurance and investment advice as it delivers a financial strategy. Therefore, financial planning can be considered to be a strategic process that aims to help individuals to manage their financial resources, and thus achieve a range of financial and lifestyle goals (Irving, 2012:50). A financial planner considers all aspects of an individual's lifestyle, goals, and requirements to help them reach their financial goals effectively and efficiently. Therefore, a financial planner provides individuals with integrated strategies to ensure they are in a position to review their financial situation and make informed financial decisions (Botha *et al*. 2015:7).

2.3.1 USAGE OF FINANCIAL PLANNING PROFESSIONALS

Despite the importance of financial planners, researchers have paid little attention to them and consumers who make use of them Zeka *et al.* (2016:77). This lack of perception into the nature of how financial planners are selected perpetuates the challenge which these consumers face. South Africans in general have a tendency of not saving specifically for their retirement, education for their children, insurance and financial risk (Botha *et al*. 2015:14). It has been determined that after retirement, individuals are no longer economically active and have insufficient funds. Some South African consumers and individuals are living in poor conditions and are in debt due to the lack of knowledge of how to save and a poor culture of saving (Koloba 2018:61). According to Ndumo (2011:1), more than 50 percent of South African consumers were in debt in 2010. It follows that there is a possibility that most consumers are likely to face the seriousness of outstanding home loans and debts that will possibly result in the loss of their homes (Luther, Coleman, Kelkar and Foudray 2018:2).

According to Botha *et al*. (2015:12) financial planners assist consumers in areas such as taxation, estate planning in business owners and corporate entities. Hence, there is need for financial planners to be trustworthy as they discuss personal details with their clients of how to buy financial assets. A lack of financial education among individuals has become a barrier to financial inclusion and results in a failure to make use of financial products. (Yoong 2010:6). Rootman and Antoni (2014:476), support this by mentioning that limited financial education may be a barrier to individuals' usage of financial planners. Consumers are afraid to open bank accounts for making savings because they have perception that financial planners are untrustworthy (Yoong 2010:6). Many South African communities who have a poor educational background of financial prudence end up using informal systems of money lenders known as “loan sharks’’ who charge unreasonable interest rates between 40 percent and 60 percent (Mashigo 2006:4).

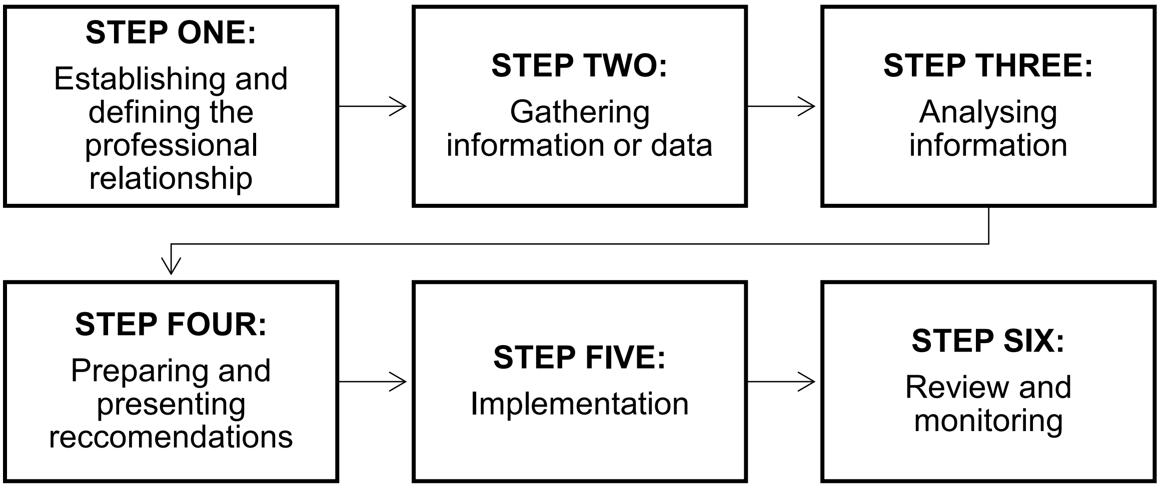
According to Zeka *et al.* (2016:77) there is a lack of research that explains why South African individuals and consumers in particular are not familiar with financial planners and this leads to problems. Furthermore, an investigation has to be done on how to increase the awareness of financial planning among individuals, improve the image of financial planners, the amount of trust placed in them, as well as perceptions on how financial planner’s services will influence the intention to make use of a financial planner (Zeka *et al.* 2016:77). Finmark Trust (2011:21), states that some consumers use a savings culture of stokvels to maintain financial stability and financial freedom because of a lack of trust of financial planner. This is because disenfranchised South African community members they do not share the same background and views that financial planners have, there might be fear of being taken advantage of. Therefore, there is a need for financial planners to build trust. Certainly, financial education could be the best mechanism in educating individuals and consumers who lack knowledge of financial matters (FinMark Trust 2011:21).

According to Nene (2009:3), some consumers have a propensity to overspend their income and end up borrowing in excess. This leads to an increase in credit and over indebtedness (Grumbman, Bolleud and Hollend 2011). Financial problems that will be experienced include unnecessary spending, poor budgeting and incurring too much debt. Hearth, Kurtz and Boone (2006:74), argue that consumers overspend and fail to keep a good track of their expenses, and have access to credit cards without financial goals. Falahati and Paim (2011:1765), indicate that some financial planners do not have influence on inexperienced consumers to help them avoid excessively huge debt. There is need to increase awareness among individuals on the benefits of making use of financial planners as well as building trust during their interactions (Zeka *et al*. 2016:78).

2.3.2 THE SIX STEP FINANCIAL PLANNING PROCESS

According to (Irving 2012:50), the six step financial planning process provides a blueprint of financial planning for financial planners and their clients by guiding both parties through a fixed plan that is goal oriented to achieve preferred financial outcomes. By structuring behaviour in a systematic manner monitoring and controlling progress to reach these financial outcomes is made possible (CFP Board 2016). This process facilitates the establishment of trust in the relationship between the financial planner and the client (Lawson and Klontz 2017:15). These are steps that guide the interaction of financial planners with their clients and they are applied consistently within the industry:

FIGURE 2.2
THE SIX STEP FINANCIAL PLANNING PROCESS



Source: Botha, du Preez, Geach, Goodall, Palframan and Rossini (2018:124-138)

Step 1: Establishing and defining the professional relationship

Financial planners must clarify the services to be rendered and set out the responsibilities of the financial planner and the client. When the client decides to work with the financial planner and use their services disclosure information must be provided to the client as required by the FAIS Act (Botha *et al*. 2018:124. The disclosures include the financial planner’s details, product suppliers they represent, qualifications they have obtained, professional associations they are part of, the services and products that can be offered to the client, remuneration details, the length of the client and service provider relationship as well as how decisions should be carried out (Invstement Options Aust 2016).

Step 2: Gathering information or data

When the relationship has been established the financial planner must collect information about their client. Quantitative information will be gathered which includes a client's present financial information and personal details that will help the advisor in their decision making (Lawson and Klontz 2017:50). Qualitative information helps the financial planner to define life and financial goals of the client as well as the circumstances they are in (Lawson and Klontz 2017:50). The use of open-ended question here will assist the client in voicing any concerns they might have (Financial Planning Standards Board 2018).

Step 3: Analysing information

The information gathered in the previous step should be analysed in order to evaluate the client's current situation and this will help the financial planner in recommending a strategy and plan to assist in the realisation of the client's goals (Alexander Babich 2010). Financial planning components that need addressed include the management of debt, the client's current tax situation, funds reserved for emergencies, health coverage, insurance needs, educational needs, investment planning and business insurance requirements (Alexander Babich 2010).

Step 4: Preparing and presenting recommendations

The recommendations the financial planner offers a client should help the client reach their goals. According to The Balance (2019), it is the job of the financial planner to go over said recommendations with their client and ensure they understand them to make sure both parties are able to make the best possible decisions. The client should be provided with alternative recommendations should they feel their concerns aren't being met (The Balance 2019).

Step 5: Implementation

The client must agree to the recommendations presented by the financial advisor and commit to them. It is pointless to draft an all-inclusive financial plan if it is not to be implemented. Commitment can be acquired by meeting with the client at a later date, completing the necessary documentation as a representative of the client and ensuring responsibilities of both parties are established (Marks, Sims and Sievers 2017). Co-ordination with other professionals such as accountants and lawyers is facilitated at this step (CFP Board 2016).

Stage 6: Review and monitoring

Progress towards the client’s goals should be monitored to ensure they still align with the recommendations that were provided. The financial plan must be reviewed periodically in order to make changes should the client’s circumstances change (The Balance 2019). Financial planning is work in progress so it should be reviewed and updated as and when the need arises. Agreements on how the review and monitoring takes place should be agreed upon between the client and the advisor (Economic Times 2018).

In order for clients to be comfortable in using financial planners, clients need to be able to trust financial planners during the relationship building process (Lawson and Klontz 2017:15). With the purpose of building a relationship between the two parties, a client first needs to engage with a financial adviser. The similarity-attraction model helps to explain the formation of this relationship because people who have similarities are drawn to each other as this interaction is perceived to be favourable for the parties involved (Schug, Yuki, Horikawa and Takemura 2009:95). Because of continued interaction, individuals have the opportunity to observe each other’s behaviour and exchange information especially when there is a level of attraction between them Mitteness, DeJordy, Ahu and Sudek 2016:629).

2.4 THE SIMILARITY-ATTRACTION MODEL

The concept of similarity-attraction has been conceptualised as individuals who tend to be attracted to others with similar beliefs to them (Nicholson 2017:9). This means that people with similar beliefs, attitudes, religion and social economic views are drawn to each other. Individuals have a need to gravitate towards those with similar beliefs and attitudes and this is consistent with societal norms and values (Keptein, Castaneda, Fernandez and Nass 2014:343). The similarity-attraction model shows that individuals are interested in people who are identical to them in some aspect and this evident on online dating services which match partners solely on how similar their traits, preferences and interests are (Heine, Foster and Spina 2009:247). According to psychological research, people like others who remind them of themselves (Heine *et al*. 2009:247).

People have a need to be correct and those are similar to them support their perspective (Heine *et al*. 2009:248). Treger and Masciale (2018:255), reiterate this view by mentioning that the extent to which two strangers agree predicted their liking for one another. Individuals are positively inclined towards people they perceive to be more similar to themselves (Osbeck and Moghaddam 1997:114). Treger and Masciale (2018:255), support this view by stating that a more effective predictor of attraction was perceived similarity rather than actual similarity between people. When a person identifies that an individual has favourable or positive intentions towards them they tend to be drawn to that individual and end up liking them in return (Montoya and Insko 2008:479). According to Sommer, Lim and MacDonald (2018:39), there are positive feelings that are derived from rewarding interactions with people who are similar to themselves. Similarity-attraction is used to explain the reasons individuals form relationships with each other (Mitteness *et al*. 2016:628). People generally have a preference for those in a similar culture to themselves and might be unattracted to those in a different culture (Osbeck and Moghaddam 1997:114).

2.4.1 ASPECTS ADDRESSED IN THE SIMILARITY-ATTRACTION MODEL

The aspects that may play a role in the similarity attraction between a potential client and financial planner are discussed. These aspects are gender, attitude, ethnicity, education, risk tolerance and location.

2.4.1.1 Gender

As previously mentioned, individuals are drawn to people who are similar to themselves. Because of this, it is suggested that males would prefer a male financial planner or adviser and females would prefer a female financial planner or adviser (Sommer, Lim and MacDonald 2018:39). According to Pinar, Schiffler, Strasser and Stuck (2014:152), a study indicated that there is gender bias perceived in the service delivery of males and females. It was shown that ratings of the services of doctors and dentists varied because of gender and males were considered as having a high-status (Pinar *et al*. 2014:156). Sommer *et al*. (2018:40), indicated that gender bias has a significant effect on the selection of financial planners and narrowed down that there is a lack of confidence among women concerning financial planning matters. This is because women are seen as being more risk adverse when it comes to financial matters (Sommer *et al*. 2018:40).

Hay (2019), states that men earn 60 percent more than women on average according to UK’s top financial institutions of financial planner positions. Moreover, more men work in international firms such as Goldman Sachs as well as JPMorgan which are considered large financial services firms (Hay 2019). It follows that women are underrepresented in financial services firms leading to them using male financial planners because of a lack of alternatives.

2.4.1.2 Attitude

Another aspect to consider is the attitude of people. According to Hogg and Vaughan (2005:150), attitude relates to the arrangement of beliefs, opinions, emotional state and behaviour towards society, objects and occurrences. It is more likely that the way a person conducts themselves is consistent with the attitude they hold (McLeod 2018).

Sommer *et al*. (2018:39), states that individuals who share similar attitudes had more favourable feelings towards each other than those who do not share similar attitudes. This is evident when people interact with other people who share their point of view as there will be a level of common understanding. Bernier and Scassellati (2010:286), support this by mentioning that attitudinal similarity is a predictor of initial similarity. Hence it can be said that people are drawn to those that share similar opinions and attitudes (Lowry 1973:193). With regards to entrepreneurship and the formation of teams appropriate and correct social ties leads to good individual or group performance (Mitteness *et al*. 2016:628). These social ties can come about from referrals or connections that were previously made in a person's life. The extent to which people interact and the context of the setting affect perceived attraction because some settings are more intimidating than others (Mitteness *et al*. 2016:629). It follows that some individuals may be reluctant to share personal information if they feel that the environment they are in is uncomfortable or unfamiliar to them.

2.4.1.3 Ethnicity

According to Keptein *et al*. (2014:343), ethnic backgrounds play an important role in similarity-attraction because similarities in language, history or culture will influence whether initial and subsequent interactions are favourable or hostile. For example, previously disenfranchised Black and Coloured people might feel more comfortable discussing financial matters with people that share their same ethnic background (Matuku and Kaseke 2014:504). This is evident in South Africa because of the historical racial division and segregation. This results in the perception that individuals who do not share the same historical past might not be able to understand and facilitate financial matters in a favourable way (Matuku and Kaseke 2014:504). Language barriers can also hinder similarity-attraction, especially in the elderly who might possibly speak a single language and reside in the rural areas.

2.4.1.4 Education

The level of education individuals have achieved compared to professionals can affect the perceptions individuals have about professionals' ability to serve their needs (Nanziri and Liebbrandt 2018:2). Therefore, an individual might assume that a similarly educated or a more educated financial advisor can provide favourable financial outcomes. Hence, there is an attraction to intelligent financial advisors because of the perceived benefits to be experienced by getting financial advice from them (Finke, Huston and Winchester 2011:20). This can be in the form of acquiring knowledge from financial advisers through established relationships and implementing it in their financial dealings.

2.4.1.5 Risk tolerance

According to (Grable 2017:2), risk tolerance is the highest degree of unpredictability an individual is prepared to accept when a decision has to be made especially when it involves the chance of a loss. The usage of a financial planner is directly related to risk tolerance with those with a low risk tolerance unlikely to make use of a financial planner or being uncertain about making financial decisions (Hanna 2011:36). As clients and advisers get to know each other's investing and risk-taking history a similar risk tolerance level facilitates a favourable working relationship because of similar traits (Baker and Ricciardi 2015:24). This understanding and correspondence of investment behaviour can help the financial decision-making process (Baker and Ricciardi 2015:23).

2.4.1.6 Location

According to Batool and Malik (2010:145), when individuals live close to each other, it gives them an opportunity to have continuous interaction and this enhances attraction. This mean that if people live in close proximity or in a similar environment, the chances of building attraction is increased. Treger and Masciale (2018:254), support this by stating that people who lived in proximity to one another eventually led to relationship formation and attraction.

2.5 SUMMARY OF CHAPTER

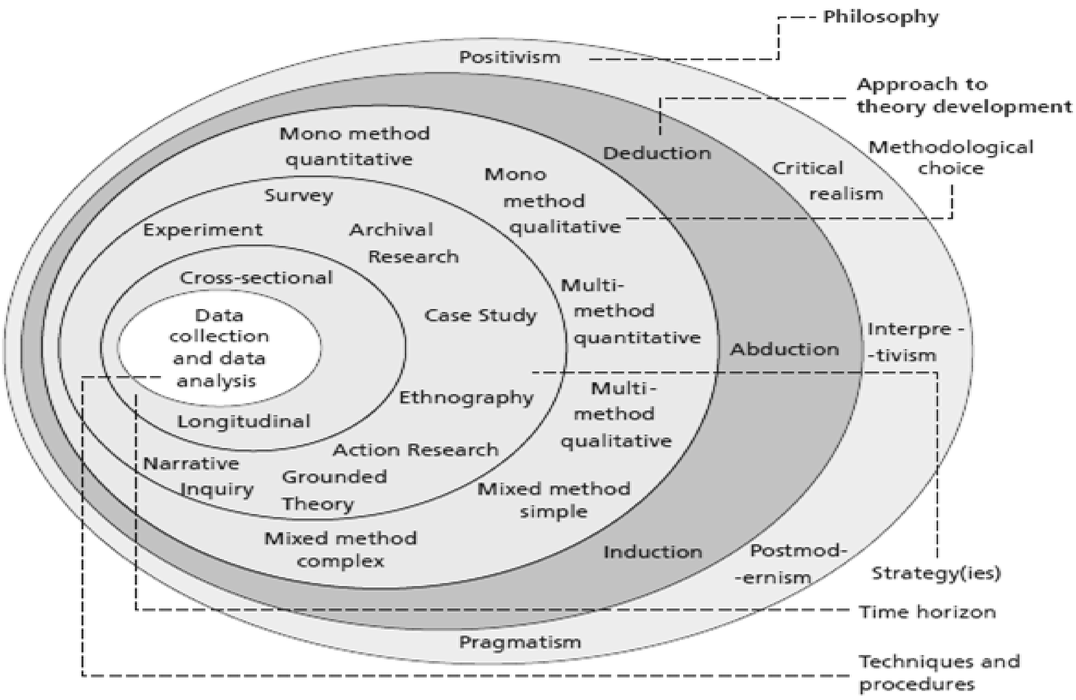
Despite the existing literature on the selection of financial planners and the similarity-attraction model, it is still worthwhile to carry out this study. The study does not seek to re-invent the wheel as it were. Apart from setting out a different context, it seeks to merge the two key issues reviewed above. It examines how similarity-attraction has been a factor in the selection of a financial planner in Nelson Mandela Bay. Of particular interest to this study would be the range of services clients want from financial planners as well as the demographic characteristics customers consider when selecting a financial planner.

CHAPTER THREE
RESEARCH DESIGN AND METHODOLOGY

3.1 INTRODUCTION

The chapter outlines the research methodology that has been adopted for this study. The research design and methodology of the study will be discussed in the context of the research onion as described by Saunders, Lewis and Thornhill (2019). Saunders *et al.* (2019) refer to the research process as different layers that need to be peeled away and understood as the researcher aims to resolve the problem and research question. Figure 3.1 illustrates the research onion which states that the research philosophy and approach to theory development are the first two layers that need to be addressed. Thereafter the methodological choices need to be considered and the research strategy is selected. The time horizon of the study is determined, before finally, research methods of data collection and analysis are explored.

FIGURE 3.1:
THE RESEARCH ONION



Source: Saunders *et al.* (2019:130)

3.2 RESEARCH PARADIGM

According to Walliman (2011:175), a research paradigm is an approach or worldview that that guides researchers on how to approach and conduct their particular research. Kivunja and Kuyini (2017:26), support this this by stating that a research paradigm is a perspective, a way of thinking and shared ideas that describes the significance and meaning of research data. The content that should be studied, how it is to be studied and ways to clarify the research results are influenced by a particular research paradigm (Kivunja & Kuyini 2017:26).

Positivism is a philosophical branch that prefers working with realities of a social nature that can be observed and the outcome of this research can be concluded to have not come about by accident (Saunders, Lewis & Thornhill 2009:113). Through positivism, cause and effect relationships are observed and the resulting data is perceived to be credible (Kivunja & Kuyini 2017:30). Critical realism is based on critical reasoning and it is an approach that acknowledges aspects of positivism but asserts that the natural order that exists in social settings and discussions cannot be seen through observations of events alone (Walliman 2011:24). This is because there is a social system that has been created by the interactions of cultural, ethnic and political factors and this influences the perceived reality (Rehman & Alharthi 2016:57). Interpretivism is a paradigm that focuses attention on the difference between the research of individual experiences and the research of objects. This is because humans have a subjective interpretation of the world but the world itself does not (Hammersley 2013:26). According to Walliman (2011:23), postmodernism is a paradigm that challenges matters relating to meaning, understanding and veracity with regards to explaining reality. It is a subjective approach that specifies that no universal truths oversee the world (Walliman 2011:23). Pragmatism is a paradigm that asserts that it is not possible to view the world through a single scientific method or determine social reality as supported by positivism and interpretivism respectively (Kivunja & Kuyini 2017:35). This paradigm focuses on deeds and results and does not aim to establish or test hypothesis (Grover 2015:5).

This research study will follow a positivistic paradigm as observations are made with regards to the influence similarity-attraction has on the selection of a financial planner.

There will be quantifiable measures of variables that will assist in determining the effect these variables have on each other and whether a cause and effect relationship exists.

3.3 APPROACH TO THEORY DEVELOPMENT

There are three approaches to theory development. Deduction, abduction and induction are means of linking and simplifying ideas and they are considered forms of logical reasoning (Reichertz 2014:127). The deductive approach follows the reasoning that a theory and hypothesis that is believed to be true will be established and a research strategy will be established in order to test the hypothesis (Saunders *et al*. 2009:124). Walliman (2011:19), further supports this by saying theories are formed on the basis of incomplete information and are assessed by observation and experiment to confirm possible truthfulness. According Saunders *et al*. (2009:126), the inductive approach aims to understand human interpretations of their social world. Because of experiences that have been observed, humans make conclusions and then generalizations (Walliman 2011:17). According to the inductive approach, theory development is the outcome of data that has been analysed after it has been collected (Saunders, Lewis & Thornhill 2019:160). This is the opposite of deduction. The abductive approach aims to understand data that is hard to comprehend by making the best predictions or the best possible explanations of the data (Reichertz 2014:127). Saunders (*et al*. 2019:155), supports this by stating that abduction starts with a surprising observation and then a credible hypothesis of how it could have occurred is formulated. A deductive approach will be followed in this research study because of a causal effect between the variables in this study, namely similarity-attraction and the selection of a financial planner (Saunders *et al*. 2009:126).

3.4 RESEARCH METHODOLOGY

Methodological choices are influenced by the research paradigm adopted. The use of a mono method research technique entails a single data collection technique and subsequent data analysis (Saunders *et al*. 2009:151). A mono method quantitative research is when numbers help explain the discoveries that have been made using a single data collection method (Cresswell 2003:153). A mono method qualitative research is when data is collected through exploratory research as it builds upon new concepts, however, only a single data collection method is used (Williams 2007:67). The use of a multi method research technique involves the use of multiple data collection techniques and more than one data analysis method (Saunders *et al*. 2009:151). A multi method quantitative approach involves the use of two or more quantitative data collection methods whilst a multi method qualitative make use of two or more qualitative data collections methods and analysis procedures (Saunders *et al*. 2009:151). A mixed method approach to research involves the use of both qualitative and quantitative methods of data collection and analysis and it useful to pull from the advantages and reduce potential weaknesses of both methods (Willams 2007:70). This study will utilise the mono method quantitative approach as it will use a single primary data collection method, namely questionnaires.

3.5 RESEARCH STRATEGIES

There are many research strategies that can be implemented, and these include, quantitative strategies such as experiments and surveys and qualitative strategies such as archival research, case studies, ethnographies, action research, grounded theory and narrative inquiry (Cresswell 2013:15). These strategies will be described briefly and the one chosen for this study will be specified.

Experiments are used to separate specific occurrences so that investigations can be carried out without any disruptions (Walliman 2011:103). Surveys are when researchers gather capture information about a specific occurrence or event in the present moment (Williams 2007:67). According Worcester Polytechnic Institute (2018), archival research is the investigation of data from documents that companies have. Case studies involve deep exploration of an event or activity or individuals over a specific time period (Cresswell 2013:15). Ethnographies involve the collection of observational data of people who share a culture (Williams 2007:68). Action research includes data that has been obtained through monitoring behaviour and observations in a certain setting Walliman (2011:12). According to (Grover 2015:4), grounded theory is an approach that builds theory from data instead of it testing the theory by using data. Narrative inquiry involves the generation of data from stories about individuals' lives and the meanings they derive (Cresswell 2013:15). This study will utilise the survey research method as sampling data from respondents will be a representation of the population (Williams 2007:67).

3.6 TIME HORIZON

In cross-sectional studies data is collected during a certain point in time while in longitudinal studies data is collected over a time period or interval (Johnson 2010:250). This study will use the cross-sectional approach to collecting data because different population groups and certain criteria within those groups can be compared at a certain point in time in order to understand cause and effect outcomes and relationships (Institute for Work and Health 2015:2). In order to see how similarity-attraction affects the selection of a financial planner, different similarity-attraction traits that people adhere to need to be investigated and their effects recorded at a certain point in time. A benefit of cross-sectional studies is that they can be conducted in a smaller time-frame than longitudinal studies (Institute for Work and Health 2015:2).

3.7 DATA COLLECTION

According to (Dudovskiy 2016:2), data collection is defined as the collection of information from appropriate sources to discover solutions to the research problem, test the hypotheses and assess the outcome. According to Struwig and Stead (2017:89), primary data collection involves the monitoring of people and situations and also asking questions. Secondary data is information available for use from sources that do not include the current research project (Struwig & Stead 2017:82).

3.7.1 SECONDARY RESEARCH

Secondary research is conducted to help the researcher compile information on the primary purpose of the study. This secondary data has already be collected by another party (Andrews, Higgins, Andrews & Lalor 2012:16). Secondary data will be gathered from internal or external sources such as the internet, journal articles, books, newspapers, magazines, annual reports and financial reports (Longenecker, Moore, Petty and Palich 2006:134). Furthermore, the Nelson Mandela University library, Google Scholar database, EBSCOhost and others which are academically accepted will be used to gather secondary data.

3.7.2 PRIMARY RESEARCH

Primary data is data that has been collected for a research study by the researchers and in quantitative research studies interviews, surveys or questionnaires can be used (Struwig & Stead 2017:82-89).

3.7.2.1 Data collection methods

According to Quinlan, Babin, Carr, Griffin and Zikmund (2015:154), interviews are a form of primary data collection for quantitative research. Interviews provide the researcher with the opportunity to establish rapport with the person being interviewed and the research can be explained thoroughly (Quinlan *et al.* 2015:154). There are two types of interviews, structured and semi-structured. Surveys include personal surveys, telephone surveys and mail surveys. Personal surveys or interviews are an expensive method of data collection and they are also time consuming. Personal surveys are regarded as being more accurate than telephone and mail surveys as they are conducted in person and response rates are more favourable (Struwig & Stead 2017:89). Questionnaires are a method of primary data collection that ask questions in order to gather information from respondents and are made up of open-ended and closed questions. Open-ended questions allow respondents to express themselves in their responses and closed question provide set responses that respondents can choose from (Quinlan *et al.* 2015:155). Questionnaires are highly structured and accommodate a large number of participants in the research (Quinlan *et al.* 2015:155).

3.7.2.2 Population

A population is a well-defined group of people that is of interest to the study (Walliman 2011:94). For the purpose of this study the targeted population will be consumers/individuals who make use of financial services. Due, to the fact that data cannot be collected from the whole population, therefore, a sample will be used.

3.7.2.3 Sample

According to Quinlan *et al*. (2015:399), a sample is a subgroup of the larger population. For the purpose of this study, a sample of 150 participants will be chosen in the Nelson Mandela Bay Metropolitan area who use financial planning services. After analysing the questionnaires that are used to collect primary data from the sample the hypotheses will be tested empirically. Of the 200 questionnaires distributed, 99 completed questionnaires were returned, thus a response rate of 66 percent was obtained.

3.7.2.4 Sampling method

According to (Walliman 2011:93), the procedure of choosing a small group of individuals from a large group is called sampling. The non-probability sampling technique criterion will be used in this study. This when a sample is chosen to represent the population (Quinlan *et al.* 2015:179). Non-probability sampling techniques include judgemental sampling, quota sampling, convenience sampling and snowball sampling. For the purpose of this study, judgmental or purposive sampling will be used. This is because the sample that is identified will be able to contribute to the research in a meaningful way.

3.7.2.5 Design of the measuring instruments

A 5-point Likert scale questionnaire will be used in the study and the series of statements were rated on a scale of 1 to 5. 1 indicating that the respondent strongly disagrees with the statement and 5 indicating that the respondent strongly agrees. The items measuring the different factors namely age, education, ethnicity, gender and language are provided as per Table 3.1.

TABLE 3.1

ITEMS MEASURING THE VARIABLES INFLUENCING THE SIMILARITY ATTRACTION OF FINANCIAL PLANNERS

CODE	ITEMS MEASURING THE VARIABLE AGE
AGE001	I feel more attracted to a financial planner who is of the same age as me.
AGE002	I believe a financial planner of the same age can understand me better.
AGE003	I feel more attracted to a financial planner who is older than me.
AGE004	I believe that the older a financial planner is the more knowledgeable they are.
CODE	**ITEMS MEASURING THE VARIABLE EDUCATION**
EDU001	I feel more attracted to a financial planner who is more educated than I am.
EDU002	A financial planner's qualification does influence my attraction towards them.
EDU003	I feel more attracted to a financial planner who has the same risk-taking abilities as me.
EDU004	A financial planner's risk tolerance does not affect my attraction towards them.
CODE	**ITEMS MEASURING THE VARIABLE ETHNICITY**
ETH001	I feel more attracted to a financial planner that is of a similar culture to me.
ETH002	I feel more attracted to a financial planner that is of a similar race as me.
ETH003	I feel more attracted to a financial planner that shares the same values as me.
ETH004	I feel more attracted to a financial planner that has the same beliefs I do.
CODE	**ITEMS MEASURING THE VARIABLE GENDER**
GEN001	I feel more attracted to a financial planner who is of the same gender as myself.
GEN002	A financial planner's gender influences my attraction towards them.
CODE	**ITEMS MEASURING THE VARIABLE LANGUAGE**
LANG001	I feel more attracted to a financial planner whose first language is the same as mine.
LANG002	I feel more attracted to a financial planner who has a similar accent as I do.
LANG003	I feel more attracted to a financial planner who has a similar dialect as I do.
LANG004	I feel more attracted to a financial planner who speaks the same languages as I do.
CODE	**ITEMS MEASURING THE VARIABLE RISK TOLERANCE**
RISK001	I feel more attracted to a financial planner who shares the same risk tolerance as me.
RISK002	I feel more attracted to a financial planner who shares the same risk aversion as me.
RISK003	I feel more attracted to a financial planner who has the same risk-taking abilities as me.
RISK004	A financial planner's risk tolerance does not affect my attraction towards them.

Source: Researchers' own construction

The first part of the questionnaire will have questions pertaining to the demographics of the individual. The rest of the questionnaire will list questions pertaining to the independent variables and the dependent variable of the study.

3.7.2.6 Ethics

According to Saunders *et al*. (2009:43), ethics is the suitable behaviour of researchers with regards to participants who will are the subject of the work. Guarantees will be made to participants that their contribution to the research will only be viewed by the researcher or supervisor of the research project (Quinlan *et al.* 2015:46). Anonymity is guaranteed to the participants as they will not be identified during the research process or afterwards (Quinlan *et al.* 2015:46). The nature of the research and any information of concern to the participants will be communicated to the participants.

The Nelson Mandela University requires that certain processes be followed with regard to ethics based on the type of study and the subjects involved in the study. For this study, full ethical clearance was needed because the study involves working with a vulnerable group. These vulnerable or sensitive groups include among others, children, the elderly, persons in dependent relationships and students. Application for approval was applied for at the Nelson Mandela University Research Ethics Committee (human) or the REC-H. The application involved the submission of the questionnaire of the study and the completion of a form from the REC-H. A declaration of privacy was signed. By signing this declaration, it was agreed that all respondents of the study would remain anonymous and their confidentiality would be protected at all times.

3.7.2.7 Data analysis

According to Tyamko and Jana (2017:33), data analysis is the methodology of applying statistical and logical techniques to define, demonstrate and evaluate data. According to Omair (2014:102), descriptive statistics is used to summarise data from a sample using numerical summaries and graphs. Descriptive statistics that are used include frequencies, ranges, means, modes, medians and standard deviations (Quinlan *et al.* 2015:359). Inferential statistics take data from a sample and makes inferences about the population. Inferential statistics can make judgements on whether the probability of observed differences or similarities between groups is dependable or whether it is by chance (Walliman 2011:116). Collected data will be coded so that it can be entered into a Microsoft Excel spreadsheet. The spreadsheet is then imported into Microsoft Statistica 12 for statistical analysis. Nassaji (2015:130), indicates that in order to determine criterion validity, the exploratory factor analysis (EFA) could be used. For this study EFA will be conducted to test validity and a factor loading of more than 0.5 will be valid. Cronbach's alpha coefficients will be calculated to test for reliability. Cronbach alpha's coefficients over 0.7 are regarded as good. According to Van Tonder and Roberts-Lombard (2016:6), coefficients above 0.7 constitute the minimum acceptable scale reliability. The data will be analysed from the questionnaires using computer programmes Microsoft Excel and Statistica 12. The statistics will be used to determine which factors influence individuals' intentions to make use of a financial planner.

3.8 SUMMARY

In this chapter it was indicated that a positivistic research paradigm will be adopted. The deductive approach to theory development will be utilised. A mono method quantitative research technique will be applied by means of surveys. Details on the population, sample frame, sample and research instrument were provided. Questionnaires will be the primary data collection method. Primary data will be analysed by the use of inferential statistics.

CHAPTER FOUR
EMPIRICAL RESULTS

4.1 INTRODUCTION

Chapter Three outlined the research methodology and design used to accomplish the study objectives. Great detail was emphasised with regard to the data collection method and the data analysis techniques utilised. Chapter Four presents the results of the statistical analysis. Firstly, the descriptive statistics of demographic information portraying the respondents is presented. Secondly, the results pertaining to the validity and reliability assessments of the measuring instrument will be explained. Empirical results will be exhibited in order to show the outcome of the descriptive statistics.

4.2 DESCRIPTIVE STATISTICS OF DEMOGRAPHIC INFORMATION

Section A of the questionnaire elicited general information from the respondents. It is evident from Table 4.1 that the majority (54.55%) of the respondents were currently not using a financial planner. Trust in the financial planner ranked the highest with regards to the reason why one would select a financial planner as (33.33%) of the respondents selected this reason and recommendations from a family member, colleague or friend was the second highest influence. Male respondents were (50.51%) of the total respondents meaning both males and females were almost equally represented. A majority of the respondents (35.35%) were aged between 20 to 25 years and respondents over 56 years represented about (2.02%) of the sample. Black respondents make up (58.59%) of the sample, White respondents make up (27.27%) and Coloured respondents underrepresented as they make up (11.11%) of the total sample. The majority of the respondents (41.41%) were English speakers and Xhosa speakers made up (27.27%) of the sample. Afrikaans speakers were (22.22%) of the respondents.

TABLE 4.1

DEMOGRAPHIC INFORMATION OF RESPONDENTS

Respondents currently making use of a financial planner	**Frequency**	**Percent**
Yes	45	45.45
No	54	54.55
Total	**99**	**100**
Aspects that would influence the selection of a financial planner	**Frequency**	**Percent**
Convenience of location of the financial planner’s office	5	5.05
Financial institution such as a bank, brokerage firm, credit union or accounting firm	24	24.24
Advice from family member, colleague or friend	29	29.29
Online appraisals, social media, mass media advertising, word of mouth	3	3.03
Trust in the financial planner	33	33.33
Other (Please specify):	5	5.05
Total	**99**	**100**
Gender	**Frequency**	**Percent**
Male	50	50.51
Female	49	49.49
Missing	0	0.00
Total	**99**	**100**
Age	**Frequency**	**Percent**
< 20 years	1	1.01
20 – 25 years	35	35.35
26 – 29 years	12	12.12
30 – 35 years	18	18.18
36 – 39 years	11	11.11
40 – 45 years	8	8.08
46 – 49 years	3	3.03
50 – 55 years	9	9.09
56 – 59 years	1	1.01
60+ years	1	1.01
Total	**99**	**100**
Ethnicity	**Frequency**	**Percent**
Black	58	58.59
Coloured	11	11.11
White	27	27.27
Not willing to say	3	3.03
Total	**99**	**100**
Language	**Frequency**	**Percent**
Afrikaans	22	22.22
English	41	41.41
Sotho	2	2.02
Xhosa	27	27.27
Zulu	4	4.04
Other (Please specify):	3	3.03
Total	**99**	**100**

Among the respondents (33.33%) had Matric as their highest qualification achieved and one respondent had a qualification less than Matric. A majority of the respondents were never married and (49.49%) of respondents had been employed between 0 to 5 years. A majority of respondents (26.26%) earn no income or at most R5000 and (25.25%) had income between R20 001 to R40 000. Respondents were employed in different occupations. Most respondents (19.19%) specified occupations that were not included in the questionnaire, and (16.16%) of respondents had administrative jobs and managerial jobs (16.16%).

TABLE 4.1 (CONTINUED)

DEMOGRAPHIC INFORMATION OF RESPONDENTS

Education	Frequency	Percent
<Matric	1	1.01
Matric	33	33.33
National certificate / diploma	15	15.15
Bachelor’s degree	15	15.15
Honours / Post graduate certificate	16	16.16
Professional designation e.g. CFP® CA (SA)	1	1.01
Masters	12	12.12
Doctorate	4	4.04
Other (Please specify) :	2	2.02
Total	**99**	**100**
Marital status	**Frequency**	**Percent**
Never married	54	54.55
Not married but living with a partner	11	11.11
Married	27	27.27
Separated / Divorced	6	6.06
Widowed	1	1.01
Total	**99**	**100**
Length of employment	**Frequency**	**Percent**
0 – 5 years	49	49.49
6 – 10 years	24	24.24
11 – 14 years	9	9.09
15 – 20 years	4	4.04
More than 21 years	13	13.13
Total	**99**	**100**

TABLE 4.1 (CONTINUED)

DEMOGRAPHIC INFORMATION OF RESPONDENTS

Income before tax	Frequency	Percent
R0 – R5 000	26	26.26
R5 001 – R10 000	18	18.18
R10 001 – R20 000	16	16.16
R20 001 – R40 000	25	25.25
More than R40 0000	14	14.14
Total	**99**	**100**
Occupation	**Frequency**	**Percent**
Administrative (secretaries, personal assistants etc.)	17	17.17
Manager (general, specialist etc.)	16	16.16
Building and engineering professional (architects, artisan, surveyor, cartographer etc.)	11	11.11
Business professional (accountant, auditor, public relations officer etc.)	11	11.11
Information professional (computing, librarian, statistician, policy analyst etc.)	3	3.03
Social professional (legal professional, economist etc.)	1	1.01
Medical professional (generalist, specialists, nurses, ambulance officers etc.)	5	5.05
Academic and education professional (teachers, lecturer, professor etc.)	4	4.04
Law enforcement professional (fire fighters, police officers, prison warden, traffic officer etc.)	3	3.03
Science professional (Chemists, medical scientist, environmental scientist etc.)	3	3.03
Social welfare professionals (social workers, psychologist, councillors, psychiatrist etc.)	6	6.06
Other (please specify)	19	19.19
Total	**99**	**100**

Source: Researchers' own construction

In Section C of the questionnaire, respondents were required to select up to three aspects they would likely or were currently seeking financial advice for. A majority (19.87%) of the respondents selected Investment Management and (19.19%) of respondents selected retirement planning. Less than seven percent (6.06%) reported that they would seek advice for funding educational needs.

TABLE 4.2

ASPECTS OF FINANCIAL PLANNING THAT RESPONDENTS SEEK ADVICE FOR

Aspect	Frequency	Percent
Estate planning	32	10.77
Tax planning	32	10.77
Retirement planning	57	19.19
Personal debt management	35	11.78
Health-care provision	29	9.76
Risk and Insurance planning	27	9.09
Funding educational needs	18	6.06
Investment Management	59	19.87
Other (please specify)	0	0.00
Missing data	8	2.69
Total	**297**	**100.00**

Source: Researchers' own construction

4.3 RESULTS OF THE VALIDITY AND RELIABILITY ANALYSIS

In order to assess the validity of the variables an exploratory factor analysis (EFA) was conducted. The factor structure that resulted is shown in Table 4.3. Factor loadings that were greater than 0.5 were used as these were considered valid (Nassaji 2015:130). In order to assess the reliability of the measuring instrument Cronbach's alpha coefficients were calculated. Coefficients over 0.7 were considered reliable (Van Tonder and Roberts-Lombard (2016:6).

TABLE 4.3

FACTOR STRUCTURE OF VARIABLES

	LANGUAGE AND ETHNICITY	RISK TOLERANCE	N/A	EDUCATION	AGE
ETH002	0.858722	0.059193	-0.121940	-0.099712	0.139342
ETH001	0.809173	0.086713	-0.048392	-0.000879	0.122031
LANG004	0.772397	0.206298	0.011866	0.195481	0.047149
LANG001	0.739911	0.232011	0.100788	0.180886	0.052449
GEN001	0.714667	0.052255	-0.176758	0.077003	0.115416
LANG002	0.690444	0.237416	-0.124011	0.240481	-0.052678
ETH004	0.684940	0.136844	0.055892	0.150911	0.228161
AGE001	0.680638	0.129986	-0.071883	-0.247050	0.208919
GEN002	0.568330	0.028277	-0.236213	0.315363	0.136209
LANG003	0.549230	0.303857	0.033307	0.182529	0.131421
AGE002	0.533069	0.267787	0.249039	-0.323441	0.204360

TABLE 4.3 (CONTINUED)

FACTOR STRUCTURE OF VARIABLES

EDU003	0.077945	0.921184	0.011024	0.107505	0.150493
RISK003	0.069925	0.916493	-0.014871	0.104773	0.159804
RISK002	0.143205	0.829238	-0.047625	-0.119164	0.158400
RISK001	0.321318	0.763082	0.027862	-0.158400	-0.092880
RISK004	-0.048217	0.001918	0.973509	-0.017412	-0.018339
EDU004	-0.057486	-0.018704	0.967668	-0.000412	-0.032649
EDU002	-0.055131	0.028492	-0.052168	0.719965	0.113030
EDU001	0.289184	0.019392	0.047208	0.710907	0.236461
AGE004	0.110709	0.214133	0.018728	0.037591	0.903072
AGE003	0.288729	0.187311	-0.168831	0.311633	0.708588
ETH003	0.493889	0.332066	-0.092502	-0.008160	0.237236
Expl.Var	**5.931478**	**3.518187**	**2.131200**	**1.650291**	**1.754581**
Prp.Totl	**0.269613**	**0.159918**	**0.096873**	**0.075013**	**0.079754**

Source: Researchers' own construction

*KEY: ETH= Ethnicity; LANG= Language; GEN= Gender; EDU=Education; N/A= Not considered for further analysis.

When doing the exploratory factor analysis, two of the five extracted factors loaded as valid constructs. Factors where less than three items loaded were not considered for further analysis. Several items loaded together (ETH002, ETH001, LANG004, LANG001, GEN001, LANG002, ETH004, AGE001, GEN002, LANG003 and AGE002) as shown in Table 4.4, and these are being operationalised as cultural identity. According to Wardhaugh (2002:220), one cannot understand or appreciate culture without knowledge of language and vice versa. It is evident that culture and language do not exist separately. This is because language plays an important role in how people identify with one another. Age and generations also play a cultural role in passing down traditions and cultural norms that people identify with. The loading for the cultural identity factor ranged between 0.533 and 0.859, showing evidence of validity. Cultural identity explains (48.82%) of the variance in the data. The Cronbach's alpha returned for cultural identity is 0.910. As pointed out by the results, there is evidence of reliability and validity for the scale measuring cultural identity.

TABLE 4.4

VALIDITY AND RELIABILITY OF THE VARIABLE: CULTURAL IDENTITY

Cronbach's alpha for variable: 0.910			**Variance explained: 48.82%**	
Item	**Statements relating to cultural identity**	**Factor loading**	**Item-Total correlation**	**Cronbach's alpha if deleted**
ETH002	I feel more attracted to a financial planner that is of a similar race as me.	0.859	0.790	0.894
ETH001	I feel more attracted to a financial planner that is of a similar culture to me.	0.809	0.750	0.897
LANG004	I feel more attracted to a financial planner who speaks the same languages as I do.	0.772	0.744	0.897
LANG001	I feel more attracted to a financial planner whose first language is the same as mine.	0.740	0.726	0.898
GEN001	I feel more attracted to a financial planner who is of the same gender as myself.	0.715	0.675	0.901
LANG002	I feel more attracted to a financial planner who has a similar accent as I do.	0.690	0.671	0.901
ETH004	I feel more attracted to a financial planner that has the same beliefs I do.	0.685	0.657	0.902
AGE001	I feel more attracted to a financial planner who is of the same age as me.	0.681	0.625	0.904
GEN002	A financial planner's gender influences my attraction towards them.	0.568	0.547	0.909
LANG003	I feel more attracted to a financial planner who has a similar dialect as I do.	0.549	0.564	0.906
AGE002	I believe a financial planner of the same age can understand me better.	0.533	0.498	0.909

Source: Researchers' own construction

As a result of exploratory factor analysis, cultural identity was operationalised to convey that people feel attracted to or strongly identify with those of a similar group. People who are similar to each other feel more comfortable around each other and this increases attraction. When a person sees themselves in someone else they are more likely to attach positive intentions with regards to their interactions. People who have a similar cultural identity with their financial planner believe that the financial planner will have their best interest with regard to their financial needs.

Three of the items measuring risk (RISK003, RISK001 and RISK002) loaded as shown in Table 4.5. These items are being operationalised as risk tolerance. The loading for this factor ranged between 0.763 and 0.916, showing evidence of validity. Risk tolerance explains (79.12%) of the variance in the data. The Cronbach's alpha returned for risk tolerance is 0.904. As pointed out by the results, there is evidence of reliability and validity for the scale measuring risk tolerance. EDU004 also loaded onto risk tolerance but less than three factors loaded so they were not considered for further analysis.

TABLE 4.5

VALIDITY AND RELIABILITY OF THE VARIABLE: RISK TOLERANCE

Cronbach's alpha for variable: 0.904			Variance explained: 79.12%	
Items	**Statements relating to risk tolerance**	**Factor loading**	**Item-Total correlation**	**Cronbach's alpha if deleted**
RISK003	I feel more attracted to a financial planner who has the same risk-taking abilities as me.	0.916	0.863	0.847
RISK001	I feel more attracted to a financial planner who shares the same risk tolerance as me.	0.829	0.657	0.920
RISK002	I feel more attracted to a financial planner who shares the same risk aversion as me.	0.763	0.767	0.885

Source: Researchers' own construction

As a result of exploratory factor analysis, risk tolerance was operationalised to convey that people feel attracted to or strongly identify with those who are comfortable in taking a similar amount of risk. Because financial planning has a possibility of loss, a client who has similar risk-taking abilities as their financial planner would be attracted to their financial planner. This is because the client and the financial planner will be able to understand each other better and the potential for loss or gain will not surprise both parties.

4.4 DESCRIPTIVE STATISTICS OF THE FACTORS MEASURING SIMILARITY-ATTRACTION

In order to report on the sample data, descriptive statistics were calculated. These statistics included working out the mean response and standard deviation. Responses were measured on the 5-Point Likert Scale for the variables that were further investigated. Frequencies were determined and responses were interpreted as DISAGREE ($1 \leq x < 3$); NEUTRAL (3) AND AGREE ($4 \leq x < 5$).

Table 4.6 indicates that the variable produced a mean score in the range of 3 and 3.5. risk tolerance had the highest mean of 3.39 and cultural identity had a mean of 3.13. More than half the respondents remained neutral (57.52%) or agreed (32.74%) with risk tolerance factors in the selection of a financial planner. Only (22.12%) of respondents did not believe that having the same risk tolerance with a financial planner influenced their selection of a financial planner. (30.09%) of respondents were neutral and (18.58%) agreed to the statements that measured cultural identity. (38.94%) of respondents disagreed with the statements that measured cultural identity. This means that those respondents are not influenced to select a financial planner because of the group of people that financial planner identifies with.

TABLE 4.6

DESCRIPTIVE STATISTICS OF FACTORS

Factor	Mean	Standard deviation	Percent Agree	Percent Neutral	Percent disagree
Cultural identity	3.13	0.887	18.58	30.09	38.94
Risk tolerance	3.39	0.946	32.74	57.52	22.12

Source: Researchers' own construction

4.5 PEARSON'S CORRELATION COEFFICIENT

According to (Cowan 1998:42), the association between two variables is measured by the Pearson's correlation coefficient. The strength variation is between zero and positive one and zero and negative one. With regards to a sample (r) represents the Pearson's correlation coefficient. Struwig and Stead (2013:168), states that a positive association or relationship between two variables is denoted by a positive (r) and a negative association or relationship between the variables is denoted by a negative (r).

TABLE 4.7

INTERPRETATION OF THE PEARSON'S PRODUCT MOMENT CORRELATIONS

RANGE	STRENGTH	RANGE	STRENGTH
0.99 to 0.90	very high positive correlation	**0.00 to -0.39**	low negative correlation
0.89 to 0.70	high positive correlation	**-0.69 to -0.40**	medium negative correlation
0.69 to 0.40	medium positive correlation	**-0.70 to -0.89**	high negative correlation
0.39 to 0.00	low positive correlation	**-0.90 to -0.99**	very high negative correlation

Source: Hussey and Hussey (1997:229)

The data results for the two variables risk tolerance and cultural identity show positive correlations and can be interpreted using Table 4.7 above. The factors that were analysed have Pearson's correlation coefficients that were established and presented in the Table below.

TABLE 4.8

PEARSON'S CORRELATION COEFFICIENTS

Significant at p < 0.05000	Risk tolerance	Cultural identity
Risk tolerance	1.000000	0.385843
Cultural identity	0.385843	1.000000

Source: Researchers' own construction

It is evident from Table 4.8 that there is a low positive correlation r=0.39 between the two variables. This means that the variation in cultural identity explains a weak but positive linear relationship to the variation in risk tolerance.

4.6 SUMMARY

The empirical results of the study were reported and explained in this chapter. Descriptive statistics were calculated in order to give details of the sample. Results of the validity and reliability analysis were tabulated and exploratory factor analysis was conducted. To assess the reliability of the measuring instrument Cronbach's alpha coefficients were calculated. These analyses concluded that variables were valid and reliable. A consequence of these validity assessments was the operationalisation of factors that loaded together. The mean response and standard deviation of the operationalised variables were worked out. In order to assess the relationship between the variables, Pearson's correlation coefficients were used.

CHAPTER FIVE
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 INTRODUCTION

The previous chapter presented the empirical results. Chapter Five, which is the final chapter of the study will provide a brief overview of the study and this will be followed by conclusions and proposed recommendations. Lastly, the contributions and limitations of the study will be highlighted.

5.2 OVERVIEW OF THE STUDY

The introduction and background to the study was presented in Chapter One. The primary objective of this study was to establish the extent that the similarity-attraction model affects the selection of financial planners in the Nelson Mandela Metropolitan area. The primary objective of this study was to establish the extent that the similarity-attraction model affects the selection of financial planners in the Nelson Mandela Bay area.

TABLE 5.1

STUDY OBJECTIVES ACHIEVED AND RELEVANT CHAPTERS

PRIMARY OBJECTIVE		**RELEVANT CHAPTER(S)**
In order to address the primary objectives the following secondary objectives were formulated together with the methodological objectives:		**Chapter One to Five**
SECONDARY OBJECTIVES		
SO[1]	To determine which financial planning services individuals seek assistance with.	**Chapter Two**
SO[2]	To determine which aspects individuals relate to in a financial planner.	**Chapter Two**
SO[3]	To determine the effect of demographic variables in the selection of a financial planner.	**Chapter Four**

TABLE 5.1 (CONTINUED)

STUDY OBJECTIVES ACHIEVED AND RELEVANT CHAPTERS

METHODOLOGICAL OBJECTIVES		
MO^1	To conduct a literature review on the financial planning environment and the six step financial planning process as well as the similarity-attraction model and the factors that influence the selection of a financial planner in The Nelson Mandela Bay area.	**Chapter Two**
MO^2	To develop an appropriate research design and methodology.	**Chapter Three**
MO^3	To develop a research instrument that will be used to collect the data necessary for the study.	**Chapter Three and Annexure C**
MO^4	To analyse the data collected using appropriate statistical techniques.	**Chapter Four**
MO^5	To provide recommendations and suggestions to the financial planners, as well as individuals, companies and organisations for future planning purposes.	**Chapter Five**

Source: Researchers' own construction

Chapter Two provided an in-depth literature review thereby achieving the first methodological objective of the study. The literature review provided an overview of the financial planning industry in a South African context. The financial planning industry was described as a service-based industry that assists clients in meeting their financial and lifestyle goals. The Regulatory Environment of the financial planning industry was discussed and this included the Financial Sector Regulations Act, Financial Sector Conduct Authority, Treating Customers Fairly and Conduct of Financial Institutions Act. The importance and usage of financial planning were elaborated on. It was discovered that usage of financial planners was low in South Africa due to a lack of financial inclusion and financial education. The six step financial process was stated and the similarity-attraction model was defined and introduced. Certain aspects addressed in the similarity-attraction model were defined and they include gender bias, attitude, ethnicity, education, risk tolerance and location.

The research design and methodology was described in Chapter Three. The second and third methodological objectives were achieved in this chapter and these included the data collection and data analysis methods. Different research paradigms were defined and this study followed a positivistic paradigm. With regard to the approach of theory development a deductive approach was followed in order to discern the casual effect of similarity-attraction and the selection of a financial planner. This study used questionnaires as the primary data collection method, hence, the mono method quantitative approach was used. Data could not be obtained from the entire population, so a sample was used. A questionnaire was designed to obtain information from the participants taking part in the study. With regards to data analysis, descriptive and inferential statistics were worked out for this study.

In order to fulfil the fourth methodological objective of the study the empirical results were reported in Chapter Four. The outcome of the descriptive statistics described the sample and the validity and reliability assessments were tabulated. Exploratory factor analysis was conducted in order to assess the validity of the variables. Factor loadings that were considered valid were those greater than 0.5. The reliability of the measuring instrument was assessed by calculating Cronbach's alpha coefficients. Reliable coefficients were greater that 0.7. Based on these validity assessments, certain factors were grouped and operationalised.

99 questionnaires were completed for this study and these revealed statistics related to the demographic information of respondents. The majority of respondents had not used a financial planner and trust in the financial planner influenced the selection of a financial planner for most respondents. Male and female respondents were equally represented but a majority of the respondents were between 20 to 25 years old, spoke English and were black. A high number of respondents had a matric qualification or higher. A majority of respondents were never married and most of the respondents were employed for 5 or less years.

Through statistical analysis, it was shown that certain variables loaded together. This meant that these variables were testing something similar. Among the variables that loaded together, two variables were operationalised. These operationalised variables were cultural identity and risk tolerance. Cultural identity loaded an average of 0.691 factor loading across eleven variables that grouped together. Risk tolerance loaded an average of 0.836 factor loading across three variables that grouped together. Factors that had variables of less than three load together were not further analysed.

With regards to the exploratory factor analysis conducted, new factors were operationalised meaning there is a need to reformulate the hypotheses. The reformulated hypotheses are as follows:

H^1 There is a positive relationship between cultural identity and the similarity attraction of a financial planner.

H^2 There is a positive relationship between risk tolerance and the similarity attraction of a financial planner.

These hypotheses have to be accepted based on the exploratory factor analysis results. The other hypotheses will have to be rejected.

5.3 INTERPRETATIONS OF THE EMPIRICAL RESULTS AND RECOMMENDATIONS

The main empirical findings of this study will be discussed, and these will be accompanied by recommendations to individuals, financial planners and organisations. This achieves the fifth methodological objective of the study. This section will firstly point out the demographic information that stands out with regards to the respondents. This will be followed by a discussion of the validity and reliability analyses. The operationalised factors which resulted from the exploratory factor analysis will be identified and elaborated on and the section will conclude with recommendations pertaining to each factor.

Most of the respondents indicated that were not currently making use of financial planners and this is because the majority of respondents were between the ages of 20 and 25 years. Both males and females were equally represented and trust in the financial planner ranked the as the highest aspect that would influence the selection of a financial planner. With regards to the population group, Black individuals were the majority of the sample and most respondents had their Matric qualification or higher. The majority of respondents had no employment history or had worked 5 years or less. Investment planning and retirement planning were the financial planning aspects that respondents sought advice for.

The exploratory factor analysis results divulged results that led to the operationalisation of factors. Factors measuring ethnicity, language, gender and age loaded together. This led to the operationalised factor of cultural identity. This factor was proved to be reliable in the study because a Cronbach's alpha calculation of 0.910 was determined for it. Cultural identity refers to the attraction to or strongly identifying with those of a similar group. Risk tolerance was also operationalised and a Cronbach's alpha calculation of 0.904 was determined for it. Both these factors had a factor loading above 0.5 which is considered the minimum acceptable level. There is a positive but weak linear relationship between the two operationalised variables with a Pearson's correlation coefficient of r=0.39.

Based on the study, certain recommendations can be made:

Risk tolerance levels of clients should be matched with same tolerance levels of financial planners as this creates understanding between the two parties. This means that riskiness of investments should match the clients risk tolerance levels as well. Financial planners should find ways of incorporating the measurement of risk tolerance levels of their clients within the six step process.

With regards to cultural identity, financial planners should make their clients feel more comfortable by talking to them in their home or preferred language and try to make the age groups and gender affiliations compatible. This will lead to increased engagement of clients and financial planners. However, this needs to be done without discrimination in order to enhance the client and financial planner experience.

5.4 CONTRIBUTIONS OF THE STUDY

The study intended to add on to the existing literature by focusing on the role of similarity-attraction in the selection of a financial planner in the Nelson Mandela Bay. As far as it can be established, no other study in the Nelson Mandela Bay has investigated the role of similarity-attraction in the selection of a financial planner as seen with limited existing information.

Moreover, the study also made a contribution by developing a measuring instrument suitable for assessing the role of similarity-attraction in the selection of a financial planner. The empirical results corroborate previous research findings and a few additions were identified. The findings of the study can be of value to financial planners, individuals and organisations with regard to financial planning because they can adopt the recommendations and make improved decisions when necessary.

5.5 LIMITATIONS OF THE STUDY AND SUGGESTIONS FOR FUTURE RESEARCH

Despite the contributions of this study, several limitations exist and must be highlighted. These limitations should be considered when interpreting the findings of the study. Judgement sampling with an element of purposive sampling was used in this study. According to Struwig and Stead (2013:116), judgement sampling is a non-probability method where the researcher uses their own judgment to select the sample. One shortcoming of this method is that the selected sample does not accurately represent the population and there may be bias in the process (Showkat & Parveen 2017:6). This bias may lead to distortions in the finding of the study (Quinlan *et al.* 2015:179). Purposive sampling on the other hand is whereby the researcher picks participants through his or her discretion bearing in mind the purpose of the study as mentioned by Alvi (2016:30). The results of this study undertaken in Nelson Mandela Bay cannot be used beyond the scope as this would be generalisation.

Another limitation of the study is the use of the positivistic research paradigm which is inflexible because it is not possible to measure everything. Respondents' perceptions is a difficult thing to measure as it disregards people solving problems and creating their own ideas. The other limitation is the amount of available literature on "similarity-attraction". There is need to add on to the existing literature, therefore further studies must be done.

The use of the questionnaire to collect data may distort results if the respondents are not truthful with their answers. Another limitation is that participants may interpret the questions differently and this may skew the findings. Questionnaires make it difficult to fully capture the emotional responses and feelings of the participants. Although

Chapter Three indicated that research must be carried out in ethical conditions, one cannot rule out bias or misinterpretation of data. A recommendation for future research could be to develop valid and reliable scales to measure “similarity-attraction in the selection of a financial planner”.

Another limitation of this study is that only 99 questionnaires were completed although the initial plan was to have 200 respondents, and this meant that we could not get more information and richer data to add to the findings and possibly contribute to future research. Having more respondents who could have completed questionnaires would have led to a more representative sample of the population.

5.6 CONCLUDING REMARKS

Conclusively, the researchers gained a thorough understanding on similarity-attraction as well as the regulations of the financial planning industry. The study also emphasised the importance of treating customers fairly as well as outlining the financial planning process. The results established that cultural identity and risk tolerance influence clients’ choices in the selection of a financial planner.
The researchers writing skills and capacity were developed throughout the study as they were equipped the them with the knowledge to effectively carry out research through application of appropriate procedures and systems, as well as analysing and summarising data.

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FACULTY OF BUSINESS AND ECONOMIC SCIENCES

ETHICS CLEARANCE FOR TREATISES / DISSERTATIONS / THESES

Instructions:

- Should be completed by study leader and student
- Must be signed off by student, study leader and HoD
- ***Please note that by following this Proforma ethics route, the study will NOT be allocated an ethics clearance number***

FACULTY: BUSINESS AND ECONOMIC SCIENCES

SCHOOL / DEPARTMENT: NELSON MANDELA UNIVERSITY

I, (surname and initials of study leader) ______________________

the study leader for (surname and initials of candidate) RUSERE, TM

KHALIKANE, L (student number) s217045774 s221385002

a candidate for the degree of BCom Honours in Business Management

with a treatise entitled (full title of treatise):

THE ROLE OF SIMILARITY-ATTRACTION IN THE SELECTION OF A FINANCIAL PLANNER IN PORT ELIZABETH

considered the following ethics criteria *(please tick the appropriate block)*:

		YES	NO
1.	Is there any risk of harm, embarrassment of offence, however slight or temporary, to the participant, third parties or to the communities at large?		✓
2.	Is the study based on a research population defined as 'vulnerable' in terms of age, physical characteristics and/or disease status?		✓
2.1	Are subjects/participants/respondents of your study:		✓
2.1.1	Children under the age of 18?		✓
2.1.2	NMMU staff?		✓
2.1.3	NMMU students?		✓
2.1.4	The elderly/persons over the age of 60?		✓

		YES	NO
2.1.5	A sample from an institution (e.g. hospital/school)?		✓
2.1.6	Handicapped (e.g. mentally or physically)?		✓
3.	Does the data that will be collected require consent of an institutional authority for this study? (An institutional authority refers to an organisation that is established by government to protect vulnerable people)		✓
3.1	Are you intending to access participant data from an existing, stored repository (e.g. school, institutional or university records)?		✓
4.	Will the participant's privacy, anonymity or confidentiality be compromised?		✓
4.1	Are you administering a questionnaire/survey that:		
4.1.1	Collects sensitive/identifiable data from participants?		✓
4.1.2	Does not guarantee the anonymity of the participant?		✓
4.1.3	Does not guarantee the confidentiality of the participant and the data?		✓
4.1.4	Will offer an incentive to respondents to participate, i.e. a lucky draw or any other prize?		✓
4.1.5	Will create doubt whether sample control measures are in place?		✓
4.1.5	Will be distributed electronically via email (and requesting an email response)? Note: • If your questionnaire **DOES NOT** request respondents' identification, is distributed electronically and you request respondents to return it *manually* (print out and deliver/mail); **AND** respondent anonymity can be guaranteed, your answer will be NO. • If your questionnaire **DOES NOT** request respondents' identification, is *distributed via an email link and works through a web response system (e.g. the university survey system);* ***AND*** respondent anonymity can be guaranteed, your answer will be NO.		✓
5.	Do you wish to publish an article from this study and submit to an accredited Journal?		✓

*Please note that if **ANY** of the questions above have been answered in the affirmative (**YES**) the student will need to complete the full ethics clearance form (REC-H application) and submit it with the relevant documentation to the Faculty RECH (Ethics) representative.*

and hereby certify that the student has given his/her research ethical consideration and full ethics approval is not required.

Study leader (s) DATE

HEAD OF DEPARTMENT DATE

STUDENT DATE 25/04/2019

STUDENT DATE 25/04/2019

NELSON MANDELA
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September/October 2019

Dear Sir/Madam

The second-year financial planning students at the Nelson Mandela University (NMU) have been instructed to complete the following assignment:

Topic: The role of Similarity-Attraction in the selection of a financial planner in Nelson Mandela Bay.

The aim of this assignment is to investigate the factors that influence an individual's similarity-attraction towards a financial planner. This assignment will provide insight on the factors that may motivate individuals to make use of financial planners and provide recommendations to financial services providers.

Students are thus required to gather the necessary information from individuals in the area of Nelson Mandela Bay. For this assignment, a financial planner will refer to an individual that furnishes independent advice regarding all aspects of personal financial planning (estate, retirement, insurance and tax planning).

It would be greatly appreciated if you could respond to the following questions so as to assist in the completion of this assignment. The questionnaire should take about 10 minutes to complete. **Please note that all participation is anonymous, voluntary and you may choose to opt out at any stage. All information will be treated in the strictest confidence.**

Your assistance will be greatly appreciated. If you have any queries, please feel free to contact us.

Yours sincerely,

J Kinsman	L Khalikane	T Rusere
Mrs J Kinsman	Ms L Khalikane	Mr T Rusere
Supervisor	Researcher	Researcher

SECTION A: GENERAL INFORMATION

Please mark your selection with an (x)

1 Are you currently making use of a financial planner?

Yes		1
No		2

2 What would influence your decision to select a financial planner?

Convenience of location of the financial planner's office		1
Financial institution such as a bank, brokerage firm, credit union or accounting firm		2
Recommendations from a family member, colleague or friend		3
Online appraisals, social media, mass media advertising, word of mouth		4
Trust in the financial planner		5
Other (Please specify):		6

3 Indicate your gender

Male		1
Female		2

4 Indicate your age category (for statistical purpose only)

< 20 years		1
20 – 25 years		2
26 – 29 years		3
30 – 35 years		4
36 – 39 years		5
40 – 45 years		6
46 – 49 years		7
50 – 55 years		8
56 – 59 years		9
60+ years		10

5 Indicate your population group (for statistical purposes)

Asian		1
Black		2
Coloured		3
White		4
Not willing to say		5

6 Indicate your spoken languages (for statistical purposes)

Afrikaans		1
English		2
Sotho		3
Xhosa		4
Zulu		5
Other (Please specify):		6

7 Indicate your highest level of education (for statistical purposes only)

<Matric		1
Matric		2
National certificate / diploma		3
Bachelor's degree		4
Honours / Post graduate certificate		5
Professional designation e.g. CFP® CA (SA)		6
Masters		7
Doctorate		8
Other (Please specify) :		9

8 Indicate your marital status (for statistical purposes).

Never married		1
Not married but living with a partner		2
Married		3
Separated / Divorced		4
Widowed		5

9 How long have you been employed? (in total)

0 – 5 years		1
6 – 10 years		2
11 – 14 years		3
15 – 20 years		4
More than 21 years		5

10 Please indicate your total personal income before tax per month. Please note that this information will be treated with the strictest of confidence.

R0 – R5 000		1
R5 001 – R10 000		2
R10 001 – R20 000		3
R20 001 – R40 000		4
More than R40 0000		5

11 Please indicate which of the following categories best describes your occupation?

Administrative (secretaries, personal assistants etc.)		1
Manager (general, specialist etc.)		2
Building and engineering professional (architects, artisan, surveyor, cartographer etc.)		3
Business professional (accountant, auditor, public relations officer etc.)		4
Information professional (computing, librarian, statistician, policy analyst etc.)		5
Social professional (legal professional, economist etc.)		6
Medical professional (generalist, specialists, nurses, ambulance officers etc.)		7
Academic and education professional (teachers, lecturer, professor etc.)		8
Law enforcement professional (fire fighters, police officers, prison warden, traffic officer etc.)		9
Science professional (Chemists, medical scientist, environmental scientist etc.)		10
Social welfare professionals (social workers, psychologist, councilors, psychiatrist etc.)		11
Other (please specify)		12

SECTION B: FACTORS INFLUENCING INDIVIDUALS' SIMILARITY ATTRACTION TOWARDS A FINANCIAL PLANNER

Below are several statements that describe various aspects similarity attraction towards a financial planner. Please indicate (with an **X**) the extent to which **you agree or disagree with each statement**. The columns are graded from **1** to **5**. The number **1** denotes strong **disagreement** with a statement, and at the other end of the scale, **5** denotes strong **agreement** with the statement.

Please indicate your extent of agreement with the following statements with an (x).		strongly disagree	disagree	neutral	agree	strongly agree
1	A financial planner's gender influences my attraction towards them.	1	2	3	4	5
2	A financial planner's qualification does influence my attraction towards them.	1	2	3	4	5
3	A financial planner's risk tolerance does not affect my attraction towards them.	1	2	3	4	5
4	A financial planner's risk tolerance does not affect my attraction towards them.	1	2	3	4	5
5	I believe a financial planner of the same age can understand me better.	1	2	3	4	5
6	I believe that the older a financial planner is the more knowledgeable they are.	1	2	3	4	5
7	I feel more attracted to a financial planner that has the same beliefs I do.	1	2	3	4	5
8	I feel more attracted to a financial planner that is of a similar culture to me.	1	2	3	4	5
9	I feel more attracted to a financial planner that is of a similar race as me.	1	2	3	4	5
10	I feel more attracted to a financial planner that shares the same values as me.	1	2	3	4	5
11	I feel more attracted to a financial planner who has a similar accent as I do.	1	2	3	4	5
12	I feel more attracted to a financial planner who has a similar dialect as I do.	1	2	3	4	5
13	I feel more attracted to a financial planner who has the same risk-taking abilities as me.	1	2	3	4	5
14	I feel more attracted to a financial planner who has the same risk-taking abilities as me.	1	2	3	4	5
15	I feel more attracted to a financial planner who is more educated than I am.	1	2	3	4	5
16	I feel more attracted to a financial planner who is of the same age as me.	1	2	3	4	5
17	I feel more attracted to a financial planner who is of the same gender as myself.	1	2	3	4	5
18	I feel more attracted to a financial planner who is older than me.	1	2	3	4	5
19	I feel more attracted to a financial planner who shares the same risk aversion as me.	1	2	3	4	5
20	I feel more attracted to a financial planner who shares the same risk tolerance as me.	1	2	3	4	5
21	I feel more attracted to a financial planner who speaks the same languages as I do.	1	2	3	4	5
22	I feel more attracted to a financial planner whose first language is the same as mine.	1	2	3	4	5

SECTION C: PERSONAL FINANCIAL PLANNING ASPECTS

Please indicate in which areas you would most likely, or are currently seeking assistance:

Please select three a **maximum of three (3)** aspects:			
1	Estate planning		1
2	Tax planning		2
3	Retirement planning		3
4	Personal debt management		4
5	Health-care provision		5
6	Risk and Insurance planning		6
7	Funding educational needs		7
8	Investment Management		8
9	Other (please specify)		9

THANK YOU FOR YOUR PARTICIPATION