The Effects of Organizational Trust on Investors' Expectations and Allocations

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Abstract

Investment funds that include an organization's name can motivate investors' trust that the fund will deliver a good outcome, even when the organization name conveys no information about the fund's underlying quality. We collect payoff expectations and investment allocations for index funds from retirement plan participants in an incentivized survey experiment that manipulates organizational trust by varying labels. Respondents anticipate that index funds labeled with trusted organizations' names will deliver higher returns and have a lower likelihood of losses compared to those labeled with less trusted organizations' names. Additionally, trusted organization names draw higher investment allocations, and less trusted names draw lower allocations, than equivalent anonymous (white-label) options even after controlling for differences in expected payoffs. The effect of organizational trust is particularly pronounced among investors with low financial literacy. Our results indicate that judicious choice of investment fund labels can reduce the influence of financially irrelevant information on retail investors.

Keywords: Organizational trust; Choice experiment; Behavioral Finance
JEL codes: G51; G21; G41

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Introduction

Trust facilitates nearly all interactions between people, especially financial interactions (Guiso et al., 2004, Fehr, 2009). Betrayals of financial trust, such as the embezzlement perpetrated in Bernie Madoff's massively costly and long-lasting Ponzi scheme, naturally create public outrage and do lasting damage to the reputations of the firms and industries involved (Dupont and Karpoff, 2020; Gurun et al., 2018). Misconduct and unreliability impose both direct costs on customers and indirect costs on the financial system by weakening the trust that supports investment, eases market dynamics, encourages stock market participation, promotes information sharing, and enables the overall efficient functioning of markets. [1] Reflecting these impacts, Gurun et al. (2018) estimate that abnormal outflows from registered investment advisers totaled $363 billion following the Madoff scandal. This "trust shock" rippled far beyond Madoff's direct investors to the broader advisory industry, highlighting the significant costs imposed by betrayals of trust.

While past studies of the relation between trust and financial decisions have provided valuable insights, most have relied on observational data and focused on generally trusting dispositions or cultures. Here we extend findings from earlier studies in two ways. First, we focus on the trustworthiness of specific *organizations* (such as asset management firms) that individuals may readily encounter while making financial decisions. Second, we experimentally manipulate trust in a controlled setting to clearly identify its effects. By sharpening the focus from general concepts of trust to trust in a particular organization, we can better understand how trust affects investment decisions. In particular, we explore how individual investors choose among, and form expectations of, funds where some are offered by asset management organizations that vary by their perceived trustworthiness.

Organizational trust is the perception that a firm is dependable: that it demonstrates not only competence, but also benevolence (a genuine concern for stakeholders), and integrity (adherence to moral and ethical standards). Trust that a firm is dependable and reliable shapes expectations of the firm's future behavior (Gillespie and Dietz, 2009; Grégoire and Fisher, 2008; Lewicki et al., 1998; Mayer et al., 1995).

People routinely gauge an organization's trustworthiness, continuously updating their assessments using new information on the organization's policies and practices (Sirdeshmukh et al., 2002). This information may be gleaned from public communications (e.g., company social media posts, word of mouth, and media coverage), particularly following an organization's missteps (Aaker et al., 2004, Aaker, 1997, Aggarwal and Larrick, 2012; Cowen and Montgomery, 2020).[2] Additionally, common interactions with the organization, say as a customer or employee, may shape these evaluations (McAllister, 1995). Since each individual's interactions with an organization differ, trust in, and willingness to do business with, an organization can vary widely, even within the same industry (Choi and Lin, 2009, Cowen and Montgomery, 2020, Hendricks and Singhal, 2003, Rhee and

[1] For example, Choi and Robertson (2020); Bhagwat and Liu (2020); Giannetti and Wang (2016); Guiso et al. (2008, 2009); Pursiainen (2022).

[2] Among financial organizations, misconduct such as fraud, perceived as betrayal (Fehr, 2009; Bohnet and Zeckhauser, 2004), has been linked to lower corporate valuations (Dyck et al., 2010) and investor unwillingness to participate in the stock market (Giannetti and Wang, 2016).

Haunschild, 2006, Thirumalai and Sinha, 2011). Organizational trust may influence investment decisions, as those decisions are fundamentally future-focused and may have outcomes contingent on the operations of an asset manager or firm.

To shed light on this question, we conducted an incentivized survey experiment administered through the Understanding America Study (UAS), testing whether portfolio allocations and expectations are affected by trust in organizations. Survey respondents performed two experimental tasks related to an account in a hypothetical retirement plan. First, the respondents allocated their retirement savings among mutual funds offered by the hypothetical plan, then the respondents used a distribution builder to represent their expectations of investment payoffs for a subset of the funds. Organizational trust enters the experiment through variation in the names of the funds.

Respondents were randomly assigned to one of four experimental conditions that systematically varied mutual fund names. To help us measure respondents' organizational trust, every condition offered them the chance to allocate savings to a benchmark in the form of "white label" mutual funds. White label funds are generically-named investment options that are not associated with a particular asset management firm (e.g., "U.S. Large Cap Equity fund") and are sometimes labeled with the name of the employer sponsoring the retirement plan. In Condition 1, respondents chose between white label funds and identical funds carrying a highly-trusted asset manager's name; in Condition 2, they chose between white label funds and identical funds carrying a less-trusted asset manager's name. Condition 3 was a control condition where respondents chose only among white label funds; respondents in Condition 4 chose between white label funds that included the name of their employer and other white label funds with no associated organization name. We describe the process of identifying a high- and low-trust asset management organization and offer additional details on white label funds in Section 1.

In Conditions 1 and 2, respondents selected between financially identical pairs of funds within the same asset class, differing only by their labeling as either white label or organization-labeled (i.e., the choice is between "Asset Manager #1 U.S. Large Cap Equity fund" and "U.S. Large Cap Equity fund"). Importantly, the hypothetical mutual funds in this experiment are index funds, where the fees are waived, and the funds follow the same index within each asset class.[3] Rational respondents in the experiment should be indifferent between funds within any asset class that differ only by label. Therefore, observing statistically significant differences between allocations or expected payoffs to otherwise identical white label funds and those associated with either the high-trust or low-trust asset manager indicates that organizational trust affects decision-making.

We find that organizational trust has a significant impact on portfolio allocations. Respondents whose choice sets contained the high-trust organization's funds allocated a substantially higher proportion of their savings to the high-trust organization options than to the white label options – 64% in the high-trust organization's funds versus 36% in the white label options. Conversely, respondents in the low-trust condition eschewed the low-trust organization and allocated an average of 58% of their savings to the white label investment options. This pattern is consistent across all five

[3]Choi et al. (2010) run a related experiment where respondents choose between four S&P500 index funds that differ only by label, reported return duration and fees. In their experiment, the lowest fee index fund should always dominate, but respondents' choices do not reflect this.

of the asset classes offered in respondents' choice sets.

The experiment also sheds light on *why* respondents in different conditions make different allocations. We find that respondents' expected payoffs to investments in index funds offered by the high-trust organization are significantly different from expected payoffs to index funds offered by low-trust organization. Respondents judge the low-trust organization's index funds to be riskier and to simultaneously offer a lower return than the high-trust organization's index funds. On average, the respondents who predicted payoffs to the low-trust organization's index funds place a 5 to 7 percentage point higher probability on the funds losing money compared with respondents who predicted payoffs to the high-trust organization's comparable funds. Simultaneously, expected returns are 2 to 3 percentage points higher for the index funds offered by the high-trust than the low-trust organization. We show that expected payoffs are significant determinants of portfolio allocations.

The differences in expected payoffs to high and low trust organizations' funds are generally larger for respondents with lower financial literacy. We support past findings that people with lower financial literacy are likely to rely more on trust (delegate choice) when making investment decisions (Calcagno and Monticone, 2015, Gennaioli et al., 2015), which raises concerns about their susceptibility to misguided trust leading to financial mistakes.

Although we find that organizational trust affects respondents' expected payoffs, expectations do not fully explain trust-related differences in portfolio allocations. Allocations to funds offered by the high-trust organization are significantly higher than to funds offered by the low-trust organization even after conditioning on expected payoffs. In other words, we find that organizational trust affects portfolio allocations indirectly (via expectations) and directly. Our findings add variation in organizational trust to factors such as differences in familiarity and changes in risk perception that affect financial decision-making.

Related Literature

There is growing literature highlighting the effects of fund labels on investment decisions. Investors tend to choose what they know, such as company stock, due to familiarity bias, implied endorsement, search costs, or loyalty (Agnew, 2006, Benartzi and Thaler, 2001, Cohen, 2009, Hortaçsu and Syverson, 2004, Huberman, 2001). Flows into mutual funds are also affected by trending (Cooper et al., 2005), fluent (Green and Jame, 2013), alphabetically prior (Jacobs and Hillert, 2016; Doellman et al., 2019), or nationally appealing (Pursiainen, 2022), names. The evidence from our controlled experiment, showing that label effects persist even in different contexts, reinforces the idea that a name can be a decisive factor in investment choices.

Our paper also ties into studies of the effects of brands and company names on financial decisions. In finance, high brand visibility can correlate with more precise information flows about firms (Frieder and Subrahmanyam, 2005) or promises of glamour (Lakonishok et al., 1994), attracting investors. Prior work on financial decision-making has shown a positive impact of good "brand" names on mutual fund purchase decisions over and above conventional rational drivers, even when the name belongs to a fund's management company and not the fund itself (Grice and Gueciouer, 2023, Karoui and Ghoul, 2022, Sialm and Tham, 2016, Wang and Tsai, 2014). Similarly, Choi and

Kahan (2007) show that the negative effects of a mutual fund scandal can ripple through the entire fund family, resulting in statistically significant outflows from other funds within the same family. Our results are consistent with findings from these studies. We demonstrate a transfer of organizational trust into investment decisions where it is uninformative, on the basis of brand or company name association (Erdem and Sun, 2002, Mullainathan et al., 2008). This transfer highlights the potential for organizations to motivate associative thinking in investors by using product labels. We also uncover organizational trust as another factor explaining the failure of the law of one price in retail investment markets, where a large number of financially indistinct mutual funds persistently charge widely different prices (Brown et al., 2023, Hortaçsu and Syverson, 2004, Roussanov et al., 2021).

We add to understanding of the relation between forms of trust and risk perception that have been studied in psychology, economics and finance (Siegrist, 2021; Guiso et al., 2009; Gennaioli et al., 2015; Klein and Shtudiner, 2016). Our results relate to revealed and stated preference studies showing that stock market participation and stock shares in portfolios depend on respondents' beliefs about returns and risk (Adam et al., 2021, Egan et al., 2021, Egan et al., 2022, Giglio et al., 2021, Greenwood and Shleifer, 2014, Merkoulova and Veld, 2022, Shin, 2021). Using revealed preference data, Egan et al. (2021) find that employees extrapolate the performance of their own employer organization to the performance of the stock market generally. We show the direct connection between risk perceptions, as measured by expectations of loss, and organizational trust, specifically that experiment respondents assign lower probabilities of loss to investments associated with more trusted organizations, including employers.

We also contribute to financial literacy research. Generally, trust can be construed as a mechanism to reduce complexity in unfamiliar contexts, so that knowledgeable people will rely more on themselves and less on trust in experts (Siegrist, 2021). This is a mechanism that our randomized experiment supports. More knowledgeable (financially literate) respondents in our experiment are, on average, less influenced by labels that vary by organizational trustworthiness. This finding aligns with prior research demonstrating that less experienced analysts rely more on trust when making forecasts (Bhagwat and Liu, 2020), less financially literate investors often fully delegate portfolio decisions to advisors instead of actively engaging with their advice (Calcagno and Monticone, 2015), and individuals with lower education levels are more influenced by social capital—closely tied to trust—when choosing to engage in financial transactions (Guiso et al., 2004).

1 Design of Investment Experiment

We set the experiment in a hypothetical U.S. retirement plan. The respondents who took part in the experiment were currently-employed U.S. adults who were at the time, or who had been in the past, participants in actual employer-sponsored retirement plans. All respondents were therefore familiar with plan investment menus. The experiment built on respondents' experience by presenting hypothetical menus of fund options that imitated menus of real plans. Additionally, typical retire-

ment plan participants often vary widely by financial literacy and investment experience. This variation is reflected in the participants in our experiment, who also vary in their financial literacy and stockholding experience.

The experiment consisted of four conditions, each with two main tasks: 1) investment allocation; and 2) payoff prediction. Task 1 required respondents to allocate their plan balances to fund options from the plan investment menus. In three of the four experimental conditions in Task 1, respondents chose from fund options that included duplicate index funds. The duplicate funds were financially equivalent to each other, differing only by their labels. We expected that more financially literate respondents would recognize that the labels provided no meaningful additional information about fund quality and that they would rely solely on the underlying financial properties of the funds to guide their investment choices.

Task 2 showed respondents a subset of the fund options from Task 1 and asked them to use a distribution builder to predict distributions of one-year payoffs to investments in the funds. From their Task 2 predictions, we estimated respondents' expected returns and probabilities of loss for each of the funds.[4] We then used the predictions from Task 2 to test whether respondents' return and risk expectations varied significantly for similar funds that differed only because their labels conveyed different levels of organizational trust.

We built organizational trust into the experiment by varying fund option labels. Conditions 1, 2 and 4 showed respondents funds with organization-linked labels, and Condition 3 provided the control. Our experiment deployed an increasingly common feature of retirement plan investment menus: white label fund options. For example, consider these two illustrative fund names: "Large Cap Equity Fund" and "BlackRock Large Cap Equity Fund." The first name would be classified as a white label fund as it lacks any organizational association. However, the second option includes the organization's name, potentially adding an element of organizational trust that could impact decision making. In this study, we refer to these two types of naming conventions as "anonymous white label" funds and "organization-labeled" funds. The anonymous white label funds with no organizational associations are the benchmark and controls in our experimental design and are key to our identification strategy.

In every condition, respondents were offered zero-fee money market and index funds. To an investor in an efficient market, two index funds in the same asset class with zero fees offer identical expected returns and risk. Within an asset class, such as U.S. bonds, respondents should have no financial reason to prefer an "Organization U.S. Bond Index Fund" over "U.S. Bond Index Fund," or the reverse. The pattern of choices that respondents made within asset classes therefore revealed the impact of the labels themselves.

For Task 1, where respondents allocated their savings to the investment options, the first two experimental conditions showed respondents menus that offered white label funds AND equivalent financial organization-labeled funds for each asset class. Condition 1 included high-trust organization-labeled funds paired with anonymous white label funds; Condition 2 included low-trust

[4]The distribution builder collected coherent subjective probabilities of investment returns from respondents. This collection method elicits more accurate answers than directly asking respondents for means and standard deviations of the expected fund returns (Goldstein and Rothschild, 2014).

organization-labeled funds paired with anonymous white label funds. The fourth experimental condition used respondents' employers' names in the fund labels rather than organization names. (It is common in the United States for individuals to save for retirement via accounts offered by their employer.) For Condition 4, the survey collected an employer nickname or initials from respondents assigned to the employer white label condition to label the funds in the tasks. Respondents were asked to indicate their trust in their own employer using a 7-point scale. Thus, rather than testing for trust in financial organizations, Condition 4 compares respondents' decisions based on self-reported trust in their employer.[5] The third condition offered a menu where respondents could invest in ONLY anonymous white label funds, so that choices in Condition 3 showed us preferences for allocations to asset classes and fund options that were not influenced by organizational trust.

Similarly, Task 2 collected respondents' expectations of the probability and range of investment returns to high (Condition 1)- or low (Condition 2)-trust organization-labeled funds, to employer (organization) white label funds in Condition 4, and in Condition 3, to anonymous white label funds. In Conditions 1, 2, and 4, we did not also ask respondents for their expectations of returns to the anonymous white label funds in their menus because it would have made the survey too long.

The order of the tasks in the experiment, where respondents allocated their retirement plan balances first (Task 1) before predicting fund investment outcomes (Task 2) may seem counter-intuitive, since the task order reverses the normal theoretical sequence where investors first predict risk-adjusted returns and then choose investment allocations. By reversing the order of those actions, the experiment lowers the risk that respondents give too much attention to the organization-labeled funds. If respondents in Conditions 1 and 2 had predicted investment outcomes for the organization-labeled funds first, while not making predictions for the anonymous white-label funds in their menus, the sequence alone could have highlighted the organization-named funds and influenced their subsequent allocation choices. By placing the allocation task before the prediction task, we ensured that respondents did not focus more on one type of fund label over the other when making their allocations.

1.1 White Label Investment Funds

Before providing additional details on the experiment, we briefly describe the institutional setting for the white label investment funds that form part of the experimental design. White label funds are investment options that are available to employees in employer-sponsored retirement plans but are not associated with a particular asset manager. Large defined contribution plans in the United States are making increasing use of white label funds. Healy (2020) estimates that 30% of assets in plans with more than $1 billion in assets are invested in white label funds, and 18% of defined contribution retirement plans with greater than $1 billion in assets managed by Fidelity included white labeled options (Fidelity Investments, 2021). In 2017, Alight reported one-third of employer-sponsored defined contribution plans offered a white label option (Alight Solutions, 2017).

[5]Retirement plan sponsors can choose to give white label funds names that only describe their asset holdings or investment style ("Large Cap Equity Fund"), or choose to add the name of the plan's employer sponsor ("My Firm Large Cap Equity Fund"). The first option corresponds to Condition 3 of the experiment, Condition 4 is the latter.

In its 2020 Defined Contribution Consulting Survey, PIMCO (an asset management organization) reported that commonly-cited reasons for employers to include white label funds are that such funds allow for simplification of plan menus and that it is easier for employers to change the underlying investment managers.[6] Agnew et al. (2022) examine the investment options available to employees in a sample of public-sector retirement plans, and find that employees are likely to encounter a menu of investment funds that contain both white label funds and funds with asset manager names attached to them. While comprehensive data on 401(k) plans offered by private-sector employers are not available, Walmart and UnitedHealth Group were two examples of large 401(k) plans that, in 2024, included both branded and white label investment options.[7]

The increasing availability of white label funds, and the presence of white label funds offered alongside investments whose names include asset management firms, may have unintended consequences for employees making investment decisions in their employer-sponsored retirement accounts. Indeed, PIMCO's survey cites "Eliminat[ing] brand bias associated with investment providers and [moving] the focus to investment objectives" as a potential benefit of white label funds (Healy, 2020). This study examines whether organizational trust as a potential source of "brand bias" may affect employees' retirement investment decisions; our investigation uses white label funds as a natural "control" to isolate trust in financial organizations as a potential factor driving investment behavior. The presence of white label funds alongside organization-labeled options within the same asset class in Conditions 1 and 2 also allows us to isolate the effect of organizational trust on asset allocation, as opposed to the preference for a particular asset class.

1.2 Focus Groups and Pretests: Survey Check and High and Low Trust Organization Identification

Before we ran the survey experiment, we conducted two focus groups, facilitated by Distillery, Inc., to check whether typical respondents could understand the main tasks. The focus groups helped us choose more understandable labels for the fund options, and indicated that we needed to make a video to teach people how to use the distribution builder. We implemented both suggestions before fielding the survey.

After the focus groups, we ran a pretest to identify two asset management organizations that were significantly different in terms of organizational trust and not different in other ways. To protect anonymity, we do not disclose here the names of the investment companies we tested. The pretest asked 128 respondents to indicate their familiarity with (1 = very unfamiliar, 7 =very familiar), knowledge of (2-item scale: "I consider myself knowledgeable," "I consider myself informed," 1 = strongly disagree, 7 = strongly agree; α= .96; Raju et al., 2009), and trust in (3-item, 7-point scale: very undependable/very dependable, very incompetent/very competent, of low integrity/of

[6]See "A Rising Trend in DC Plans: The White Label," available at `https://conferences.pionline.com/uploads/conference_admin/67358_DC_White_Label_v10_Secured4.pdf`.

[7]See, for example, the "US Analyst Strategy" fund present in UnitedHealth Group's 401(k) plan and the set of white label funds available in Walmart's 401(k) plan, available at `https://workplaceservices.fidelity.com/static/dcl/netbenefits/documents/UHG_32057_Enrollment_Guide.pdf` (p. 7) and `https://one.walmart.com/content/dam/themepage/pdfs/401k_Docs_en.pdf` (p. 2).

high integrity; α= .96; Grégoire and Fisher, 2008) each of six investment organizations. From this output, we identified one high-trust investment organization (M = 3.81) and one low-trust investment organization (M = 3.49) to use in the main survey. These two organizations differed by organizational trustworthiness, as measured by integrity, competence and dependability that indicate "ability to deliver" ($F(1,123) = 6.17$, $p = .01$) while they were not significantly different from each other by familiarity or knowledge (all F's < 2.05, p's $> .16$). We refer to the identified organizations as the "high-trust" organization and the "low-trust" organization.

Two results from the pretest give us confidence that we can attribute label effects to differences in organizational trust: the two investment organizations we chose differ by organizational trust and not familiarity; and, while the trust difference is statistically significant, the organization names did not prompt widely diverging ratings (a difference in means of 0.32 on a seven point scale). A narrow difference in ratings between organizations creates a more rigorous test of organizational trust. In Condition 4, respondents are asked to indicate their trust in their own employer using a 7-point scale.

The pretest also showed whether respondents could understand the distribution builder when it was explained by a video (that we developed in response to focus groups feedback). Most pretest respondents appreciated the instructional video and completed the task competently.

1.3 Task 1: Testing the Influence of Organizational Trust on Allocations

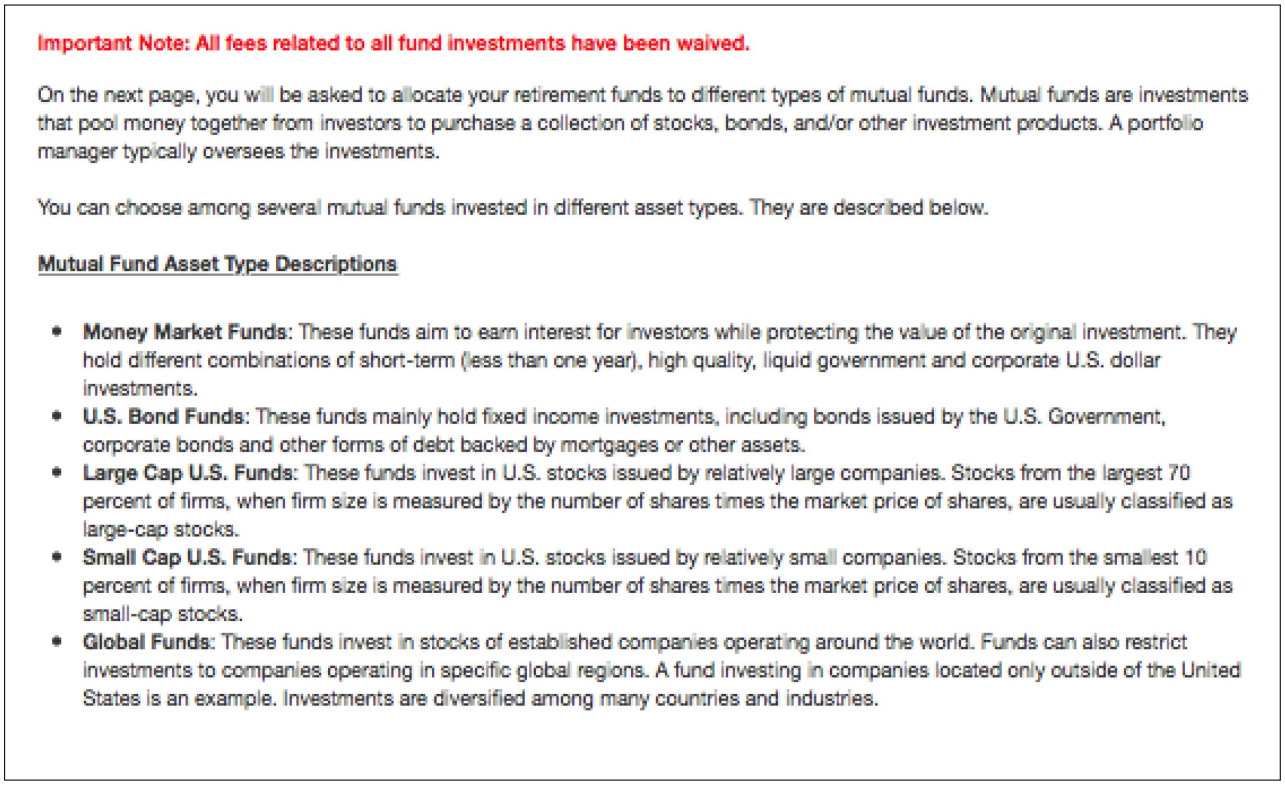
Before Task 1 asked respondents to allocate their contributions to a new employer retirement plan, they read a description of the types of funds that they could invest in. Figure 1 displays the general description of the funds that all respondents viewed. We categorize the mutual funds offered into three broad asset classes: money markets, bonds, and equities. Within the equities class, respondents could choose to invest in three stock index mutual funds—Large Cap U.S., Small Cap U.S., and Global—along with Money Markets and U.S. Bond Index funds, resulting in five investable asset types.

In our subsequent analysis, we explore allocations to both the broad asset classes and the more specific asset types. For clarity, going forward we will refer to money markets, bonds, and equities as "broad asset classes", and to the five investable asset types as "fund types". Most retirement plans offer these types of funds because they support diversification and span a range of returns and risks (Agnew et al., 2022). We structured the menus this way to let us test whether people's choices between broad asset classes (money, bonds or equities), or between fund types (e.g., large or small cap stocks) are affected by organization names included in the fund labels.

Table 1 contains explanations of the names that we gave the funds in the survey. For respondents in Conditions 1 and 2, we said that they could choose funds managed by a asset manager whose name would precede the fund name. (To keep the text the same for respondents in Conditions 1 and 2, we did not yet mention a specific manager.) For respondents in all conditions, we said that the anonymous white label funds were tailored to their employer's retirement plan and given a "generic" name. For respondents in Condition 3, the "generic" white label text was the only explanation they read.

Figure 1: **Mutual Fund Type Description for All Conditions**

This figure is a reproduction of the fund description we showed to all respondents before they allocated their retirement balance among these funds in Task 1 and assigned probabilities to possible investment outcomes in Task 2.



Important Note: All fees related to all fund investments have been waived.

On the next page, you will be asked to allocate your retirement funds to different types of mutual funds. Mutual funds are investments that pool money together from investors to purchase a collection of stocks, bonds, and/or other investment products. A portfolio manager typically oversees the investments.

You can choose among several mutual funds invested in different asset types. They are described below.

Mutual Fund Asset Type Descriptions

- **Money Market Funds**: These funds aim to earn interest for investors while protecting the value of the original investment. They hold different combinations of short-term (less than one year), high quality, liquid government and corporate U.S. dollar investments.
- **U.S. Bond Funds**: These funds mainly hold fixed income investments, including bonds issued by the U.S. Government, corporate bonds and other forms of debt backed by mortgages or other assets.
- **Large Cap U.S. Funds**: These funds invest in U.S. stocks issued by relatively large companies. Stocks from the largest 70 percent of firms, when firm size is measured by the number of shares times the market price of shares, are usually classified as large-cap stocks.
- **Small Cap U.S. Funds**: These funds invest in U.S. stocks issued by relatively small companies. Stocks from the smallest 10 percent of firms, when firm size is measured by the number of shares times the market price of shares, are usually classified as small-cap stocks.
- **Global Funds**: These funds invest in stocks of established companies operating around the world. Funds can also restrict investments to companies operating in specific global regions. A fund investing in companies located only outside of the United States is an example. Investments are diversified among many countries and industries.

Table 1: **Explanation of Mutual Fund Names for Conditions 1-3.**

This table reproduces the text we showed respondents in different conditions that explained the labels on the mutual funds described in Figure 1. Respondents allocated their retirement savings among these funds in Task 1, and assigned probabilities to investment outcomes for the funds in Task 2.

Conditions 1 and 2: Organization and Anonymous White Label
Mutual Fund Names The funds that you can choose from may be managed by one or more portfolio managers. If you see the name of a professional investment company preceding the fund name, the fund is managed by that company. If you see "White Label" preceding the fund name, this means the fund has been put together for your employer's retirement plan and given a generic name. The fund may include one or more mutual funds which hold the same type of investment.
Condition 3: Anonymous White Label
Mutual Fund Names If you see "White Label" preceding the fund name, this means the fund has been put together for your employer's retirement plan and given a generic name. The fund may include one or more mutual funds which hold the same type of investment.
Condition 4: Employer White Label and Anonymous White Label
Mutual Fund Names If you see the initials of your employer preceding the fund name, this means the fund has been put together for your employer's retirement plan. The fund may include one or more mutual funds which hold the same type of investment. If you see "White Label" preceding the fund name, this means the fund has been put together for your employer's retirement plan and given a generic name. The fund may include one or more mutual funds which hold the same type of investment.

After viewing the fund descriptions, respondents read these instructions:

> Now, we would like for you to imagine that your employer has started a new retirement plan. You must decide how to allocate the money that you have in your retirement account.
>
> On the next page, you will see a retirement account allocation form. Please read through the form carefully, think about how you would allocate your retirement account, and then decide how to allocate your retirement account balance among the investment options listed.

Depending on their condition, respondents then saw one of four hypothetical investment menus. All menus stated that investment fees for all the funds were waived. Conditions 1, 2, and 4 offered menus of ten fund options, consisting of two Money Market funds, two U.S. Bond Index funds, two U.S. Large Cap Index funds, two U.S. Small Cap Index funds, and two non-U.S. Global Index funds. We did not specify real indexes for fund options because unsophisticated respondents were likely to find them confusing.[8] The ten fund options included one pair of zero-fee index funds for each fund option type, with one member of the pair being an anonymous white label option. The other member of the pair was labeled with: the (actual) high-trust organization name (Condition 1); or the (actual) low-trust organization name (Condition 2); or the respondent's employer (Condition 4). We showed respondents in Condition 3 a menu of five fund options consisting of an anonymous white label option for each fund type. You can see the investment menu similar to Conditions 1 and 2 where we substituted "W&M" for the organization's name in Figure 2 (this menu corresponds to Condition 4). As discussed previously, the money market and index funds offered in each menu had zero fees.

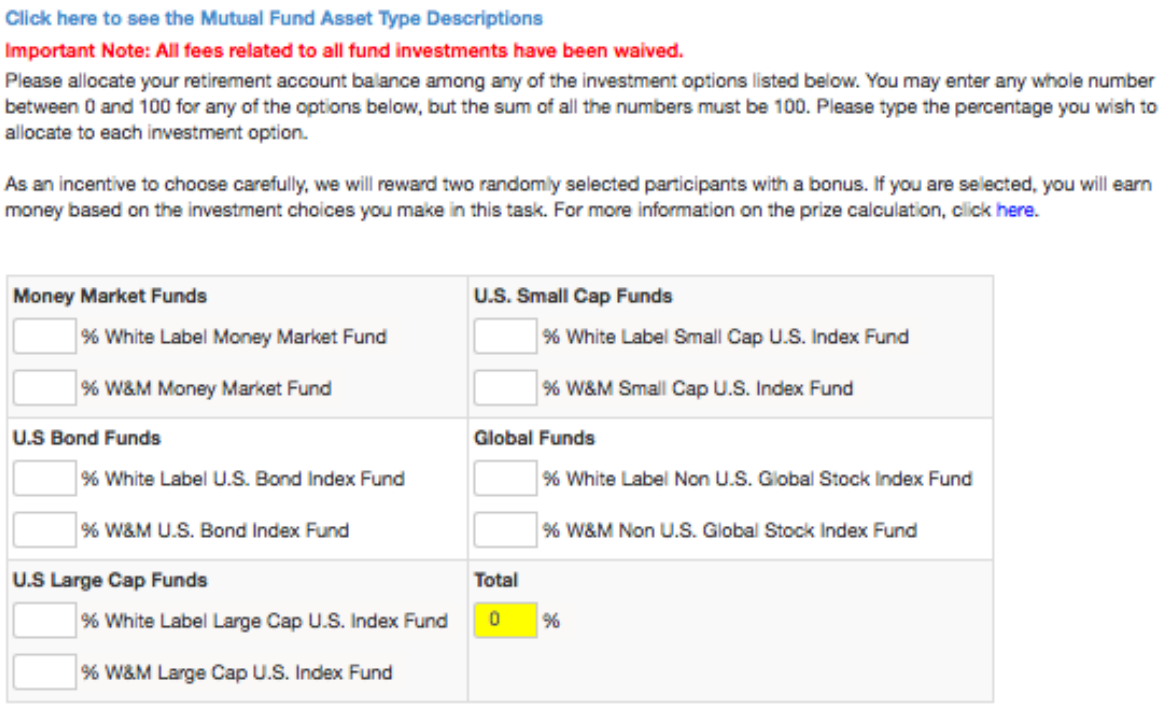
Respondents entered whole numbers between 0 and 100 to allocate percentages of their retirement account balance to the various investments on offer. We offered respondents a money incentive to allocate thoughtfully. We told respondents that two people would be randomly selected to earn a bonus based on their allocations and invited them to click a link to a more detailed description of the bonus calculation.[9]

[8] See Agnew et al. (2018) for evidence that most unsophisticated investors do not understand what an index fund is. See Choi et al. (2010) for evidence that even sophisticated investors misjudge choices among (ubiquitous) S&P500 Index funds.

[9] The link told respondents "You will be rewarded a bonus based on your allocations in this task. We will assume you invest $25 according to the allocation that you enter for five years. Your bonus will equal your initial portfolio value of $25 plus or minus any gains or losses you make on your chosen portfolio. The 5 year returns for the specific funds you chose will be generated using commonly accepted methods." We bootstrapped 10 years (February 2008 - December 2018) of monthly total returns to representative funds in each asset class to compute 60 month returns to the allocation chosen by two randomly selected respondents, and used an average of returns to the representative funds. The final rewards were $35.67 and $35.15.

Figure 2: **Experimental Retirement Plan Investment Menu: Example of Condition 1 and 2, substituting 'W&M' for Organization Name**

This figure shows an example of the allocation task screen for Conditions 1 and 2 where respondents chose how to divide their retirement account balance between white label funds and either a high-trust organization (Condition 1) or a low-trust organization (Condition 2) fund. For this example, we substituted 'W&M' in for the actual fund manager we used in the experiment to keep the organizations anonymous (this menu corresponds to Condition 4). Respondents to the survey gave a nickname or initials that stood for their employer's name. For respondents in Condition 4, their employer's nickname or initials were piped into the fund names for this task.



1.4 Task 2: Testing the Influence of Organizational Trust on Risk and Return Expectations

For Task 2, respondents made predictions of one-year returns to $100,000 investments in the retirement plan funds. The "distribution builder," a graphical interface, gave people "balls" that represented a 1% probability, to move into "bins" that represented dollar ranges of investment outcomes.[10] Figure 3 is an image of the distribution builder. Everyone made predictions for five fund options. Respondents in Condition 1 built distributions for high-trust organization funds; in Condition 2, for low-trust organization funds; respondents in Condition 3 (4) built distributions for anonymous (employer-branded) white label funds. We used each respondent's distributions of balls into bins to calculate approximate expected returns and probabilities of losses to investments in each type of fund.

You can see in Figure 3 that the bins are labeled in dollars and are of unequal widths. We labeled the bin boundaries in dollars rather than percentage returns to help respondents with poor numeracy skills who might not understand percentages well (Bautista et al., 2011). To allow knowledgeable respondents to build objectively realistic distributions, without excluding other valid choices, we made the bins in the middle of the distribution narrower than the outer bins. We also chose the mid-point of the bins carefully. Experiments and surveys show that probability of loss relative to initial price represents risk perception and propensity to invest better than symmetric measures like variance (Unser, 2000; Duxbury and Summers, 2004; Holzmeister et al., 2020), so we made one of the boundaries equal to $100,000. This boundary readily separated gains from losses.

After the distribution builder task, we collected respondents' opinions of the funds they had assessed in the tasks (i.e., high- or low-trust organization-labeled, white labeled) for several characteristics (Bad-Good, Unfavorable-Favorable, Negative-Positive, Low quality-High quality) on seven point scales. We also collected the respondents' ratings of their familiarity, knowledge and organizational trust of the organization or anonymous white label.

1.5 Sample and Survey Collection

For the main survey experiment (October to November, 2018), the UAS invited 2,171 panel members who were currently employed and who had previously completed survey modules on financial literacy and asset ownership to complete the survey.[11] Panel members were then screened to ensure that they were either currently enrolled in an employer-sponsored retirement plan that offered investment choices, or that they had been at some point in their life.[12] If they passed this screen, they were asked to confirm that they were over 18 years of age and that they consented to complete

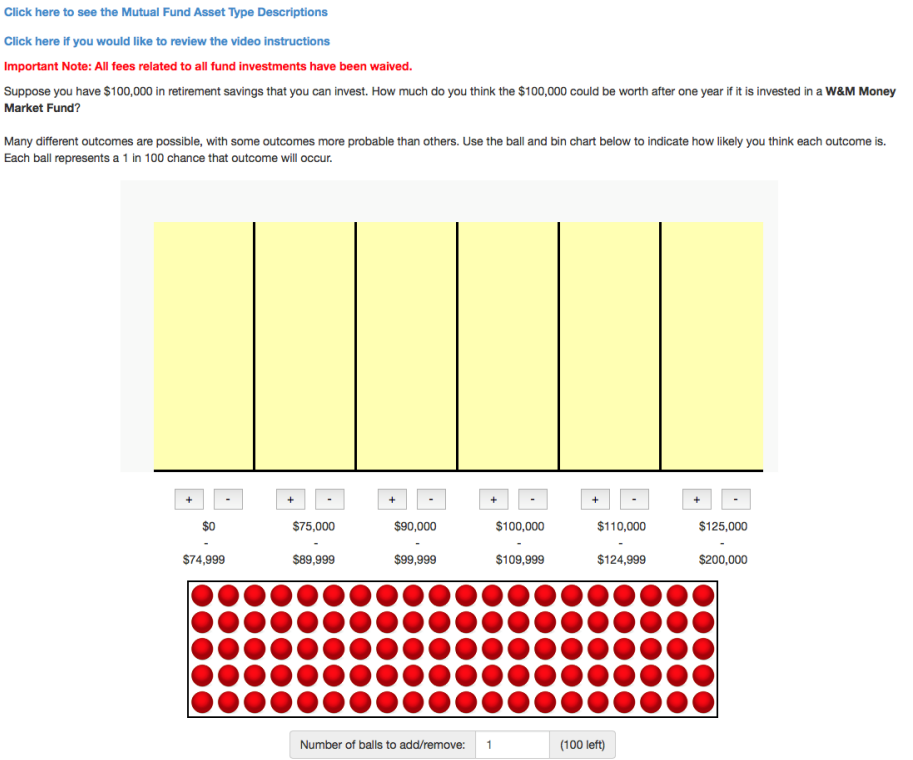
[10] Studies of lay people show that responses to graphical interfaces are more accurate representations of expected outcomes than direct responses (Goldstein and Rothschild, 2014; Page and Goldstein, 2016; Delavande and Rohwedder, 2008; Goldstein et al., 2008). Respondents can treat the 100 balls as frequencies (X out of 100), which are better understood than percentages (Gigerenzer, 2011; Goldstein et al., 2008).

[11] Of those invited by UAS, 75% completed the survey: the remaining invited panel members either did not start or did not complete the survey. In addition, 585 responses did not meet further eligibility or consent conditions, and another 82 had responses for two questions incorrectly recorded, leaving 952 complete and eligible responses.

[12] Retired plan participants were screened out by UAS: only panel members who were said that they were currently employed were invited to take the survey.

Figure 3: **Distribution Builder for Predicting Returns to a $100,000, One-year Investment in a Money Market Fund.**

This figure shows an example of the prediction (distribution builder) task (Task 2). Respondents assigned balls to bins to show their expectations of returns to a $100,000, one-year investment in five funds, one for each asset type. Respondents in Conditions 1 and 2 made predictions for the funds with organization labels, in Condition 3, for anonymous white label funds, and, in Condition 4, for employer-named white label funds. For this example we use the initials "W&M" to represent the organization name. Respondents gave a nickname or initials that stood for their employer's name, and if they were assigned to Condition 4, their employer's nickname or initials and was piped into the fund names.



the survey. Another three panel members did not answer some demographic questions or were not employed at the time the survey was filled, so the final sample size was 949 respondents. UAS then randomly assigned eligible and consenting respondents to the conditions.

Following the tasks, respondents were asked to complete the survey. The survey then moved to questions on the degree to which the respondent trusted several different institutions and groups. We asked about trust in the stock market, banks, insurance companies, stock brokers, investment advisers, their employer, their employer's retirement plan, and people in general. Then the last set of questions asked respondents about their willingness to take financial risks, household financial decision making responsibility, financial literacy, past engagement with investments, and self-assessed understanding of investments. Appendix Table A.1 reports descriptive statistics showing that the demographics of people in each condition are similar.

Table 2 reports the number of eligible respondents in each condition.[13] In the subsequent sections, we focus on results from the first three experimental conditions. The results for Condition 4 are qualitatively similar to our findings for Conditions 1-3 with smaller effects. The weaker results are potentially due to sample size issues, the differing nature of the organization (an asset manager versus an employer), and our inability to experimentally manipulate trust in one's employer. Please see Appendix C for Condition 4 results.

Table 2: **Condition Group Sample Sizes**

This table presents sample sizes from the four experimental conditions. Analyses from Condition 4 are located in Appendix C.

Condition	Description	N
1	High-Trust Manager and Anonymous White Label	232
2	Low-Trust Manager and Anonymous White Label	230
3	Anonymous White Label Only (Control)	227
4	Employer White Label and Anonymous White Label	260

2 Organizational Trust's Relationship to Payoff Expectations and Allocations

Economic theory suggests that investors form expectations and then choose where to place their wealth; following this logic we first describe respondents' risk and return predictions (Task 2) through analysis of their expected payoff distributions and then describe their allocations (Task 1).

[13]To view the survey for Condition 4, please go to this link: `https://uas.usc.edu/survey/playground/uas148/test/index.php`. We present this condition so that we do not reveal the high trust and low trust organization names used in Conditions 1 and 2.

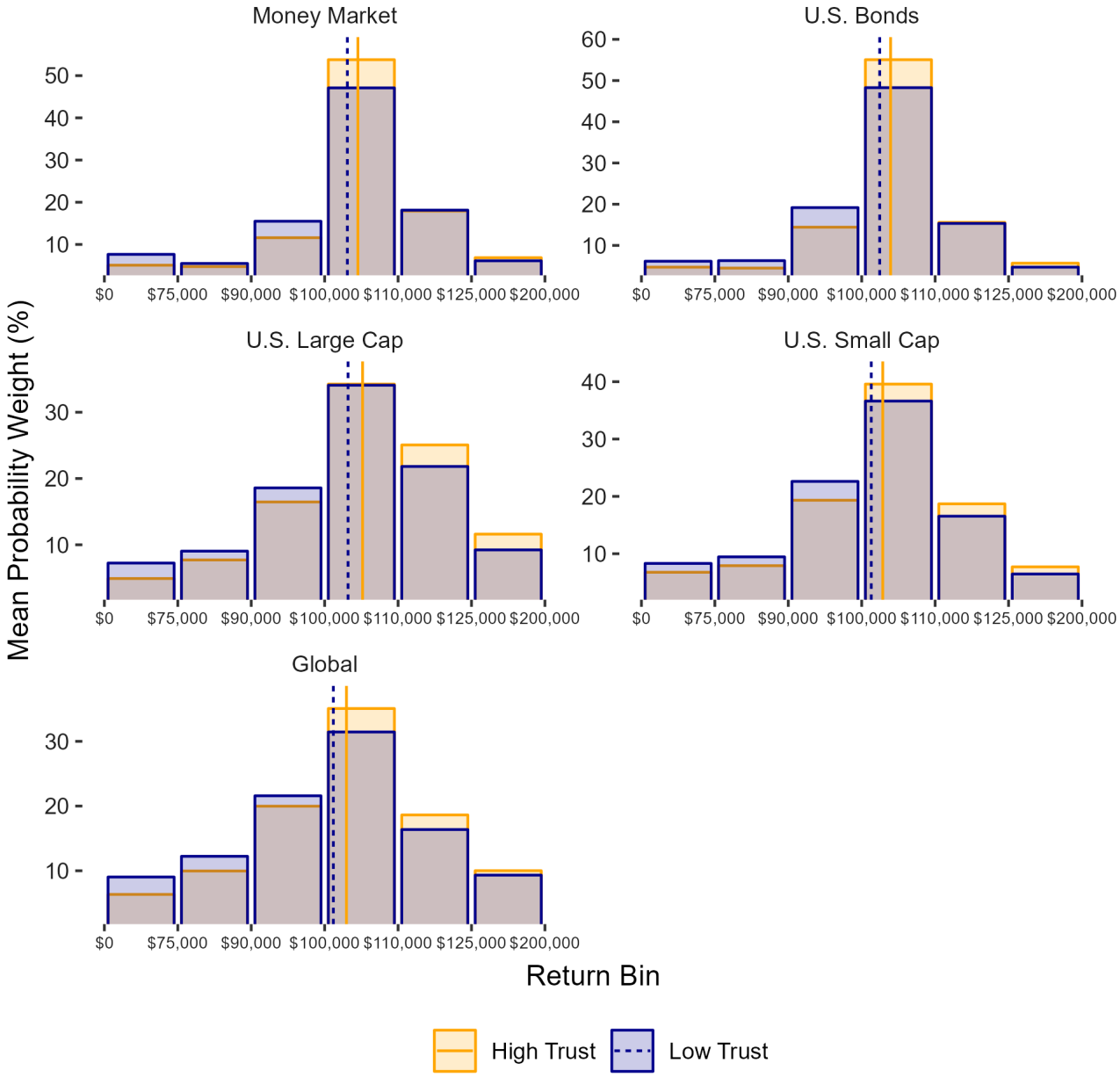
2.1 The Influence of Organizational Trust on Investor Expectations

2.1.1 Distributions of Expected Payoffs

Responses to the distribution builder task allow us to see differences in probabilities of payoffs from \$0 to \$200,000, by organization label (i.e., by condition) and fund type, for all respondents. Figure 4 contrasts the average across respondents in Conditions 1 and 2 of probability weights for each payoff bin (i.e., the average number of "balls" in each "bin" as shown in Figure 3), for each fund type. The figure shows that, on average, respondents place a higher probability on lower payoffs to investments in low-trust organization funds relative to investments in high-trust organization funds. This pattern is consistent across all fund types.

Figure 4: **Average Probabilities Assigned to Payoffs to Investments in High-trust Organization and Low-trust Organization funds**

This figure shows the average probability allocated to each payoff bin for an initial $100,000 investment for each fund type for respondents in the high- and low-trust organization conditions (Conditions 1 and 2). Solid and dashed lines show the average expected payoff for each condition (calculated using the midpoints of each bin, see Equation 1).



We conduct permutation tests to assess the statistical significance of the differences in the probabilities of expected payoffs in Figure 4. A permutation test involves calculating a test statistic for each fund type under all possible combinations of Condition 1 and 2 groups. The observed test statistic (i.e., using the actual groups) is then compared to the distribution of test statistics gen-

erated by considering all possible combinations of the two groups of respondents.[14] In our case, the test statistic of interest is the sum of squared differences in the average probability mass assigned by Condition 1 and Condition 2 groups to each bin for each fund type.[15] The observed differences between the average probabilities assigned by the high-trust group and the low-trust group to the bins are statistically significant for all assets ($p \leq .05$ for Money Market and U.S. bonds, and $p \leq .10$ for the stock funds). These bin-range-wide differences are primarily driven by differing weights put on the \$90,000 - \$99,999 and \$100,000 - \$109,999 bins in the case of Money Market and U.S. Bond funds, which may be interpreted as respondents in the low-trust condition placing a higher likelihood on small losses as opposed to small gains. The significant differences for stock funds are driven by differences in the tails of the expected payoff distribution, which may be interpreted as respondents in the different conditions assigning more likelihood to extreme outcomes.

The results for differences in expected payoffs and the permutation tests for respondents in Condition 4 are qualitatively similar to those presented here. The distribution of expected payoffs for respondents with low self-reported trust in their employer are statistically significantly different from respondents with high self-reported trust in their employer for all fund types except Global stocks ($p \leq .10$ for U.S. Small Caps and $p \leq .05$ for Money Market, U.S. Bond, and U.S. Large Cap funds). In Condition 4, the distribution-wide differences are again primarily driven by differences in the probabilities assigned to small gains or losses for money market and bond funds and by the differences in probabilities assigned to large losses for U.S. Large Cap and U.S. Small Cap funds (but not for Global funds). See Appendix C for more details.

2.1.2 Does Financial Literacy Matter to Payoff Expectations?

Beyond organizational trust, there may be other factors driving differences in observed payoff expectations. One important driver may be financial literacy. Respondents with higher financial literacy may have more realistic expectations of investment outcomes than their less literate peers. For example, financially literate respondents might know that money market funds do not usually make losses or yield high returns.

To test this theory, we rate respondents as highly financial literate if they answered 11 of 14 financial literacy questions correctly. (Table 6 lists variable definitions.) The financial literacy questions test simple interest, time value of money, inflation, knowledge of financial securities (e.g., stock and bonds) and diversification.[16] Figure 5 graphs the average probability weights for each payoff bin for high and low financially literate respondents.

[14] Calculating the full permutation distribution is computationally infeasible, as there are over a trillion possible permutations of the treated and control groups in Conditions 1 and 2 (462 choose 230). We generate 10,000 random samples from the permutation distribution to approximate the full permutation distribution.

[15] This is analogous to a chi-square test. Note that the sum over all bins of the average differences is mechanically zero; since each response must add up to 100.

[16] Responses are taken from UAS 121 `https://uasdata.usc.edu/index.php`.

Figure 5: **Average Return Expectations for Investments by Financial Literacy**

This figure shows the average probability weight allocated to each payoff bin for an initial $100,000 investment for each fund type for respondents with low or high financial literacy in Conditions 1 and 2. Dashed and solid lines show the average expected payoff for each condition (calculated using the midpoints of each bin, see Equation 1).

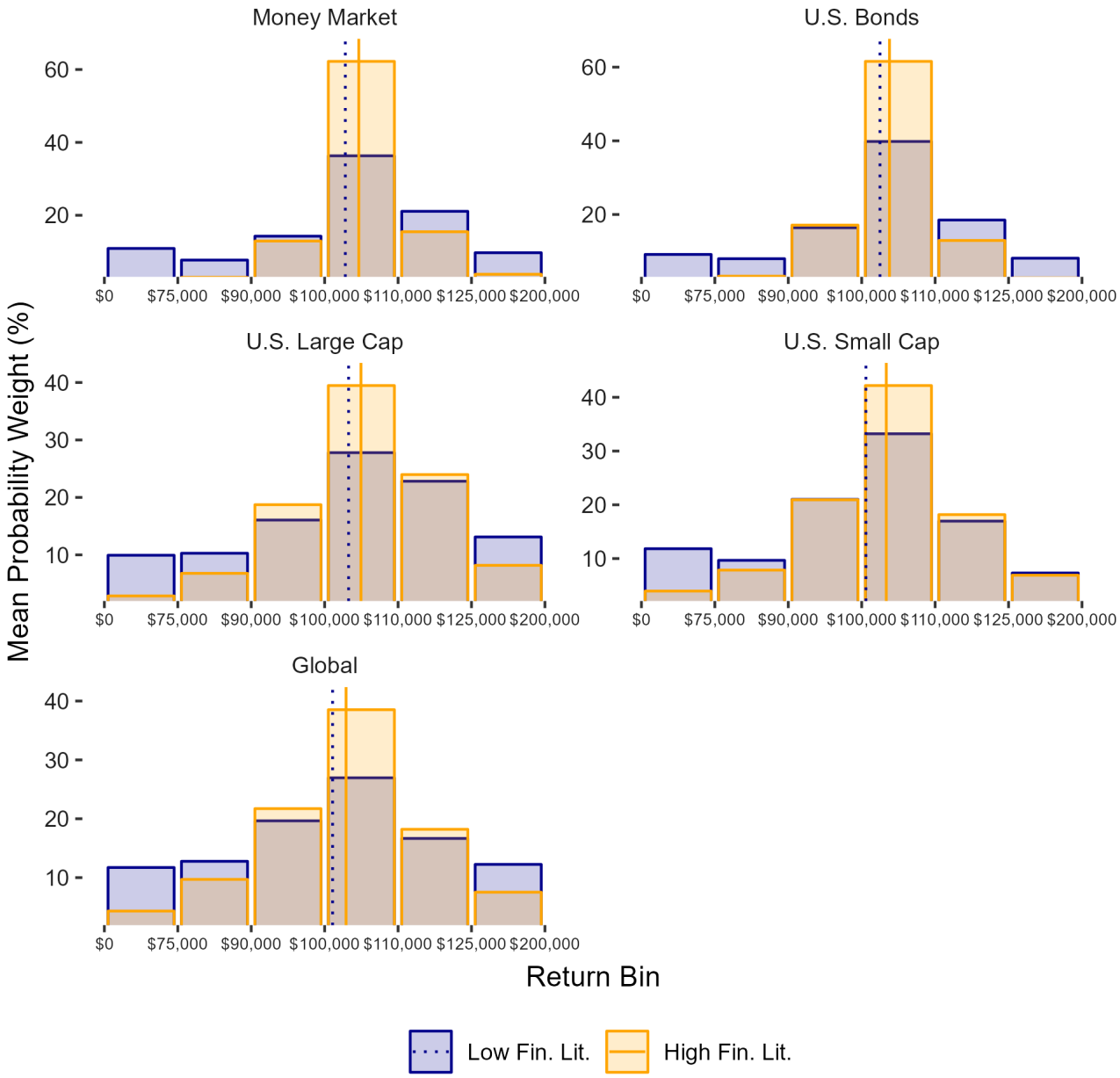


Figure 5 shows that respondents with high financial literacy make more moderate than extreme return predictions, give higher probability to zero, or low-positive, returns to money market funds, and give higher probability to low positive returns to the large cap stock index fund, than their less literate peers. Similarly, high financial literacy respondents expect that small losses are more likely than large losses in all three broad asset classes.The permutation tests for differences in the distri-

bution of expected payoffs between high and low-literacy individuals for all asset types are significant at the 1% level.

2.1.3 Risk and Return Expectations

We calculate the expected return from the distribution builder responses. We define the expected rate of return as:

$$R_{i,j} = \sum_{n=1}^{6} P_{i,j,n} \frac{(B_{n,u} + B_{n,l})/2 - 100,000}{100,000} \tag{1}$$

where $R_{i,j}$ is respondent i's 1-year expected rate of return to fund type j ($j = 1, \ldots, 5$), calculated as the sum over all bins n ($n = 1, \ldots, 6$) of the probability-weighted rate of return to a \$100,000 investment, where the outcome is the bin-interval mid-point. $P_{i,j,n}$ is the number of balls (out of 100) that respondent i assigns to bin n for asset class j and $B_{n,u}$ and $B_{n,l}$ are bin upper and lower bounds.

We also measure expected risk by each respondent's probability of loss. Probability of loss expressed as a percentage is the sum of the number of balls respondent i assigns to the loss (first three) bins for each fund type j:

$$L_{i,j} = \sum_{n=1}^{3} P_{i,j,n} \tag{2}$$

We see in Table 3 that respondents perceive low-trust organizations as riskier than high-trust ones, associating them with a higher probability of loss and lower expected returns, even when managing fee-free index funds. The differences in expectations are even more remarkable considering that the averages are calculated between conditions, using expectations of different respondents, not using comparisons of high- and low-trust organization funds by the same respondents. We can see the differences in expected returns visually in Figure 4, where the vertical lines plot the average expected payoff (Equation 1).

Another key point is that respondents' average expected returns fall far from actual asset class returns histories. Average expected returns to money market funds are implausibly high, as are the related probabilities of loss, while expectations of returns to investments in U.S. small cap and global stock funds are implausibly low.[17] As discussed earlier, respondents with higher financial literacy might be less prone to making predictions that fail an historical plausibility test. We observe in Figure 5 that there is a difference in expectations based on financial literacy which motivates us to control for this variable in our econometric analysis. Kolmogorov-Smirnov tests (Appendix D) confirm that the distribution of one-year risk and return expectations calculated from respondents differs between the high- and low-trust organization conditions, and also confirm that one-year risk and return expectations for high and low financial literacy respondents are different. These find-

[17] The bin sizes limit the precision of expected returns. Intervals near zero returns are the same width for money market, bond and stock funds and this is part of the reason for high expected return values for the money market fund.

ings indicate the benefit of accounting for financial literacy when evaluating risk and return expectations.[18]

Table 3: **Average Expected Returns and Probabilities of Loss: High- and Low-trust organization Conditions**

This table shows averages by condition of respondents' expected returns and probabilities of loss from the distribution builder (Task 2). In Task 2, respondents assigned 100 balls, each representing 1 percentage point of probability, to six bins representing intervals of possible outcomes for a one year investment of $100,000. Respondents completed this task for the investment choice offered by the low- or high-trust option within each of the five fund options. Funds were labeled according to the condition, i.e., high-trust organization label (Condition 1); low-trust organization label (Condition 2). Expected returns are calculated by equation 1 and probability of loss by equation 2. The third column in each condition panel shows results from tests of equal means in the two preceding columns, where *** denotes $p \leq .01$, ** denotes $p \leq .05$, * denotes $p \leq .10$.

	Expected Return			**Probability of Loss**		
	High-trust Condition (N=232)	**Low-trust Condition (N=230)**		**High-trust Condition (N=232)**	**Low-trust Condition (N=230)**	
Fund						
Money Market	5.5%	2.8%	*	21%	29%	***
Bond	4.6%	2.1%	*	24%	32%	***
U.S. Large Cap	8.1%	4.3%	***	29%	35%	**
U.S. Small Cap	3.5%	0.8%	*	34%	40%	***
Global	4.6%	1.4%	**	36%	43%	***

The analogous results for respondents in Condition 4 are presented in Appendix C, Table C.2. The differences in risk perceptions between respondents with low self-reported trust in their employer versus respondents with high self-reported trust in their employer are comparable to the differences between subjects in Condition 1 and Condition 2 for Money Market, Bond, and U.S. Large Cap funds. The differences in probabilities of loss for U.S. Small Cap funds and Global equity funds are not significant though they are of comparable magnitudes (4% for Small Caps and 5% for Global equity funds, versus differences of 6% and 7% in Table 3). The differences in expected returns for respondents in Condition 4 were generally half the size of those presented in Table 3 and were not statistically significant. See Appendix C for full details.

2.1.4 Allocations

We now examine the allocation choices made by respondents. Investment options divide into broad asset classes (Money Markets, Bonds, and Equities) and by specific fund types (Money Markets, Bonds, U.S. Large Cap Equities, U.S. Small Cap, and Global). When combining allocations to both anonymous white-label funds and organization-labeled funds within these categories, we observe that overall investments across broad asset classes and funds remain consistent across different

[18]However, we note that financial literacy is uncorrelated with the experimental treatment due to the random assignment (see Appendix A). Thus, controlling for financial literacy allows for more precise measurement of the effect of organizational trust on decision-making and the potential for heterogeneous effects of trust, but failing to control for financial literacy so does not bias estimates.

conditions. Table 4 illustrates this finding. The top of the table demonstrates that whether people chose from five (Condition 3) or ten fund options (Conditions 1 and 2) their average asset class allocations across broad asset classes was not affected.

The variation in investments emerges when we differentiate investments between anonymous white label funds and organization-labeled funds within the fund types. Depending on the specific condition and the level of trust in the organization, many respondents favor one type of labeled fund over another, as highlighted in the bottom panel of Table 4. Almost half of respondents in Conditions 1 and 2 allocated to both anonymous white label and organization-labeled funds (a mixed investment), while another half allocated exclusively to one or the other type. In Condition 1, where a trusted organization offered funds alongside anonymous white label options, more respondents allocated their investments exclusively to the highly trusted organization's funds than to the anonymous ones. Conversely, in Condition 2, where a less trusted organization offered funds with the white label options, more respondents allocated exclusively to the anonymous white label funds than the organization-labeled funds. The consistent average weighting in all conditions across fund types and the variation of weightings within fund types depending on the condition suggests that people chose proportions of their retirement balances to allocate to fund types, and then decided on funds within an asset class.

Table 4: **Allocations to Asset Classes by Condition**

This table reports investment allocations made by survey respondents (Task 1) for Conditions 1-3, aggregating over organization label and white label funds in Conditions 1 and 2. The top panel shows averages, over respondents by condition, of allocations to broad asset classes (money, bonds and stock). The middle panel shows averages, over respondents by condition, of allocations to sub-classes of stock funds. The bottom panel shows the percentage of respondents in each condition who allocated their balance exclusively to funds with one type of label, and the percentage who allocated to funds with both types of labels.

	Average Allocation		
	High-trust organization Condition 1	**Low-trust organization Condition 2**	**Anonymous White Label Condition 3**
Money	27%	28%	30%
Bonds	14%	14%	14%
Stock	58%	58%	56%
U.S. Large Cap	26%	26%	24%
U.S. Small Cap	16%	18%	17%
Global	16%	14%	15%
	Percentage of Respondents		
Organization Label Only	38%	18%	
Anonymous White Label Only	12%	33%	
Mixed	50%	49%	
N	232	230	227

Drilling down further, we can see in Table 5 when we compare between conditions and within fund types, that the average allocations incline towards (or away from) the more (less) trusted organization-labeled fund compared with the white label fund. In Condition 1, average allocations

to the high-trust organization funds were at least 50% above average allocations to the anonymous white label funds, while, in Condition 2, allocations to the anonymous white label funds were about 25% above average allocations to the low-trust organization funds. Taking U.S. Large Cap stock allocations as an example, respondents in Condition 1 allocated twice as much (18%) on average to the index fund with the high-trust organization label than the anonymous white label equivalent (9%). Respondents in Condition 2 allocated one-third more on average to the anonymous white label index fund (15%) than to the fund with the low-trust organization label (11%).

Table 5: **Average Allocations to Organization Funds and White Label Funds.**

This table reports investment allocations made by survey respondents (Task 1) for Conditions 1 and 2. The top panel shows averages, over respondents by condition, of allocations to types of broad asset class (money market, bonds, and stock). The bottom panel shows averages, over respondents by condition, of allocations to stock fund options. The third column in each condition panel shows results from tests of equal means in the two preceding columns, where *** denotes $p \leq .01$, ** denotes $p \leq .05$, and * denotes $p \leq .10$

	High-trust organization (Condition 1)				**Low-trust organization (Condition 2)**			
Fund Allocation	**High-trust**	**White-Label**		**Total**	**Low-trust**	**White-Label**		**Total**
Money Market	17%	10%	***	27%	13%	15%		28%
Bond	10%	5%	***	14%	6%	8%	*	14%
Stock	38%	21%	***	58%	24%	35%	***	58%
U.S. Large Cap	18%	9%	***	26%	11%	15%	***	26%
U.S. Small Cap	10%	6%	***	16%	8%	10%	*	18%
Global	9%	6%	***	16%	5%	9%	***	14%
Total Allocations	64%	36%	***		42%	58%	***	
N	232				230			

The analogous results for respondents in Condition 4 are presented in Appendix C, Table C.3 and are largely consistent with those in Table 5. Respondents with medium and high self-reported trust in their employer had significantly larger allocations to their employer-labeled funds (i.e., the equivalent of the branded funds in Conditions 1 and 2). Indeed, the average differences between allocations to their employer-branded and white label funds within the same fund types for respondents with high self-reported trust in their employer are very similar in magnitude to those found in Table 5 for respondents in the high-trust asset manager condition. However, respondents with low self-reported trust in their employer had no statistically significant difference in their allocations to the employer-branded funds and the anonymous white label funds. See Appendix C for full details.

3 Econometric Analysis

So far, the analysis shows that organizational trust affects respondents' risk and return expectations and allocation choices. In this section, we first take a closer look at how trust and financial literacy are associated with risk and return expectations. Next, we test whether organizational trust affects

allocations to investment funds through expectations and measure the size of the effects. Then we test whether and how much trust affects allocations to funds after conditioning on expectations.

3.1 Estimation of the Effects of Organizational Trust and Financial Literacy on Risk and Return Expectations

Estimations show that differences in predicted returns and losses for high- and low-trust organization-labeled funds are economically large, statistically significant and conditionally stable. The same is true for differences related to high and low financial literacy. We show this by estimating equation 3 and looking at changes in outcomes when we switch organizational trust and financial literacy from high to low. Using OLS, we estimate:

$$M_{i,j} = \alpha_{1,j} + \beta_{1,j}C_i + \beta_{2,j}FL_i + \beta_{3,j}C_i * FL_i + \varepsilon_{i,j} \tag{3}$$

where the dependent variable is either a measure of expected return or probability of loss ($\{M_{i,j} \ : \ R_{i,j}; L_{i,j}\}$) for respondent i and investment fund j, C_i is an indicator for the high-trust organization condition (versus the low-trust organization condition), and FL_i is an indicator for a respondent's high financial literacy (versus low financial literacy). Table 6 lists variable definitions.

Taking U.S. Large Cap stock funds as an example (first panel, Table 7), the average predicted value of probability of loss was 5.83 percentage points higher in the low-trust organization condition (34.90%) than in the high-trust organization condition (29.07%). Probabilities of loss were also significantly larger for the low-trust organization funds in other asset classes. Note that Table 7 presents the marginal effects of financial literacy and trust on risk and return expectations, the full set of coefficient estimates from estimating Equation 3 are included in Appendix B, Table B.

Moving along the same row to the final column of Table 7 shows that the difference in the average predicted probability of loss for the U.S. Large cap fund was 7.93 percentage points higher if the respondent had low financial literacy (36.30%) compared with high financial literacy (28.36%). The second panel in Table 7 compares loss predictions in low-trust and high-trust organization conditions, for respondents with the same financial literacy.[19] This comparison shows that a significantly higher probability of loss in the low-trust organization condition, for all asset classes apart from global stocks, is associated with low financial literacy. Respondents with high financial literacy were also sensitive to organization labels when they predicted losses for U.S. Small Cap (5.81) and Global stocks (9.36).

We find similar, although less consistent, patterns with expected returns. The third panel in Table 7 shows that the average predicted value of expected returns is higher for the high-trust organization condition, than for the low-trust condition, and statistically significantly so for U.S. Large Cap and Global stock funds. Taking U.S. Large Cap funds for example, respondents in the high-trust organization condition expected a 3.83 percentage point higher one year return on average (8.11%) than respondents in the low-trust organization condition (4.24%). Respondents with high

[19]Note that these unconditional differences in Table 7 are nearly identical to those reported in Table 3, the only difference is that Table 7 controls for financial literacy. Due to the randomized nature of the experiment, financial literacy is uncorrelated with being in the high- or low-trust condition.

financial literacy report higher expected returns for all fund types except for U.S. Bond funds. But panel four shows that it is mostly low financial literacy respondents that are significantly influenced by the organization labels when predicting expected returns.

The analogous results for respondents in Condition 4 are presented in Table C.4. After conditioning on financial literacy and other demographic factors, we find no differences in risk and return expectations funds branded with the name of respondents' employers between respondents with low and high self-reported trust in their employer. See Appendix C for full results.

In summary, Table 7 shows substantial differences between respondents' returns and risk expectations based on whether they made predictions for a high- or low-trust organization-labeled fund and whether their financial literacy was high or low. These results raise the question of whether and how expectations impact allocation decisions.

Table 6: **Variable Descriptions**

This table reports definitions of variables used in estimation. Variables are computed from responses to an online survey of 949 members of the Understanding America Study (UAS) through the University of Southern California conducted in October 24 - November 15, 2018. A full description of the survey and complete data dictionary is available at `https://uasdata.usc.edu/index.php`

Variable Name		**Description**
Experiment indicators		
Condition	C	A categorical variable equal to: 1 if the subject was assigned to the high-trust manager (versus 'generic' white label) condition; 2 if the subject was assigned to the low-trust manager (versus 'generic' white label) condition; 3 if the subject was assigned to only the 'pure' white label Condition (control); and 4 if the subject was assigned to the employer white label versus 'pure' white label Condition.
Outcome variables		
Org. Label only		An indicator variable that equals 1 if the subject allocates all of their retirement funds to high-trust manager options (Condition 1) or low-trust manager options (Condition 2) or employer white-label options (Condition 4), 0 otherwise.
Mixed		An indicator variable that equals 1 if the subject allocates some of their retirement funds to high-trust manager options (Condition 1) or low-trust manager options (Condition 2) or employer white-label options (Condition 4) and some to generic white label options, 0 otherwise.
White Label only		An indicator variable that equals 1 if the subject allocates none of their retirement funds to high-trust manager options (Condition 1) or low-trust manager options (Condition 2) or employer white label options (Condition 4), 0 otherwise.
Percent allocation to org. labeled fund	$Y_{i,j}$	Fraction of retirement funds the subject allocates to manager-labelled options for money market, bonds, large-cap equities, small-cap equities or global equities index funds (Conditions 1 and 2) or equivalent employer white-label options (Condition 4).
Probability of Loss	$L_{i,j}$	Count of balls (out of 100) subject i assigns to the loss domain bins 1-3 ($0-$99,999) in distribution builder task for each asset j.
Expected return	$R_{i,j}$	Approximate expected rate of return in percent p.a. calculated as the probability weighted rate of return to $100,000 investment for each asset. Returns are the ratios of mid-points of dollar ranges for each bin over the $100,000 initial investment. Probabilities are the proportion of 100 balls the subject assigns to each bin.
Subject Characteristics		
Male		An indicator variable that equals 1 if the subject is male, 0 otherwise.
Marital status		An indicator variable that equals 1 if the subject is married and living with their spouse, 0 otherwise (spouse living elsewhere, separated, divorced, widowed, never married.
Age		Age in years at the start of the survey; All subjects are between 19 and 80 years of age.
College degree		An indicator variable that equals 1 if the subject has a college degree or higher degree, 0 otherwise.
High income		An indicator variable that equals 1 if the subject's household income is at or above the sample median ($75,000 p.a.).
White		An indicator variable that equals 1 if the subject identifies as racially only white, 0 otherwise.

Continued

Table 6 – *Continued*

Variable Name		**Description**
High Financial Literacy	FL	An indicator variable that equals 1 if the subject answered 11 of 14 financial literacy questions correctly, 0 otherwise. The financial literacy questions test simple interest, time value of money, inflation, knowledge of financial securities (e.g., stock and bonds) and diversification. Responses are taken from UAS 121 `https://uasdata.usc.edu/index.php`.
Stock owner		An indicator variable that equals 1 if the subject answers yes to the question "Do you or your spouse/partner have any shares of stock or stock mutual funds?", 0 otherwise (No, Dont know). Responses are taken from UAS 117 `https://uasdata.usc.edu/index.php`.
High Finance Trust		An indicator that equals 1 if the subject scores above the median in predicted trust in finance, 0 otherwise. Predicted trust in finance is the individual prediction from a factor model of responses to five questions on a seven point scale where 1 is 'Don't trust at all' and 7 is 'Trust completely'. The questions ask about trust in the stock market, banks, insurance companies, stock brokers and investment advisers.
Employer Trust (High, Medium, Low)	ET	Responses to question on the degree to which subjects trust their employer on a seven point scale where 1 is 'Don't trust at all' and 7 is 'Trust completely'. 1-4 = Low employer trust; 5 = Medium employer trust; and 6-7 = High employer trust.
Inattention		An indicator that equals 1 if the subject assigns the same probability of loss to every asset class (i.e., the same number of balls in the loss bins) and also assigns the same expected return to every asset class (i.e., the same pattern of balls in each bin), 0 otherwise

Table 7: **Estimated Effects of Organizational Trust and Financial Literacy on Expected returns and Risk.**

The table reports average predicted values and results of tests that marginal differences are zero from regressions of proxies for risk and return on condition indicators (high or low-trust organization conditions), financial literacy indicators (high and low financial literacy) and interactions, and demographic controls (Equation 3). High-trust organization condition: N=232; Low-trust organization condition: N=230. Standard errors are calculated via the delta method. The full set of coefficient estimates are included in Appendix B, Table B.1. *** indicates p-value ≤ 0.01; ** indicates p-value ≤ 0.05; * indicates p-value ≤ 0.10.

			Probability of Loss			
	Average predicted value (%)		Difference (%)	Average predicted value (%)		Difference (%)
	Low-trust organization	High-trust organization	Low - High	Low Financial Literacy	High Financial Literacy	Low - High
Money Market	28.69	21.40	7.28**	32.90	18.47	14.43**
U.S. Bonds	31.69	23.64	8.05***	33.58	22.70	10.88***
U.S. Large Cap	34.90	29.07	5.83***	36.30	28.36	7.93***
U.S. Small Cap	40.40	33.99	6.41***	42.52	32.73	9.80***
Global	42.87	36.26	6.61***	44.15	35.72	8.42***
	Probability of Loss | Low Financial Literacy			Probability of Loss | High Financial Literacy		
	Low-trust organization	High-trust organization	Low - High	Low-trust organization	High-trust organization	Low - High
Money Market	38.38	27.47	10.90***	20.61	16.35	4.26
U.S. Bonds	39.88	27.33	12.55***	24.86	20.56	4.29
U.S. Large Cap	40.18	32.44	7.74**	30.49	26.25	4.24*
U.S. Small Cap	46.11	38.97	7.13*	35.64	29.83	5.81**
Global	45.81	42.50	3.31	40.42	31.06	9.36***
			Expected Return			
	Average predicted value (%)		Difference (%)	Average predicted value (%)		Difference (%)
	Low-trust organization	High-trust organization	Low - High	Low Financial Literacy	High Financial Literacy	Low - High
Money Market	2.83	5.53	-2.70*	2.69	5.42	-2.73*
U.S. Bonds	2.13	4.59	-2.44*	2.35	4.18	-1.83
U.S. Large Cap	4.24	8.11	-3.83***	4.75	7.38	-2.62*
U.S. Small Cap	0.77	3.50	-2.73*	-0.95	4.71	-5.66***
Global	1.39	4.57	-3.18**	1.37	4.34	-2.97*
	Expected Return | Low Financial Literacy			Expected Return | High Financial Literacy		
	Low-trust organization	High-trust organization	Low - High	Low-trust organization	High-trust organization	Low - High
Money Market	-0.27	5.63	-5.91**	5.41	5.44	-0.03
U.S. Bonds	-0.81	5.49	-6.30**	4.57	3.80	-0.77
U.S. Large Cap	1.00	8.47	-7.47***	6.93	7.81	-0.88
U.S. Small Cap	-3.30	1.39	-4.69*	4.16	5.26	-1.10
Global	-0.63	3.34	-3.97	3.07	5.59	-2.51*

3.1.1 Effects of Expected Risk and Return on Fund Allocations

For a test of whether expected returns and losses affect investment fund allocations, we estimate the panel model in equation 4:

$$Y_{i,j,c} = \beta_1 M_{i,j,c} + \beta_2 M_{i,j,c} * FL_i + \beta_3 M_{i,j,c} * FL_i * C + \alpha_i + \gamma_k + \varepsilon_{i,j} \tag{4}$$

for $j = 1, \ldots, 5$, $i = 1, \ldots, N$, and $k = 1, \ldots, 3$ where $Y_{i,j,c}$ is the allocation of respondent i to the organization-labeled fund j for condition c, $M_{i,j,c}$ are respondent, fund and condition-specific expected returns or loss probabilities. For Condition 1, $M_{i,j,c}$ and $Y_{i,j,c}$ relate to the high-trust-organization label options and for Condition 2 they relate to the low-trust-organization label options. Because respondents in Conditions 1 and 2 do not report expectations for white label funds, only organization label funds, there are five funds for each respondent. $M_{i,j,c} * FL_i$ is the interaction between respondent financial literacy (low versus high) and expected returns or loss probabilities, $M_{i,j,c} * FL_i * C$ is the three-way interaction between the indicator for the experimental condition (high-trust organization versus low-trust organization), respondent financial literacy (low versus high) and expected returns or loss probabilities, α_i are respondent-level fixed effects, γ_k are asset class fixed effects (money market, bonds, and stocks)[20] and $\varepsilon_{i,j}$ is the individual and asset-class specific error. We estimate the effect of expected returns ($R_{i,j,c}$) and probabilities of loss ($L_{i,j,c}$) on allocations separately because the variables are highly negatively correlated ($\rho = -0.7716$). By estimating Equation 4 as a within-respondent panel model, we are effectively averaging over (potentially heterogeneous) relationships between allocation decisions and expected risk and return across different asset classes but within the same respondent.

Table 8 shows the results from panel estimations of equation 4. We estimate the percentage allocation of respondent i to the organization-labeled fund of type j conditioning on respondents' one-year expected probability of loss $L_{i,j,c}$ (Models 1-4), financial literacy (Models 3 and 4) and a high- or low-trust organization condition indicator (Model 4). All models include individual fixed effects. Models 2-4 also include fixed effects for money market, bond, and stock asset classes. Models 5 - 8 follow the same pattern but condition on respondents' expected returns as opposed to the probability of loss.

Estimates reported in Table 8 show that a 10-percentage point increase in the expected probability of loss for an organization-labeled fund is associated with a 0.4-0.5 percentage point decrease in allocation to that fund. We find similarly small and significant effects for expected returns. Table 8 reports estimates that predict a 2.3-2.4 percentage point increase in allocation to an organization-labeled fund for every 10 percentage point increase in expected one year return. We also find that high financial literacy respondents raise allocations more in response to higher expected returns than do low financial literacy respondents. Likewise more financially-literate respondents are less sensitive to the probability of losing money when choosing allocations than low-literacy respondents. Note that the main effects of financial literacy and the organizational trust condition indicators are

[20] We estimate one fixed effect for the three stock classes for efficiency reasons. Sparse allocations to U.S. Small Cap and Global stock funds meant that three separate fixed effects for stock funds were not well identified.

separately estimated due to the inclusion of respondent fixed effects.

The analogous results for respondents in Condition 4 are found in Table C.5. We find directionally similar results with respect to the effects of risk and return perceptions on allocations to organization-branded options. Interestingly, the point estimates for the effects of risk and return on allocations to employer-branded are larger for respondents in Condition 4 relative to those in Conditions 1 and 2. A 10 percentage point increase in expected probability of loss is associated with a 0.9 percentage point decrease in allocations to employer-branded funds (versus 0.4-0.5 in Table 8); and a 10 percentage point increase in expected one year returns is associated with 3.4 percentage point larger allocation (versus 2.3-2.4 percentage points in Table 8). See Appendix C for further details.

The panel estimates in Table 8 show that respondents' investment expectations, collected through the Task 2 distribution builder, partly explain their choices of investments in Task 1. Investors allocated more to funds with higher expected returns and less risk. Like other work showing that expectations explain investments, the effects we find here are small (Giglio et al., 2021).[21] Coupled with the results shown in Table 7, the estimation show an indirect impact of organizational trust on allocation decision via expected returns and losses.

[21] The order of the experimental tasks may also explain the relatively small relationship between expectations and allocation decisions. Recall that participants first made allocation decisions in Task 1 and then we subsequently elicited their beliefs in Task 2.

Table 8: **Panel Estimates of Allocation to Organization-labeled Options: Effects of Expected Risk and Return**

The table reports estimation results from fixed effects panel models of allocations to organization-labeled investment options in Conditions 1 and 2. In Task 1, respondents allocated 100% of their hypothetical retirement balance to 10 fee-free index funds in 5 fund types (Money Market, U.S. Bonds, U.S. Large cap stocks, U.S. Small cap stocks and Global stocks) where funds had either an organization label or a white label. Models estimate the percentage allocation of respondent i to the organization-labeled fund in asset class j conditioning on respondents' one-year expected probability of loss $L_{i,j,c}$, P(Loss), or expected return, $R_{i,j,c}$, E(R), from Task 2, financial literacy and a high- or low-trust organization condition indicator. All models include individual fixed effects. Models 2-4 and 6-8 include fixed effects for money market, bond, and stock asset classes. Standard errors clustered by respondent are in parentheses. *** indicates p-value ≤ 0.01; ** indicates p-value ≤ 0.05; * indicates p-value ≤ 0.10.

% Allocation to Organization Option	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
P(Loss)	-0.063***	-0.052**	-0.079***	-0.068*				
	(0.020)	(0.021)	(0.030)	(0.036)				
High Fin Lit x P(Loss)			0.064*	0.071				
			(0.038)	(0.045)				
High-trust x P(Loss)				-0.019				
				(0.057)				
High Fin Lit x High-trust x P(Loss)				-0.023				
				(0.078)				
E(R)					0.165***	0.158***	0.076	0.042
					(0.044)	(0.043)	(0.051)	(0.054)
High Fin Lit x E(R)							0.287***	0.249**
							(0.092)	(0.127)
High-trust x E(R)								0.057
								(0.094)
High Fin Lit x High-trust x E(R)								0.109
								(0.181)
Marginal Effect of P(Loss) or E(R)			-0.044**	-0.046**			0.232***	0.236***
Standard Error of Marginal Effect			(0.020)	(0.021)			(0.048)	(0.047)
Participant FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Asset Class FE	No	Yes	Yes	Yes	No	Yes	Yes	Yes
R-squared	0.006	0.032	0.033	0.034	0.012	0.039	0.046	0.047
Number of Participants	462	462	462	462	462	462	462	462
Observations	2,310	2,310	2,310	2,310	2,310	2,310	2,310	2,310

3.1.2 Direct Effects of Organizational Trust: Do Labels Guide Allocations?

The results in Table 4 show that respondents in all conditions chose similar proportions of their balances to allocate to the five fund types on the menu on average.[22] However, the results in Table 5 demonstrate that participants chose a variety of combinations of organization and white-label funds *within* asset classes. On this basis, we assume that plan respondents make their asset allocations in two steps. Respondents first decide how much of of their retirement funds to allocate to a broad asset class k (money market, bonds, total stocks). Then, conditional on the allocation decided at the first step, they then decide on how much to allocate to the organizational labeled fund and to the anonymous white labeled option. We model this two-stage decision making by estimating Equation 5:

$$\begin{aligned} Y_{i,k} &= \alpha_{1,k} + \Gamma X_i + \beta_{1,k} FL_i + \varepsilon_{i,k} \\ Y_{i,k,c} &= \alpha_{2,j} + \Upsilon X_i + \beta_{4,k} C_i + + \beta_{5,k} FL_i + \beta_{6,k} FL_i * C_i + \beta_{7,k} Y_{i,k} + u_{i,k,c} \end{aligned} \tag{5}$$

where i denotes respondents, k denotes broad asset class, and c high or low-trust organization options, X_i is a vector of individual expected returns and probability of losses for asset class k. Our goal is to estimate the marginal effect of the change in condition from low- to high-trust organization on the allocation to the organization-labeled option $\frac{\partial Y}{\partial C}$, which represents the effect of trust on the allocation to organization-labeled funds within asset class k. Consistent with our estimation of asset class fixed effects in the previous models, we group together different stock options into a single "stock" asset class. In these models, we have three asset classes in total: stock, money market, and bonds.

Table 9 contains estimates from estimating the parameters in Equation 5 via Zellner's (1962) seemingly unrelated regressions (SUR) method. Models 1 and 3 correspond to portfolio allocations to money market funds and models 2 and 4 correspond to estimates for allocations to equity funds. Each model has a pair of columns in the table. The first column contains parameter estimates for the allocation to the broad asset class level (the top line of Equation 5) and the second column contains parameter estimates for allocation to the organization-labeled option within the asset class (the second line of Equation 5). The interpretation of the coefficient estimates in Table 9 is identical to those estimated via OLS; for example, respondents with high financial literacy have a 14 percentage point lower allocation to money market funds relative to respondents with low financial literacy controlling for the expected probability of loss. However, there is no statistically significant relationship between financial literacy and allocations to the organization-labeled money market fund option after conditioning on total allocation to money market funds.

[22] The results in Table 4 are not conditional on any covariates (e.g. financial literacy or expected payoffs). See Appendix Table B.2 for confirmation that the results in Table 4 are unaffected by adjusting for between-condition differences in expected payoffs; i.e., that overall allocations do not vary on average between the experimental conditions.

Table 9: **SUR Estimates of Allocations to Broad Asset Classes and Organization-labeled Options**

This table reports Seemingly Unrelated Regression (SUR) estimates of broad asset class level and organization-labeled options within each asset class from equation 5 for Conditions 1 and 2. Models 1 and 3 estimate percentages allocated to money market funds and Models 2 and 4 estimate total percentages allocated to all stock funds. For each pair of models, the first column estimates percentages allocated to the broad asset class level (top line of Equation 5), and the second column contains estimates for percentages allocated to the organization-labeled option within the asset class (bottom line of Equation 5). Heteroskedasticity-robust standard errors are in parentheses. *** indicates p-value ≤ 0.01; ** indicates p-value ≤ 0.05; * indicates p-value ≤ 0.10.

	(1)	(1)	(2)	(2)	(3)	(3)	(4)	(4)
	Money Market		Stocks		Money Market		Stocks	
	Broad Asset Class	Organization -labeled Option	Broad Asset Class	Organization -labeled Option	Broad Asset Class	Organization -labeled Option	Broad Asset Class	Organization -labeled Option
Total Money Market Allocation		0.583***				0.581***		
		(0.031)				(0.031)		
Total Stocks Allocation				0.517***				0.522***
				(0.043)				(0.043)
High-trust Organization		4.028*		7.046**		4.261**		6.795**
		(2.148)		(3.266)		(2.148)		(3.285)
High Fin Lit	-14.125***	-1.936	15.334***	-8.088**	-14.915***	-1.464	15.926***	-8.294**
	(2.274)	(2.139)	(2.414)	(3.220)	(2.203)	(2.107)	(2.423)	(3.225)
High-trust x High Fin Lit		1.023		11.622***		0.950		12.424***
		(2.886)		(4.417)		(2.898)		(4.421)
P(Loss) Money Market	0.080*	-0.038						
	(0.041)	(0.028)						
P(Loss) U.S. Large Cap			-0.084	-0.004				
			(0.070)	(0.065)				
P(Loss) U.S. Small Cap			-0.037	-0.044				
			(0.065)	(0.060)				
P(Loss) Global Stocks			-0.104	-0.030				
			(0.064)	(0.060)				
E(R) Money Market					-0.132*	0.031		
					(0.070)	(0.047)		
E(R) U.S. Large Cap							0.065	0.079
							(0.115)	(0.107)
E(R) U.S. Small Cap							0.143	0.071
							(0.112)	(0.103)
E(R) Global Stocks							0.114	-0.058
							(0.097)	(0.090)
Constant	33.252***	-1.449	58.113***	1.268	36.228***	-2.835	48.548***	-2.406
	(2.114)	(2.095)	(2.824)	(4.091)	(1.632)	(1.868)	(1.847)	(3.160)
Marginal Effect of Organizational Trust		4.586***		13.385***		4.779***		13.572***
Standard Error of Marginal Effect		(1.448)		(2.208)		(1.442)		(2.202)
R-squared	0.101	0.477	0.134	0.321	0.101	0.476	0.126	0.321
Observations	462	462	462	462	462	462	462	462

The estimated effect of organizational trust on allocations can be found in the second column for each pair of models in Table 9. The effects of organizational trust are consistently positive and significant, ranging from 4 to 5 percentage points for money market funds and 7 to 19 percentage points for equity funds. For money market funds, there is no statistically significant difference between the effect of organizational trust across respondents with different levels of financial literacy (i.e. the interaction term in the second column of models 1 and 3 is insignificant). Curiously, the effect of organizational trust is stronger for participants with high financial literacy (roughly 19 percentage points) relative to respondents with low financial literacy when it comes to equity funds (roughly 7 percentage points); the average marginal effect of organizational trust (across low- and high-literacy respondents) is presented in the bottom row of the table.[23]

One may be concerned that the results in Table 9 are affected by a bias coming from a non-zero correlation between $\varepsilon_{i,k}$ and $u_{i,k,c}$ in Equation 5. In other words, if unobserved factors affecting a respondent's total allocation to money market funds are correlated with that respondent's allocation to organization-labeled money market funds, then estimating Equation 5 via OLS or SUR has an endogeneity bias. To address this potential endogeneity bias, we construct an instrumental variable using a method similar to the "split-sample IV" approach of Angrist and Krueger (1995).

We construct the instrument using the portfolio choices of respondents in Condition 3 whose menu contained only anonymous white label funds - one for each broad asset class. By using only respondents in the control group, we neutralize two potential concerns. First, we eliminate any effects of organizational trust effects on the first-stage, asset class-level allocation decision; and second, control group respondents had only one choice (instead of two) in each asset class. We model respondents' portfolio allocations to two of the three broad asset classes: stock funds and money market funds, and leave the allocation to bond funds as a residual. Treating this as a classical "prediction problem" we use demographic features, risk preferences, and beliefs to explain Condition 3 respondents' allocations. After comparing the predictive accuracy of a variety of machine learning algorithms (specifically: the elastic net, adaptive splines, gradient-boosted linear models, and random forests) using 10-fold cross-validation, we settled on the random forest algorithm, which had an out-of-sample root-mean-squared-error of approximately 26 percentage points for both stock and money market allocations.[24]

We then use the random forest algorithm to predict stock and money market shares for respondents in the high- and low-trust organization, and employer label conditions. We use the predicted allocations to instrument for the overall stock and money market shares for these respondents in the

[23]The linear specification of Equation 5 is necessarily a simplification of any underlying decision-making process. For example, if $Y_{i,k}$ – the overall asset class level allocation for a given respondent – is zero, then the respondent's allocation to the organization-labeled option within that same asset class is mechanically zero also. Estimating the second line of Equation 5 without a constant does not meaningfully affect the estimates for the marginal effect of organizational trust in Table 9 (indeed, the estimates for the corresponding intercept terms are not statistically distinguishable from zero).

[24]k-fold cross-validation is a way of estimating out-of-sample prediction error while making efficient use of a relatively small sample of data. In k-fold cross-validation, the sample is partitioned into k groups; model parameters are estimated using data from $k - 1$ groups and then out-of-sample prediction error is calculated for observations in the k'th group. This process is repeated k times, which generates k out-of-sample prediction error estimates. The average of these values is taken as the estimate of out-of-sample prediction error.

regression equation 5. Our method creates synthetic matches for the organization-labeled conditions from the anonymous white label condition and simulates, from the ML models, the decisions that the respondents in the organization label conditions would have taken had they been allocated to the anonymous white label control. If the variables on which ML predictions are based support a matching (prediction) that accounts for endogeneity bias, we can treat the ML predictions of allocation to asset class $\widehat{Y_{i,k}}$ as independent of the second error term in Equation 5, $u_{i,k,c}$.

Table 10 reports second stage Generalized Method of Moments (GMM) estimates of Equation 5 where the endogenous variable (allocation to overall asset class) is instrumented using ML predictions. The table shows estimates and marginal effects where explanatory variables are total asset class allocation, condition indicator (high or low-trust organization label), respondent financial literacy (high or low) and respondents' expected returns or probabilities of loss. Models 1 and 3 estimate percentages allocated to organization-labeled money market funds and Models 2 and 4 estimate total percentages allocated to all organization-labeled stock funds.

Results show a significant and large effect of high organization trust on money market allocations, at 4.8 (4.6) percentage points, measured by marginal effects for models 1 and 3. The effect for stock allocations is also significant: switching from the low to the high-trust organization condition causes a 13.7 (13.5) percentage points higher overall allocation to stock funds. These results are consistent with and similar in magnitude to those found in Table 9. In other words, once respondents have decided on their allocations to broad asset classes, choices between organization-labeled and white-labeled options within those classes are still strongly affected by trusted organization labels.

Table 10: **IV Estimates of Allocation to Organization-labeled Options**

This table reports second stage Generalized Method of Moments (GMM) estimates and marginal effects from equation 5 for Conditions 1 and 2. Models 1 and 3 estimate percentages allocated to organization-labeled money market funds and Models 2 and 4 estimate total percentages allocated to all organization-labeled stock funds. Heteroskedasticity-robust standard errors are in parentheses. *** indicates p-value ≤ 0.01; ** indicates p-value ≤ 0.05; * indicates p-value < 0.10.

	(1)	(1)	(2)	(2)	(3)	(3)	(4)	(4)
% Organization-labeled Option	Money Market		Stocks		Money Market		Stocks	
		Marg. Eff		Marg. Eff		Marg. Eff		Marg. Eff
Total Money Market allocation	0.458***	0.458***			0.498***	0.498***		
	(0.131)	(0.131)			(0.140)	(0.140)		
Total Stocks Allocation			0.647***	0.647***			0.616***	0.616***
			(0.165)	(0.165)			(0.178)	(0.178)
High-trust organization	4.362	4.785***	7.037***	13.689***	4.105	4.609***	7.201***	13.519***
	(2.693)	(1.458)	(2.665)	(2.216)	(2.683)	(1.451)	(2.696)	(2.250)
High Fin Lit	-3.211	-2.822	-10.173**	-4.050	-3.084	-2.620	-9.582**	-3.765
	(2.869)	(2.448)	(4.010)	(3.297)	(2.834)	(2.386)	(4.069)	(3.345)
High-trust x High Fin Lit	0.774		12.195***		0.923		11.584***	
	(3.050)		(4.334)		(3.039)		(4.342)	
E(R) Money Market	0.015	0.015						
	(0.057)	(0.057)						
E(R) U.S. Large Cap			0.070	0.070				
			(0.082)	(0.082)				
E(R) U.S. Small Cap			0.054	0.054				
			(0.091)	(0.091)				
E(R) Global Stocks			-0.072	-0.072				
			(0.079)	(0.079)				
P(Loss) Money Market					-0.031	-0.031		
					(0.034)	(0.034)		
P(Loss) U.S. Large Cap							0.004	0.004
							(0.052)	(0.052)
P(Loss) U.S. Small Cap							-0.040	-0.040
							(0.048)	(0.048)
P(Loss) Global Stocks							-0.020	-0.020
							(0.056)	(0.056)
Constant	1.576		-8.610			1.332		-4.579
	(4.937)		(8.132)			(4.862)		(10.892)
R-squared	0.457		0.309			0.469		0.314
Observations	462	462	462	462	462	462	462	462
First stage statistics								
Underidentification (K-P LM)	27.47		28.36			25.27		27.04
Weak Identification (K-P Wald)	30.39		32.72			28.91		31.17

The analogous results for the SUR and IV estimates for respondents in Condition 4 are found in Appendix Tables C.6 and C.7, respectively. Again we find that organizational trust affects allocations to employer-branded funds within a given asset class, conditional on respondents' overall allocation to that asset class. However, we only find a statistically significant difference in allocations when comparing individuals with high self-reported trust in their employer versus respondents with low self-reported trust in their employer (we find no significant difference between respondents with middling trust in their employer). The SUR and IV magnitudes of the effect of organizational trust on allocations to money market funds are comparable to those in Tables 9 and 10. We find that having high self-reported trust in one's employer is associated with a 5 percentage point higher allocation to employer-branded money market funds (relative to respondents with low self-reported trust in their employer). This point estimate is very close in magnitude to those presented in Tables 9 and 10 (between 4.6 and 4.8 percentage points). The estimated effect of organizational trust on employer-branded stock funds is smaller in magnitude but still significant: between 7 and 8 percentage points, depending on the specification (although we note that there is no statistically significant difference in allocations to employer-branded stock funds when using the ML-generated instrument and controlling for probability of loss, see Model (4) in Table C.7).

To summarize – we generally find a positive effect of organizational trust in one's employer on allocations, although that effect is only significant when comparing those with low levels versus high levels of self-reported trust in their employer (with no significant effect among respondents with middling trust in their employer). While significant, the magnitudes of this effect are smaller on average than those among respondents in Conditions 1 and 2, where the organizations associated with the fund options were themselves asset managers. See Appendix C for full details.

3.1.3 Robustness Check: Multivariate Fractional Regression Estimates

The results in Tables 9 and 10 only include allocations for money market and equity funds and exclude those for bond funds – an implicit acknowledgment of the fact that once participants decide on their allocations to money market and equity funds, their allocation to bond funds is completely determined due to the portfolio adding-up constraint. However, the SUR and IV estimates do not explicitly incorporate this constraint in the estimation procedure. As a robustness check, we incorporate the portfolio constraint into the estimation using the multivariate estimator proposed by Mullahy (2015).

The results of this estimation are consistent with Tables 4 and 5 and the regression results presented above and show that moving from the low- to the high-trust condition results in a significant increase in allocations to the organization-labeled option, and that increase in allocation to the organization-labeled option is offset nearly one-for-one with a decrease to the white-labeled option within the same asset class. For example, the multivariate estimates show that moving from the low-trust condition to the high-trust condition increases allocations to the organization-labeled stock fund by 12.9 percentage points and decreases the allocation to the anonymous white label stock fund by 14.3 percentage points. Allocations to the high-trust organization (anonymous white label) bond fund increase (decrease) by 3.5 (3.2) percentage points and allocations to the high-trust

organization (anonymous white label) money market fund increase (decrease) by 5.3 (4.3) percentage points (Table E.2). See Appendix E for full results.

4 Discussion and Conclusions

Our incentivized experiment demonstrates that organizational trust, or confidence that a firm can deliver an expected outcome, influences expectations of investment payoffs and drives asset allocations even when trust is financially irrelevant. We find that respondents' return and loss expectations for financially equivalent funds differ by the perceived trustworthiness of the organizations included in the funds' (uninformative) labels, which in turn affect respondents' investment allocations. Respondents generally anticipate that index funds labeled with trusted organizations' names will deliver higher returns and have a lower likelihood of losses compared to those labeled with less trusted organizations' names. Additionally, organizational trust directly impacts allocation decisions: index funds labeled with highly trusted organization names are more attractive than equivalent anonymous white-label options even after controlling for differences in expected payoffs, whereas index funds associated with poorly trusted names are less appealing. This effect is particularly pronounced among individuals with low financial literacy. These findings contribute to the expanding academic literature on trust and expectations while offering practical insights for investors, retirement plan providers, and asset managers.

Our primary contribution to the literature lies in demonstrating how organizational trust directly shapes expectations and investor behavior, distinguishing it from other well-established factors such as familiarity, risk perception, and other drivers of financial decision-making. While much of the existing finance-related trust literature emphasizes generalized trust, our study specifically examines organizational trust.

Our study also underscores the potential risks of investors relying on organizational trust. In the experiment, choosing an organization-labeled investment option offers no advantage or disadvantage to investors compared to an anonymous white label option. However, in a more realistic setting, agency conflicts between the retirement plan sponsor, organizations, and other financial intermediaries may make choosing an organization-labeled fund suboptimal for investors. For instance, organizations may use their "good names" to extract rents via contracts with intermediaries that retirement plan sponsors or investors are not aware of (see, e.g., Pool et al. (2022)). Even if organizations do not extract all surplus through fees, organizational trustworthiness is likely to be a poor signal for individual fund managers' skill. Moreover, retirement plan sponsors may not be able to adjust their menus quickly enough to account for changes in organizational trust due to frictions in the administrative menu setting process.

Our findings reveal that deficits in respondents' financial literacy amplify the influence of organizational trust, highlighting an additional significant risk. Research demonstrates that people with low financial literacy are more prone to financial errors, and our study identifies another factor that may further expose this vulnerable population to suboptimal financial decision-making. Empirical studies have shown that factors such as familiarity, popular naming conventions, and name

fluency play a role. Our research provides a potential explanation for some of these observations, particularly shedding light on Sialm and Tham (2016)'s finding that including a fund management company's name in a fund's title can significantly impact fund flows and Choi and Kahan (2007) findings that reveal fund outflows within a family of funds can be linked to a scandal affecting one of the funds.

In addition to the academic contributions detailed above, our research is relevant to practitioners. It emphasizes the importance of plan design in constructing investment menus that account for heterogeneous participant behavior, financial literacy, and psychological factors. Our results underscore the importance of carefully choosing fund names to prevent unintentional steering of participants' investments and to promote prudent investment choices.

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A Survey Sample Demographics

This Appendix presents summary statistics for respondents. Three out of 952 respondents were excluded due to either being retired or missing information.

Table A.1: **Descriptive Statistics by Condition**

			Condition 1		Condition 2		Condition 3		Condition 4	
	All		High Trust		Low Trust		White Label		Employer White Label	
	Count	%	Count	%	Count	%	Count	%	Count	%
N	952		233		231		228		260	
Male	474	50%	121	52%	118	51%	101	44%	134	52%
Married	637	67%	169	73%	146	63%	153	67%	169	65%
Age										
19 to 29 years old	35	4%	5	2%	12	5%	9	4%	9	3%
30 to 39 years old	225	24%	56	24%	47	20%	47	21%	75	29%
40 to 49 years old	279	29%	73	31%	72	31%	68	30%	66	25%
50 to 59 years old	266	28%	65	28%	66	29%	69	30%	66	25%
60 to 70 years old	132	14%	31	13%	30	13%	31	14%	40	15%
70 to 80 years old	14	1%	3	1%	4	2%	3	1%	4	2%
Missing	1	0%	0	0%	0	0%	1	0%	0	0%
Total	951	100%	233	100%	231	100%	227	100%	260	100%
Education										
Less than High School	15	2%	1	0%	1	0%	9	4%	4	2%
High School	123	13%	37	16%	24	10%	34	15%	28	11%
Some College	168	18%	39	17%	49	21%	39	17%	41	16%
College (Assoc. or Bachelor)	443	47%	92	39%	120	52%	98	43%	133	51%
Post Graduate Degree	203	21%	64	27%	37	16%	48	21%	54	21%
Total	952	100%	233	100%	231	100%	228	100%	260	100%
Financial Literacy										
Low	421	44%	107	46%	104	45%	111	49%	99	38%
High	531	56%	126	54%	127	55%	117	51%	161	62%
Total	952	100%	233	100%	231	100%	228	100%	260	100%

Continued

Table A.1 – *Continued*

	All		Condition 1: High Trust		Condition 2: Low Trust		Condition 3: White Label		Condition 4: Employer White Label	
	Count	%	Count	%	Count	%	Count	%	Count	%
Household Income										
Less than $5,000	5	1%	2	1%	0	0%	2	1%	1	0%
$5,000 to $7,499	1	0%	1	0%	0	0%	0	0%	0	0%
$7,500 to $9,999	3	0%	2	1%	1	0%	0	0%	0	0%
$10,000 to $12,499	6	1%	0	0%	2	1%	4	2%	0	0%
$12,500 to $14,999	6	1%	1	0%	2	1%	1	0%	2	1%
$15,000 to $19,999	10	1%	1	0%	0	0%	5	2%	4	2%
$20,000 to $24,999	21	2%	4	2%	5	2%	7	3%	5	2%
$25,000 to $29,999	25	3%	8	3%	5	2%	7	3%	5	2%
$30,000 to $34,999	37	4%	8	3%	9	4%	11	5%	9	3%
$35,000 to $39,999	40	4%	8	3%	7	3%	9	4%	16	6%
$40,000 to $49,999	62	7%	13	6%	20	9%	13	6%	16	6%
$50,000 to $59,999	87	9%	22	9%	30	13%	19	8%	16	6%
$60,000 to $74,999	114	12%	32	14%	32	14%	18	8%	32	12%
$75,000 to $99,999	173	18%	43	18%	42	18%	44	19%	44	17%
$100,000 to $149,999	212	22%	50	21%	46	20%	43	19%	73	28%
$150,000 or more	149	16%	38	16%	30	13%	45	20%	36	14%
Missing	1	0%	0	0%	0	0%	1	0%	0	0%
Total	951	100%	233	100%	231	100%	227	100%	260	100%
Race										
White	809	85%	201	86%	195	84%	187	82%	226	87%
Black	71	7%	17	7%	17	7%	20	9%	17	7%
Other	70	7%	14	6%	18	8%	21	9%	17	7%
Missing	2	0%	1	0%	1	0%	0	0%	0	0%
Total	950	100%	232	100%	230	100%	228	100%	260	100%
Labor Status										
Currently Working	948	100%	233	100%	229	99%	228	100%	258	99%

Continued

Table A.1 – *Continued*

	All		Condition 1		Condition 2		Condition 3		Condition 4	
			High Trust		Low Trust		White Label		Employer White Label	
	Count	%	Count	%	Count	%	Count	%	Count	%
On Sick or Other Leave	1	0%	0	0%	1	0%	0	0%	0	0%
Unemployed-Looking	2	0%	0	0%	0	0%	0	0%	2	1%
Retired	1	0%	0	0%	1	0%	0	0%	0	0%
Total	952	100%	233	100%	231	100%	228	100%	260	100%

B Full Regression Results

This Appendix presents full results from estimations referenced in the main text.

Table B.1: **Table 7 OLS Estimation Full Results**

This table reports estimation results from regressions of proxies for risk and return on condition indicators, (high or low-trust organization conditions), financial literacy indicators (high and low financial literacy) and interaction (Equation 3). Heteroskedasticity-robust standard errors are in parentheses. *** indicates p-value ≤ 0.01; ** indicates p-value ≤ 0.05; * indicates p-value ≤ 0.10.

	Probability of Loss					**Expected Return**				
	Money Market	U.S. Bonds	U.S. Large Cap	U.S. Small Cap	Global Stocks	Money Market	U.S. Bonds	U.S. Large Cap	U.S. Small Cap	Global Stocks
High-trust	-10.903***	-12.554***	-7.739**	-7.134*	-3.308	5.908**	6.297**	7.467***	4.690*	3.974
	(4.159)	(4.329)	(3.885)	(4.107)	(4.195)	(2.790)	(2.622)	(2.785)	(2.559)	(2.937)
High Fin Lit	-17.764***	-15.027***	-9.691***	-10.463***	-5.387	5.683**	5.377**	5.932**	7.467***	3.704
	(3.809)	(3.993)	(3.582)	(3.631)	(3.797)	(2.449)	(2.081)	(2.357)	(2.171)	(2.532)
High Fin Lit x High-trust	6.641	8.261	3.501	1.325	-6.049	-5.877*	-7.066**	-6.588**	-3.593	-1.460
	(5.039)	(5.277)	(4.629)	(4.884)	(4.988)	(3.071)	(2.865)	(3.102)	(2.929)	(3.248)
Constant	38.375***	39.885***	40.183***	46.106***	45.808***	-0.274	-0.807	1.001	-3.305*	-0.631
	(3.168)	(3.344)	(3.098)	(3.127)	(3.279)	(2.246)	(1.966)	(2.146)	(1.969)	(2.311)
Observations	462	462	462	462	462	462	462	462	462	462
R-squared	0.090	0.062	0.042	0.051	0.044	0.024	0.025	0.032	0.045	0.018

Table B.2: **Allocations to Asset Class by Condition, OLS Estimation Results**

This table reports estimation results from regressions of asset class level allocations on condition indicators, (high or low-trust organization conditions), financial literacy indicators (high and low financial literacy), and proxies for risk and return. Note that the control group with only white label fund options (Condition 3) are the omitted baseline condition. Heteroskedasticity-robust standard errors are in parentheses. *** indicates p-value ≤ 0.01; ** indicates p-value ≤ 0.05; * indicates p-value ≤ 0.10.

	(1) Money Market	(2) U.S. Bonds	(3) U.S. Large Cap	(4) U.S. Small Cap	(5) Global Stocks	(6) Market Market	(7) U.S. Bonds	(8) U.S. Large Cap	(9) U.S. Small Cap	(10) Global Stocks
High-trust	-2.511	0.296	1.763	-0.825	0.996	-3.018	0.289	2.197	-0.608	1.118
	(2.482)	(1.558)	(1.902)	(1.294)	(1.354)	(2.511)	(1.554)	(1.917)	(1.289)	(1.360)
Low-trust	-3.349	0.0469	2.315	1.800	-0.122	-3.035	0.266	2.570	1.969	-0.154
	(2.470)	(1.409)	(1.790)	(1.367)	(1.386)	(2.498)	(1.407)	(1.823)	(1.371)	(1.393)
P(Loss) Money Market	0.150***									
	(0.0422)									
P(Loss) U.S. Bonds		0.00155								
		(0.0226)								
P(Loss) U.S. Large Cap			-0.184***							
			(0.0317)							
P(Loss) U.S. Small Cap				-0.0719***						
				(0.0226)						
P(Loss) Global Stocks					-0.0830***					
					(0.0218)					
E(R) Money Market						-0.0980				
						(0.0789)				
E(R) U.S. Bonds							0.0877*			
							(0.0516)			
E(R) U.S. Large Cap								0.230***		
								(0.0574)		
E(R) U.S. Small Cap									0.152***	
									(0.0486)	
E(R) Global Stocks										0.124***
										(0.0365)
Constant	26.71***	13.96***	29.98***	19.51***	17.68***	30.98***	13.60***	22.33***	16.32***	13.98***
	(2.018)	(1.202)	(1.817)	(1.365)	(1.394)	(2.015)	(1.109)	(1.365)	(0.998)	(1.098)
Observations	689	689	689	689	689	689	689	689	689	689
R-squared	0.025	0.000	0.050	0.021	0.025	0.006	0.006	0.030	0.028	0.021

C Condition Four: Comparing High, Medium, and Low-trust Employer White Labels

In this Appendix we examine responses from Condition 4, where respondents chose from a menu consisting of anonymous white label funds and white label funds that contain the name of their employer. For Condition 4, we divide respondents by how much they trust their own employer to assess the whether trust in organizations in general affects investment decisions. At the beginning of the survey, each respondent entered a proxy name for their employer, and UAS piped their employer proxy name into the screens for both the investment allocation and distribution builder tasks. Respondents also submitted personal ratings of their trust in their employer. The employer labels apply to no-fee index funds and, similar to Conditions 1 and 2, Condition 4 respondents should have no financial reason to prefer employer white label over anonymous white label funds, regardless of their assessment of the trustworthiness of their employer organization. Condition 4 thus offers another test of organizational trust, where the possible association is the trustworthiness of the respondent's employer instead of an asset manager. The instructions survey respondents in Condition 4 received are listed in Table C.1, below.

Table C.1: **Explanation of Mutual Fund Names for Condition 4.**

This table reproduces the text we showed respondents in Condition 4 that explained the labels on the mutual funds described in Figure 1. Respondents allocated their retirement balance among these funds in task 1 and assigned probabilities to investment outcomes in task 2.

Condition 4: Employer White Label and Anonymous White Label
Mutual Fund Names If you see the initials of your employer preceding the fund name, this means the fund has been put together for your employer's retirement plan. The fund may include one or more mutual funds which hold the same type of investment. If you see "White Label" preceding the fund name, this means the fund has been put together for your employer's retirement plan and given a generic name. The fund may include one or more mutual funds which hold the same type of investment.

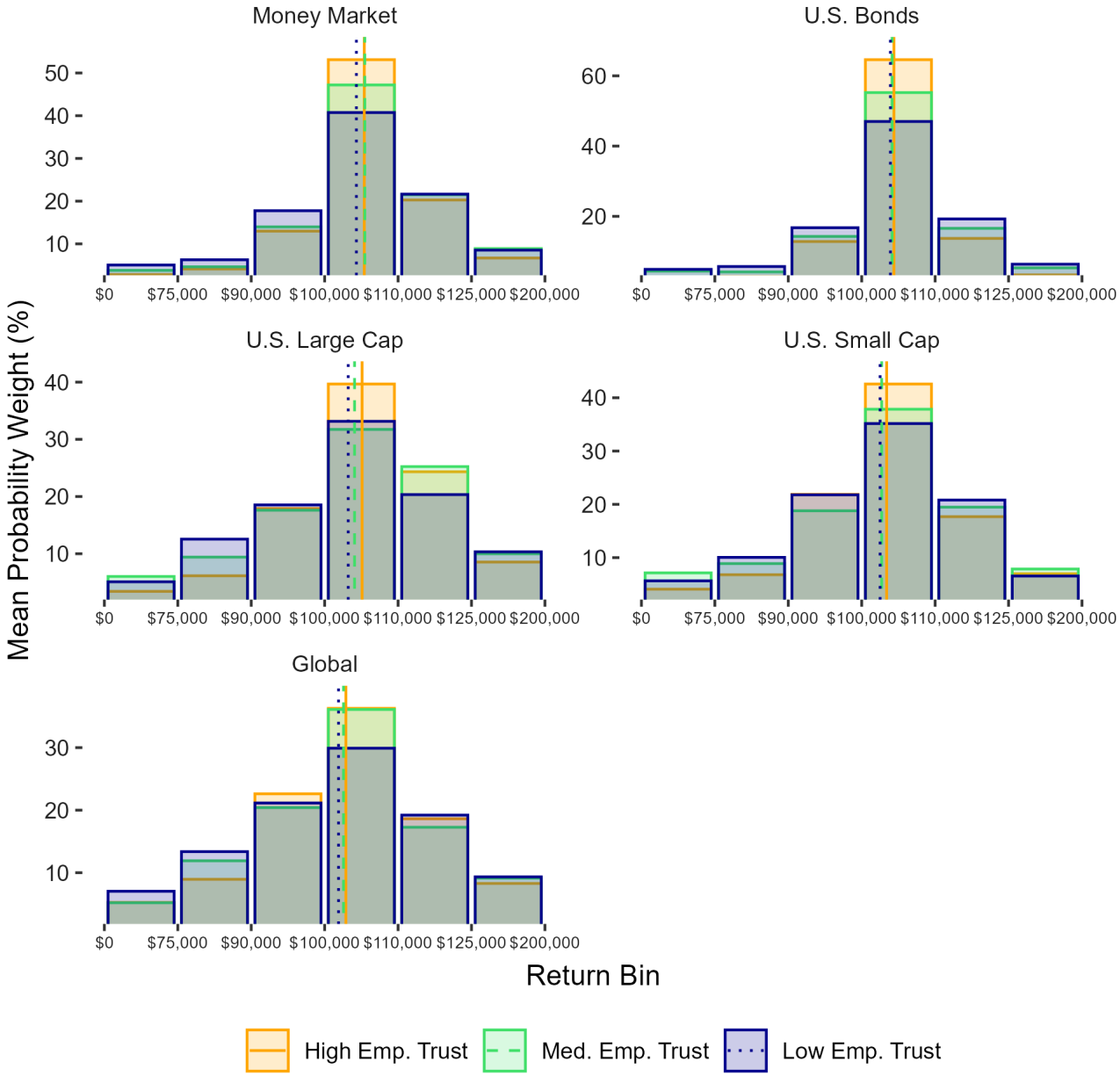
C.1 The Influence of Trust in One's Employer on Risk and Return Expectations for Employer-White Labeled Funds

C.1.1 Distributions of Expected Payoffs

Analogous to Figure 4, Figure C.1 compares the distribution of expectations by showing the average probability weights for each payoff bin for respondents with high, medium, or low self-reported trust in their employer. The figure demonstrates that respondents with low levels of self-reported trust in their employer place a higher probability mass on lower payoffs relative to respondents with more trust in their employers. This pattern is broadly consistent across all asset classes; for each asset class, the average expected return is increasing in the level of trust in the employer.

Figure C.1: **Average return expectations for investments by self-reported trust in employer**

This figure shows the average probability weight allocated to each payoff bin for an initial $100,000 investment for each asset class for respondents in Condition 4 with high, medium, or low self-reported trust in their employer. Solid, dashed, and dotted lines show the average expected payoff for each level of self-reported trust.



While the differences in expectations among respondents in Condition 4 are less pronounced than those in Conditions 1 and 2, the permutation tests for differences are statistically significant for all asset classes except for Global Stocks funds ($p \leq .10$ for U.S. Small Caps; $p \leq .05$ for

Money Market, U.S. Bond, and U.S. Large Cap funds).[25] Similar to those identified in Figure 4, the distribution-wide differences in expectations are driven primarily by differences in the probabilities assigned to small gains or losses for Money Market and U.S. Bond funds, and by differences in the probabilities assigned to large losses for the U.S. Large Cap and U.S. Small Cap funds.

[25]The permutation tests are for differences in the distributions of expected payoffs for high versus low-trust in employers; respondents with middling trust in their employers are excluded.

C.1.2 Averages of Risk and Return Expectations

Patterns where respondents predict higher expected returns and lower probabilities of loss to funds labeled with more trusted organizations are repeated in Condition 4. Table C.2 compares predictions averaged over respondents who gave similar ratings for their trust in their employer. On average, respondents who trusted their employers comparatively more predicted that employer white label funds would generate higher expected returns and less probable losses than respondents who trusted their employers comparatively less. The pattern of results is quite similar to those presented in Table 3, where respondents reported higher expected returns and lower probabilities of loss for high-trust organizations relative to low-trust organizations. Appendix D contains Kolmogorov-Smirnov tests demonstrating that the distribution of the first and second moments calculated from respondents' beliefs about returns differs by employer trust.

Table C.2: **Average Expected Returns and Probabilities of Loss: Employer White Label Condition**

This table shows averages of Condition 4 respondents' expected returns and probabilities of loss from the distribution builder (Task 2). In Task 2, respondents assigned 100 balls, each representing 1 percentage point of probability, to six bins representing intervals of possible outcomes for a one-year investment of $100,000. Respondents completed this task for each of the five classes of index funds. Funds were labeled according to the condition, i.e., employer white label (Condition 4). Expected returns are calculated by equation 1 and probability of loss by equation 2. The final column in each condition panel shows results from tests of equal means in the low employer trust and high employer trust groups, where *** denotes $p \leq .01$, ** denotes $p \leq .05$, and * denotes $p \leq .10$.

	Expected return			
	Employer Condition (N=260)	**Employer Trust High (N=112)**	**Employer Trust Medium (N=86)**	**Employer Trust Low (N=62)**
Fund				
Money Market	7.1%	7.3%	7.8%	6.0%
Bond	4.9%	4.9%	4.8%	4.8%
Large Stocks	6.5%	7.5%	6.0%	5.4%
Small Stocks	3.9%	4.8%	3.3%	3.1%
Global	3.9%	4.3%	4.2%	2.9%
	Probability of Loss			
Fund				
Money Market	23%	20%	22%	29%**
Bond	22%	18%	23%	27%**
Large Stocks	31%	27%	33%	36%**
Small Stocks	35%	33%	35%	37%
Global	38%	37%	38%	42%

C.1.3 Averages of Allocations

We can see in Table C.3 that when we compare within asset classes, average allocations incline towards the trusted employers. Average allocations to the employer white label funds were often nearly twice as large as average allocations to the anonymous white label funds for the group of respondents who rated their employer as highly trustworthy. Average allocations to the employer white label funds were about the same as allocations to the anonymous white label fund for the group of respondents who rated their employer as not very trustworthy. Again taking U.S. Large Cap Stocks allocations as an example, respondents in the high employer trust group allocated 18%, on average, to the employer white label index fund and 10% to the anonymous white label equivalent. Respondents in the lower employer trust group allocated 15% to the employer white label and 13% to the anonymous white label on average. This result is similar to the analogous comparison for Conditions 1 and 2 (Table 5), where the average allocation to the high-trust (white label) U.S. large cap option was 18% (9%) and the average allocation to the low-trust (white label) U.S. large cap option was 11% (15%).

Table C.3: **Average Allocations to Employer White Label Funds and Anonymous White Label Funds.**

This table reports investment allocations made by survey respondents (Task 1) for Condition 4. The top panel shows averages over respondents by employer trust level of allocations to types of securities (money, bonds, and stock). The bottom panel shows averages over respondents by employer trust level of allocations to stock asset classes (large cap, small cap, and global equities). The third column in each section shows results from tests of equal means in the two preceding columns, where *** denotes $p \leq .01$, ** denotes $p \leq .05$, * denotes $p \leq .1$ (none of the differences in means for the low trust condition were statistically significant).

	Employer Condition				**Employer Trust High**				**Employer Trust Medium**				**Employer Trust Low**		
	Emp.	Anon.		Total	Emp.	Anon.		Total	Emp.	Anon.		Total	Emp.	Anon.	Total
Money Market	17%	9%	***	26%	20%	6%	***	26%	16%	9%	*	25%	14%	12%	26%
Bond	9%	5%	***	14%	9%	4%	***	13%	10%	5%	**	15%	9%	7%	15%
Stock	36%	24%	***	60%	40%	21%	***	61%	36%	24%	***	60%	31%	28%	59%
U.S. Large Cap	17%	11%	***	29%	18%	10%	***	27%	18%	13%	*	31%	15%	13%	27%
U.S. Small Cap	10%	7%	***	17%	11%	6%	***	18%	10%	6%	**	17%	8%	9%	17%
Global	9%	6%	***	14%	10%	5%	***	16%	7%	5%	*	12%	9%	7%	15%
Total Allocations	63%	37%	***		69%	31%	***		62%	38%	***		53%	47%	
N	260				112				86				62		

C.2 Effects of Self-Reported Employer Organizational Trust and Financial Literacy on Expected Risk and Return

Again following the main text, we compute marginal effects from OLS regressions:

$$M_{i,j} = \alpha_{1,j} + \Gamma X_i + \beta_{1,j} ET_i + \beta_{2,j} FL_i + \beta_{3,j} ET_i * FL_i + \varepsilon_{i,j} \tag{6}$$

where the dependent variable is either a measure of expected return or probability of loss ($M_{i,j} : R_{i,j}; L_{i,j}$) for respondent i and asset class j, ET_i is a categorical variable indicating high, medium or low employer trust for respondent i, FL_i is an indicator for high financial literacy (versus low financial literacy) and X_i is a vector of control variables comprising gender, marital status, age, education, household income, race, stock ownership, trust in the finance sector and attention to the survey. Note that, unlike in the main text, we include demographic controls as we are unable to randomize across self-reported trust in one's employer. We use estimates of equation 6 to compute differences in predictive margins for the effects of employer organizational trust and financial literacy on expected returns and risk, conditioning on respondent characteristics.

Table C.4 reports results from these tests. We find that direction of effects, by and large, are the same as as reported in Table 7, with low employer trust associated with higher probabilities of loss and lower expected returns than high employer trust. The same pattern as in Table 7 also applies for low and high financial literacy where low financial literacy is associated with higher probabilities of loss and (mostly) lower expected returns. However few differences are statistically significant, potentially due to the small sample size within the condition and the inability to experimentally manipulate trust in one's employer.

Table C.4: **Estimated Effects of Self-Reported Employer Trust and Financial Literacy on Expected Returns and Risk.**

The table reports average predicted values and results of tests that marginal differences are zero from regressions of proxies for risk and return on self-reported employer trust bins (low, medium, or high employer trust), financial literacy indicators (high and low financial literacy) and interactions, and demographic controls (equation 3). "Fin. lit." denotes financial literacy. High-trust employer sample: N=112; Medium-trust employer sample: N=86; Low-trust employer sample: N=62. Standard errors are calculated via the delta method. *** indicates p-value < 0.01; ** indicates p-value < 0.05; * indicates p-value < 0.1.

Probability of Loss							
	Average predicted value (%)			Difference	Average predicted value		Difference
	Low Trust	Medium Trust	High Trust	Low - High	Low Fin. Lit.	High Fin. Lit.	Low - High
Money Market	26.85	23.05	20.97	5.88	26.35	21.04	5.31
U.S. Bonds	23.17	23.55	19.95	3.22	27.22	18.64	8.57*
U.S. Large Cap	32.78	33.86	28.74	4.03	32.10	30.96	1.14
U.S. Small Cap	34.01	35.39	34.40	-0.40	38.34	32.36	5.99
Global Stocks	38.87	38.34	37.53	1.34	39.13	37.49	1.64
	Probability of Loss | Low Financial Literacy				Probability of Loss | High Financial Literacy		
	Average predicted value (%)			Difference	Average predicted value		Difference
	Low Trust	Medium Trust	High Trust	Low - High	Low Trust	Medium Trust	High Trust	Low - High
Money Market	25.99	26.12	26.72	-0.73	27.39	21.16	17.43	9.95**
U.S. Bonds	30.64	27.16	25.37	5.26	18.58	21.34	16.61	1.96
U.S. Large Cap	33.29	35.72	28.67	4.62	32.46	32.72	28.79	3.68
U.S. Small Cap	35.58	39.62	38.89	-3.32	33.04	32.80	31.64	1.40
Global Stocks	41.98	40.75	36.32	5.66	36.96	36.86	38.27	-1.31
Expected Return							
	Average predicted value (%)			Difference	Average predicted value		Difference
	Low Trust	Medium Trust	High Trust	Low - High	Low Fin. Lit.	High Fin. Lit.	Low - High
Money Market	6.18	7.55	7.38	-1.20	6.67	7.45	-0.79
U.S. Bonds	5.80	4.58	4.64	1.16	3.84	5.54	-1.70
U.S. Large Cap	6.69	5.45	7.11	-0.43	7.02	6.11	0.91
U.S. Small Cap	4.17	2.92	4.31	-0.15	1.93	4.98	-3.05
Global Stocks	3.30	3.81	4.26	-0.97	3.96	3.84	0.12
	Expected Return | Low Financial Literacy				Expected Return | High Financial Literacy		
	Average predicted value (%)			Difference	Average predicted value		Difference
	Low Trust	Medium Trust	High Trust	Low - High	Low Trust	Medium Trust	High Trust	Low - High
Money Market	5.61	8.41	5.91	-0.30	6.53	7.03	8.29	-1.76
U.S. Bonds	3.71	4.41	3.47	0.24	7.09	4.68	5.36	1.73
U.S. Large Cap	7.47	5.52	7.93	-0.45	6.20	5.40	6.61	-0.41
U.S. Small Cap	3.65	0.48	2.09	1.56	4.48	4.42	5.68	-1.20
Global Stocks	4.17	3.21	4.41	-0.24	2.76	4.18	4.17	-1.41

C.2.1 Effects of Expected Risk and Return on Fund Allocations

Table C.5 presents estimates using the specification in Equation 4 with investment options labeled with the name of the respondent's employer. The results are consistent with those in Table 8 but with larger standard errors, which may reflect the smaller sample size in Condition 4 as well as the inability to experimentally manipulate trust in one's employer. Higher probabilities of loss predict lower allocations to the employer-labeled option and higher expected returns predict higher allocations to the employer labeled option.

Table C.5: **Panel Estimates of Allocation to Employer-labeled Option: Effect of Expected Probability of Loss**

The table reports estimation results from fixed effects panel models of allocations to employer-branded investment options in Condition 4. In Task 1, respondents allocated 100% of their hypothetical retirement balance to 10 fee-free index funds in 5 fund types (Money Market, U.S. Bonds, U.S. Large cap stocks, U.S. Small cap stocks and Global stocks) where funds had either an employer label or a white label. Models estimate the percentage allocation of respondent i to the employer-labeled fund in asset class j conditioning on respondents' one-year expected probability of loss $L_{i,j,c}$, P(Loss), or expected return, $R_{i,j,c}$, E(R), from Task 2, financial literacy and a high-, medium-, or low-trust employer condition indicator. All models include individual fixed effects. Models 2-4 and 6-8 include fixed effects for money market, bond, and stock asset classes. Standard errors clustered by respondent are in parentheses. *** indicates p-value < 0.01; ** indicates p-value < 0.05; * indicates p-value < 0.1.

% Allocation to Employer-Labeled Option	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
P(Loss)	-0.089**	-0.092**	-0.127**	-0.183				
	(0.035)	(0.040)	(0.064)	(0.117)				
High Fin Lit x P(Loss)			0.066	0.237*				
			(0.072)	(0.128)				
Med Emp Trust x P(Loss)				0.136				
				(0.164)				
High Emp Trust x P(Loss)				0.002				
				(0.143)				
High Fin Lit x Med Emp Trust x P(Loss)				-0.271				
				(0.189)				
High Fin Lit x High Emp Trust x P(Loss)				-0.151				
				(0.164)				
E(R)					0.280***	0.252***	0.192**	0.253**
					(0.076)	(0.075)	(0.084)	(0.117)
High Fin Lit x E(R)							0.232	-0.298*
							(0.164)	(0.180)
Med Emp Trust x E(R)								-0.182
								(0.150)
High Emp Trust x E(R)								0.104
								(0.203)
High Fin Lit x Med Emp Trust x E(R)								0.910***
								(0.325)
High Fin Lit x High Emp Trust x E(R)								0.324
								(0.309)
Marginal Effect of P(Loss) or E(R)			-0.086**	-0.089**			0.336***	0.338***
Standard Error of Marginal Effect			(0.039)	(0.037)			(0.093)	(0.084)
Participant FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Asset Class FE	No	Yes	Yes	Yes	No	Yes	Yes	Yes
R-squared	0.010	0.038	0.039	0.044	0.023	0.047	0.050	0.058
Number of Participants	260	260	260	260	260	260	260	260
Observations	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300

C.2.2 Direct Effects of Trust in One's Employer: Do Employer Labels Guide Allocations?

To estimate direct organizational trust effects, we and again assume that respondents make their asset allocation decision in a sequential manner. For respondents in Condition 4, we first present SUR estimates in Table C.6, analogous to those in Table 9 and again present estimates from the machine-learning generated instrument in Table C.7 in the same fashion as Table 10. To save space, coefficient estimates for the proxies for risk and return are suppressed.

Table C.6: **SUR Estimates of Allocations to Broad Asset Classes and Employer-labeled Options**

This table reports Seemingly Unrelated Regression (SUR) estimates of broad asset class level and employer-labeled options within each asset class from equation 5 for Condition 4. Models 1 and 3 estimate percentages allocated to money market funds and Models 2 and 4 estimate total percentages allocated to all stock funds. For each pair of models, the first column estimates percentages allocated to the broad asset class level, and the second column contains estimates for percentages allocated to the employer-labeled option within the asset class. Models 1 and 2 include controls for participants' expected probability of loss for employer-branded options; Models 3 and 4 include controls for participants' expected return on employer-branded options. Heteroskedasticity-robust standard errors are in parentheses. *** indicates p-value ≤ 0.01; ** indicates p-value ≤ 0.05; * indicates p-value ≤ 0.1.

	(1)	(1)	(2)	(2)	(3)	(3)	(4)	(4)
	Money Market		Stocks		Money Market		Stocks	
	Broad Asset Class	Employer -labeled Option	Broad Asset Class	Employer -labeled Option	Broad Asset Class	Employer -labeled Option	Broad Asset Class	Employer -labeled Option
Total Money Market Allocation		0.654***				0.653***		
		(0.034)				(0.034)		
Total Stocks Allocation				0.504***				0.518***
				(0.063)				(0.063)
Medium Emp Trust		5.863		-3.104		5.988		-3.049
		(3.708)		(6.904)		(3.711)		(6.913)
High Emp Trust		10.848***		8.156		10.853***		8.765
		(3.461)		(6.479)		(3.458)		(6.451)
High Fin Lit	-15.014***	2.664	17.466***	-1.620	-15.788***	2.667	18.831***	-1.531
	(3.416)	(3.633)	(3.356)	(6.816)	(3.335)	(3.628)	(3.379)	(6.835)
High Fin Lit x Medium Emp Trust		-6.037		12.365		-6.136		12.671
		(4.814)		(8.960)		(4.811)		(8.974)
High Fin Lit x High Emp Trust		-8.643*		-0.805		-8.584*		-0.898
		(4.553)		(8.479)		(4.539)		(8.469)
							(0.157)	(0.161)
Constant	33.543***	-4.205	59.588***	3.906	35.584***	-3.997	46.606***	0.617
	(3.271)	(3.078)	(3.935)	(7.069)	(2.751)	(2.912)	(2.710)	(5.820)
Marginal Effect of Medium Employer Trust		2.124		4.553		2.189		4.797
Standard Error of Marginal Effect		(2.375)		(4.410)		(2.367)		(4.416)
Marginal Effect of High Employer Trust		5.495**		7.658*		5.537**		8.209*
Standard Error of Marginal Effect		(2.270)		(4.217)		(2.248)		(4.196)
Risk/Return Proxy			P(Loss)				E(R)	
R-squared	0.083	0.633	0.173	0.266	0.079	0.634	0.166	0.263
Observations	260	260	260	260	260	260	260	260

Table C.7 reports results for respondents in Condition 4 who were shown white label options alongside options labeled with their (proxy) employer's name. The effects of high (self-reported) trust in one's employer display similar patterns to those for the high-trust organization in Table 10, although the effects of organizational trust are only significant when comparing respondents with high self-reported trust in their employers relative to respondents with low self-reported trust. For example, the effect of having a high-trust employer increases the allocation to employer-labeled money market funds (stock funds) by approximately 5.2 (8.1) percentage points when controlling for expected returns in models 1 and 2. Note, however, that the effects of having high employer trust are not significant in model 4 (controlling for the probability of loss).

Table C.7: **IV Estimates of Allocation to Employer-labeled Option**

This table reports second stage Generalized Method of Moments (GMM) estimates and marginal effects from equation 5 for respondents in Condition 4. Models 1 and 3 estimate percentages allocated to manager-labeled money market funds and Models 2 and 4 estimate total percentages allocated to all manager-labeled stock funds. Heteroskedasticity-robust standard errors are in parentheses. *** indicates p-value ≤ 0.01; ** indicates p-value ≤ 0.05; * indicates p-value ≤ 0.1.

	(1)	(1)	(2)	(2)	(3)	(3)	(4)	(4)
% Employer-labeled Option	Money Market		Stocks		Money Market		Stocks	
		Marg. Eff		Marg. Eff		Marg. Eff		Marg. Eff
Total Money Market allocation	0.811***	0.811***			0.838***	0.838***		
	(0.144)	(0.144)			(0.167)	(0.167)		
Total Stocks Allocation			0.390	0.390			0.190	0.190
			(0.323)	(0.323)			(0.405)	(0.405)
Med Emp. Trust	5.612	2.033	-3.092	4.580	5.398	1.869	-3.344	3.953
	(4.471)	(2.517)	(5.427)	(4.385)	(4.555)	(2.577)	(5.815)	(4.520)
High Emp. Trust	10.25***	5.187**	8.626*	8.128*	10.11***	4.978**	7.414	7.194
	(3.606)	(2.058)	(5.239)	(4.348)	(3.733)	(2.196)	(6.028)	(4.549)
High Fin Lit	4.882	-0.552	0.950	4.702	5.182	-0.273	3.885	7.629
	(4.591)	(2.783)	(8.541)	(6.658)	(4.772)	(2.904)	(9.249)	(7.718)
High Fin Lit x Med Emp. Trust	-5.780		12.39		-5.699		11.78	
	(5.328)		(8.273)		(5.442)		(8.503)	
High Fin Lit x High Emp. Trust	-8.175*		-0.805		-8.288*		-0.357	
	(4.353)		(8.120)		(4.465)		(8.575)	
E(R) Money Market	-0.0328	-0.0328						
	(0.0459)	(0.0459)						
E(R) U.S. Large Cap			0.101	0.101				
			(0.147)	(0.147)				
E(R) U.S. Small Cap			0.0213	0.0213				
			(0.155)	(0.155)				
E(R) Global Stocks			-0.0557	-0.0557				
			(0.192)	(0.192)				
P(Loss) Money Market					-0.0129	-0.0129		
					(0.0417)	(0.0417)		
P(Loss) U.S. Large Cap							-0.115	-0.115
							(0.0922)	(0.0922)
P(Loss) U.S. Small Cap							-0.0283	-0.0283
							(0.112)	(0.112)
P(Loss) Global Stocks							-0.0119	-0.0119
							(0.0824)	(0.0824)
Constant	-9.237		6.671		-9.905		23.00	
	(6.317)		(15.82)		(6.603)		(25.51)	
R-squared	0.603		0.252		0.591		0.196	
Observations	260	260	260	260	260	260	260	260
First stage statistics								
Underidentification (K-P LM)	15.55		11.35		12.61		7.23	
Weak Identification (K-P Wald)	14.77		11.60		12.61		7.15	

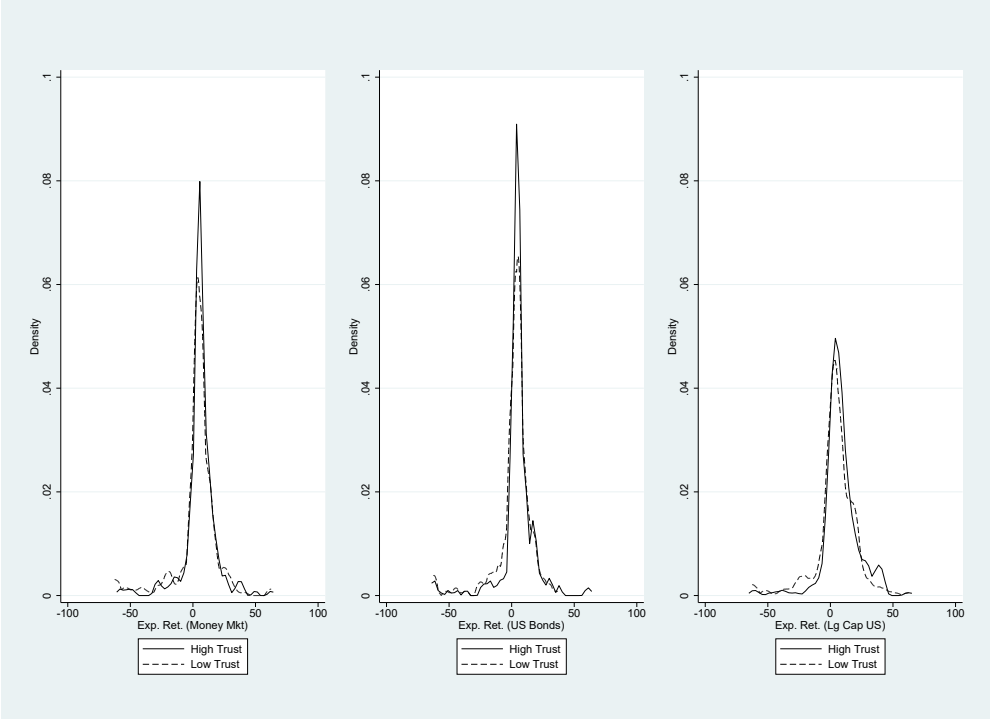
In summary, analysis of responses from Condition 4 offer some evidence for organizational trust influences on allocation decisions, albeit limited by small sub-sample sizes. Findings reveal a significant direct effect of high employer trust, relative to low employer trust, on employer-labeled money market and stock fund allocations. These estimates are consistent with but smaller in magnitude to those found in respondents in Conditions 1 and 2.

D Kolmogorov-Smirnov Tests that Expected Returns and Losses by Condition are Drawn from the Same Distribution

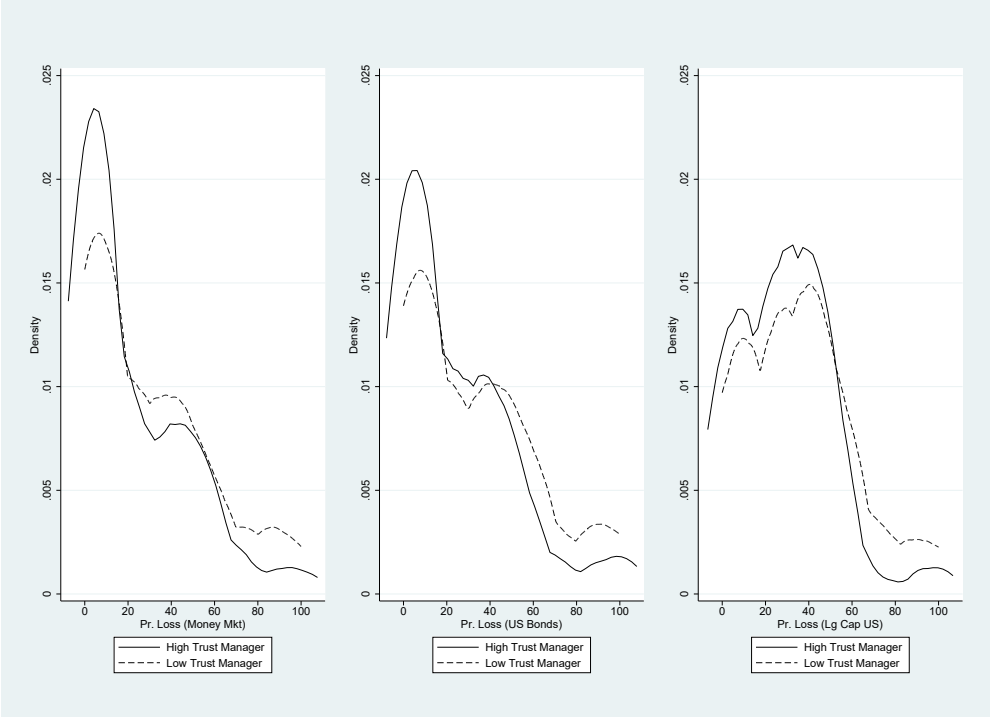
We aggregate each respondent's response to the "ball and bin" questions to calculate the respondent's expected return (i.e. the first moment of their expected payoff distribution) on a given security and their (subjective) probability that the security loses money over the next year (see Equations 1 and 2). While this process loses information (by collapsing the payoff distribution into scalars), it lends itself to a cleaner analysis of risk and return. We can then fit smooth densities to histograms of expected returns and probabilities of loss for more information about respondents' expectations. Figure D.1 graphs the densities of returns and losses for investments in money market, bond and large cap stock indexes, for respondents in the high- and low-trust treatments (Conditions 1 and 2). Figure D.2 does the same for Condition 1 and 2 respondents with high versus low financial literacy and Figure D.3 compares respondents in Condition 4 (the employer trust condition). (The U.S. Small Cap and Global Stock densities are similar to the U.S. Large Cap graph so we do not show them.) Expected return densities (Panel a) for the high-trust organization condition (solid line) give more probability to zero and low positive returns, and less to extreme returns, than for the low-trust organization condition (dashed line). Respondents also predicted that the high-trust organization stock fund would yield higher returns than the low-trust organization stock fund. Turning to losses (Panel b), we see predictions that large losses were more likely for the low-trust organization funds in all three asset classes. Figure D.3 shows directionally similar patterns but are quantitatively smaller, potentially due to limited power in smaller sub-samples.

Figure D.1: **Fitted Probability Densities of Expected Returns and Probabilities of Loss for Investments in High-trust Organization and Low-trust Organization Funds**

Panel (a) shows kernel densities for expected one-year returns to a $100,000 investment in organization-labeled money market, US Bond index and US Large Cap index funds. The solid line is the fitted density for the expected returns of respondents in Condition 1 to investments in the high-trust organization funds. The dashed line is the fitted density for the expected returns of respondents in Condition 2 to investments in the low-trust organization funds. Panel (b) shows the kernel densities for the one-year probability of loss.



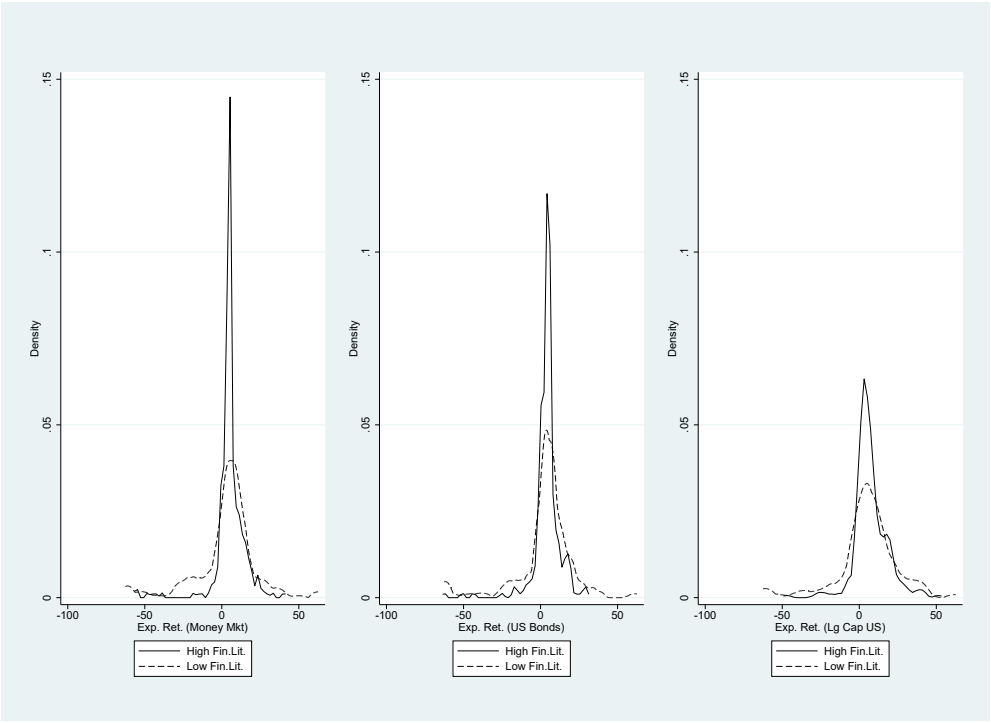
(a) Fitted density of expected returns by high/low-trust organization condition



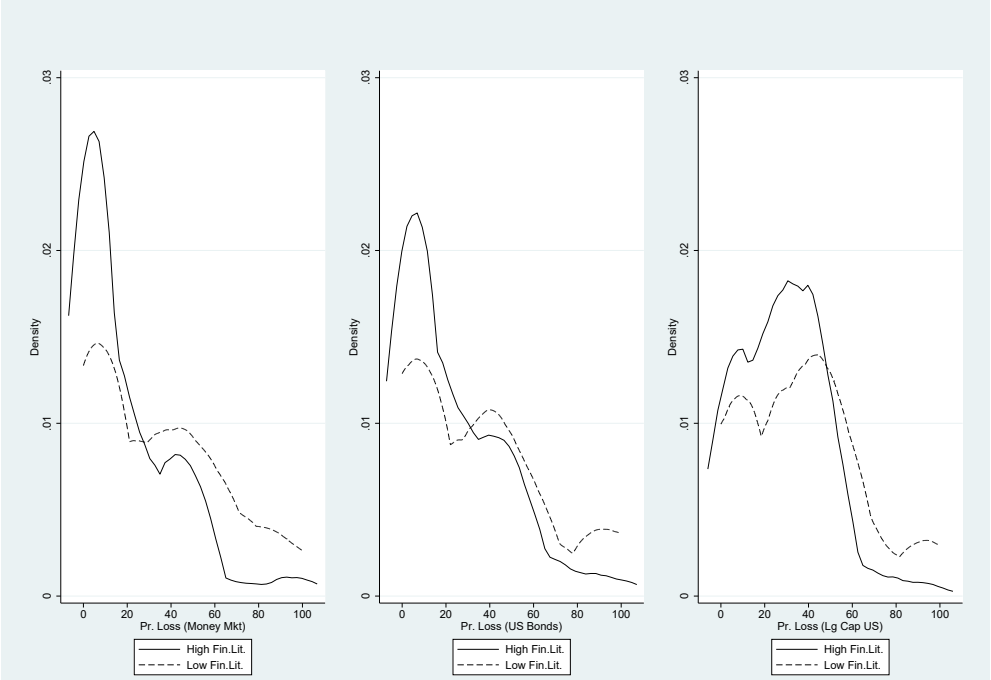
(b) Fitted density of probability of loss by high/low-trust organization condition

Figure D.2: **Fitted Probability Densities of Expected Returns and Probabilities of Loss for Investments by High and Low Financial Literacy**

Panel (a) Shows kernel densities for expected returns to organization-labeled money market, U.S. Bond and U.S. Large Cap funds. The solid line is the fitted density for the expected returns of high financial literacy respondents in Conditions 1 and 2. The dashed line is the fitted density for the low financial literacy respondents in Conditions 1 and 2. Panel (b) shows the kernel densities for the probability of loss of the same groups of respondents.



(a) Fitted density of expected returns by high/low financial literacy



(b) Fitted density of probability of loss by high/low financial literacy

Table D.1 reports p-values for tests of the hypothesis that the samples used to estimate the kernel densities shown in Figures D.1 and D.2 are drawn from the same distribution. The null hypothesis is rejected in each case.

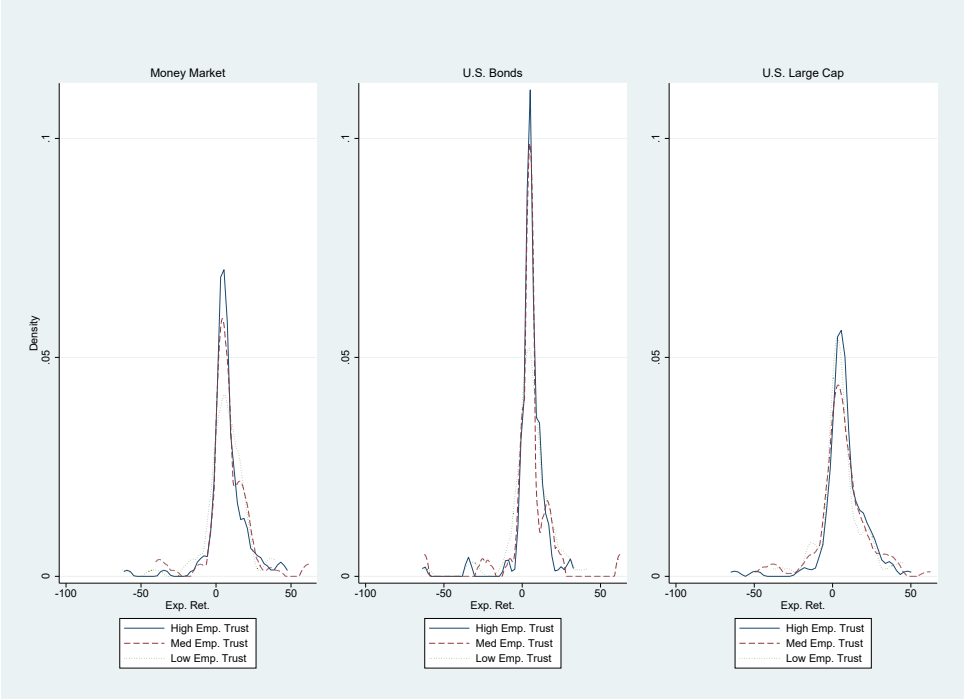
Table D.1: **Kolmogorov-Smirnov Two-sample Test Results**

The table reports p-values for Kolmogorov-Smirnov tests that samples are drawn from the same distribution. P-values $leq 0.1$ indicate that the null that the distributions are the same is rejected at the 10% level.

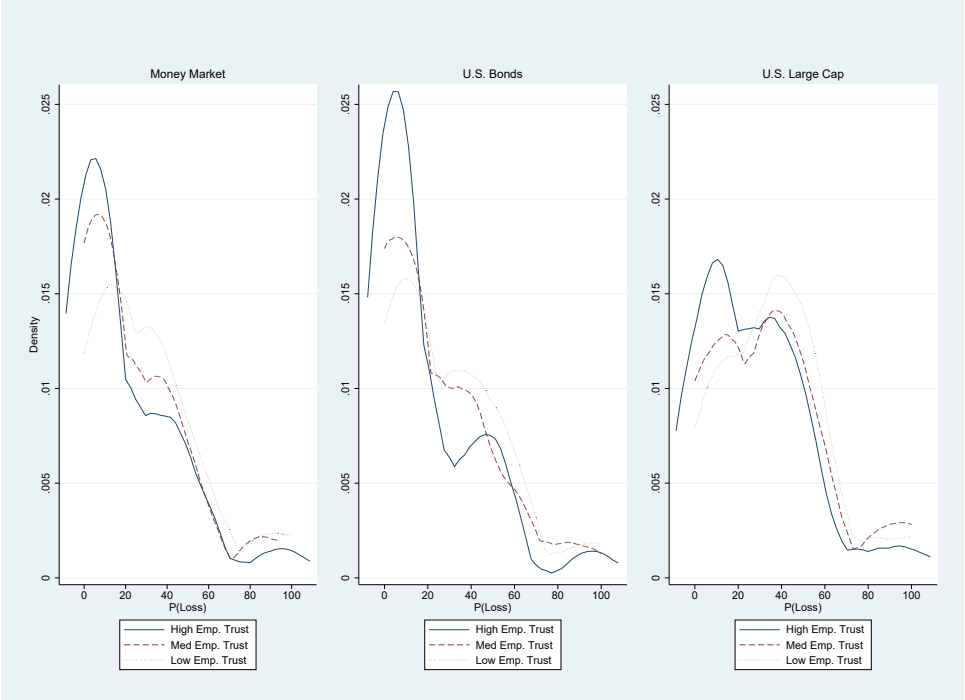
	High Trust v. Low Trust organization Condition				
	Money Market	US Bonds	US Large Cap	US Small Cap	Global Stock
	Combined KS p-value				
Expected Return densities	0.091	0.009	0.033	0.010	0.010
Probability of Loss densities	0.000	0.008	0.000	0.000	0.000
	High v. Low Financial Literacy				
	Money Market	US Bonds	US Large Cap	US Small Cap	Global Stock
	Combined KS p-value				
Expected Return densities	0.051	0.009	0.015	0.030	0.017
Probability of Loss densities	0.000	0.001	0.001	0.000	0.000

Figure D.3: **Fitted Probability Densities of Expected Returns and Probabilities of Loss by Low, Medium, and High Self-reported Trust in Employer**

Panel (a) Shows kernel densities for expected one-year returns to a $100,000 investment in employer-labeled money market, U.S. Bond index and U.S. Large Cap index funds. The solid line is the fitted density for the expected returns of respondents in Condition 4 who self-reported high-trust in their employer, the dashed line is the fitted density for respondents who self-reported medium trust in their employer, and the dotted line is the fitted density for respondents who self-reported low-trust in their employer. Panel (b) shows the kernel densities for the one-year probability of loss to a $100,000 investment of the same groups of respondents.



(a) Fitted density of expected returns by high/medium/low-trust in their employer



(b) Fitted density of probability of loss by high/medium/low-trust in their employer

Table D.2: **Kolmogorov-Smirnov two-sample test results**

The table reports p-values for Kolmogorov-Smirnov tests that samples are drawn from the same distribution. P-values ≤ 0.1 indicate that the null that the distributions are the same is rejected at the 10% level or less.

	High v. Low Employer Trust				
	Money Market	US Bonds	US Large Cap	US Small Cap	Global Stock
	Combined KS p-value				
Expected Return densities	0.514	0.428	0.121	0.628	0.796
Probability of Loss densities	0.025	0.045	0.132	0.625	0.323

E Fractional Multivariate Logit Results

In this Appendix we present results from estimating a multivariate model where the dependent variable is the vector of each subject's portfolio share, rather than the individual elements consisting of the allocation to each of the funds. Doing so allows us to incorporate the portfolio constraint (i.e., that the sum of shares is 100% for each individual in the data) into the estimation procedure. As with the instrumental variable estimates in the main text, we aggregate across stock funds and the outcome of interest is the six-element vector of portfolio allocations to branded and white label funds among the three broad asset classes (money market, bonds, stocks) for each respondent in Conditions 1 and 2. To model the vector of shares, we employ a multinomial logit framework analogous to Papke and Wooldridge (1996) and Mullahy (2015). While this framework has the advantage of enforcing the portfolio adding-up constraint; to the best of our knowledge, the econometric properties of this estimator in settings such as ours where the data contain a meaningful number of portfolio shares at the boundary (i.e., individual allocations of 0% or 100%) have not been studied.

Table E.1 presents coefficient estimates from the estimation procedure. Note that the table contains only five columns even though there are six elements to the vector of portfolio shares. This is because the coefficient estimates for the first element, the allocation to organization-labeled bond funds, are normalized to one; thus, the coefficient estimates for the other five outcomes are relative to the base outcome.[26]

As with multinomial logit models, the coefficient estimates themselves are hard to interpret, therefore we present the average partial effects in Table E.2, which are akin to the marginal effects estimates from a traditional multinomial model (and are presented for all six funds). Note that the sum of the average partial effects is equal to zero across the six funds. This is imposed by the estimation procedure and reflects the constraint that the impact of a unit change in a covariate on one outcome must be offset by the effects of that change on the other outcomes. The results in Table E.2 are very similar to those found in the panel and IV models in the main text; a high trust brand is associated with a higher allocation within the given asset class. Also reflecting the unconditional results in Table 4, the positive effect of a high trust brand on the allocation within that asset class is almost completely offset by a reduction to the white label fund within that asset class (e.g., moving from the low trust to the high trust condition increases the allocation to a branded bond fund by roughly 3.5 percentage points, but decreases the allocation to a white label bond fund by roughly 3.2 percentage points).

[26] This is analogous to a multinomial logit model, where the coefficient estimates for some "base outcome" are unidentified and typically normalized to one.

Table E.1: **Fractional Multivariate Logit Estimates of Portfolio Allocation: Coefficient Estimates**

The table reports estimation results from a multivariate fractional logit model (Mullahy, 2015) for subjects in Conditions 1 and 2. In task 2, subjects allocated 100% of their hypothetical retirement balance to 10 fee-free index funds among 5 fund types (Money Market, U.S. Bonds, U.S. Large cap stocks, U.S. Small cap stocks and Global stocks) where funds within fund types had either a organization label or a white label ("WL"). Models estimate the percentage allocation of respondent i to the organization- or white-labeled fund in one of three asset classes: money market, bond, or stocks (aggregating across U.S. Large cap, U.S Small cap, and Global). The base outcome is organization-labeled bond allocations. Standard errors are in parenthesis. *** indicates p-value ≤ 0.01; ** indicates p-value ≤ 0.05; * indicates p-value ≤ 0.1.

	(1)	(2)	(3)	(4)	(5)
% Allocation	WL Bond Allocation	Organization Stock Allocation	WL Stock Allocation	Organization Money Market Allocation	WL Money Market Allocation
High Trust Manager	-0.557*	-0.00505	-0.632**	0.0211	-0.487
	(0.323)	(0.251)	(0.296)	(0.289)	(0.339)
High Fin Lit	0.987***	0.439*	0.902***	-0.192	0.305
	(0.343)	(0.250)	(0.308)	(0.312)	(0.349)
High Trust x High Fin Lit	-0.836*	-0.137	-0.697*	-0.214	-0.719
	(0.453)	(0.333)	(0.412)	(0.381)	(0.455)
Constant	-0.152	0.541	0.638	0.303	0.0820
	(0.654)	(0.551)	(0.601)	(0.618)	(0.663)
Participant Controls	Yes	Yes	Yes	Yes	Yes
Observations	462	462	462	462	462

Table E.2: **Fractional Multivariate Logit Estimates of Portfolio Allocation: Average Partial Effects**

The table reports average partial effects from a multivariate fractional logit model for the estimates in Table E.1. Note that the sum of average partial effects across columns within a row equal to zero; this reflects the portfolio constraint. Standard errors are calculated via the delta method. *** indicates p-value ≤ 0.01; ** indicates p-value ≤ 0.05; * indicates p-value ≤ 0.1.

	(1)	(2)	(3)	(4)	(5)	(6)
% Allocation	Organization Bond	WL Bond	Organization Stock	WL Stock	Organization Money Market	WL Money Market
High Trust Manager	0.0353***	-0.0315***	0.129***	-0.143***	0.0534***	-0.0433**
	(0.0123)	(0.00859)	(0.0248)	(0.0247)	(0.0191)	(0.0172)
High Fin Lit	-0.0178	0.0212*	0.0361	0.0794***	-0.0807***	-0.0382*
	(0.0126)	(0.0110)	(0.0290)	(0.0294)	(0.0245)	(0.0224)
Observations	462	462	462	462	462	462