

# INVESTMENTS & WEALTH RESEARCH

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## TRENDS IN INVESTOR PREFERENCES

### GENDER CONSIDERATIONS AND CLIENT ENGAGEMENT

By Ed Louis, Associate Director, Wealth Management, Cerulli Associates

This edition of *Investments & Wealth Research* is a study in two parts. In the first part, Cerulli Associates examines investor preferences through the gender lens to highlight considerations for advisors as the industry

tries to better engage with historically underserved segments of the population. The second part focuses on broader trends in advisor and client engagement. A key theme throughout, though, is that there is no silver bullet. Practices that take the

time to understand their clients' needs, tailor services to meet them, and create efficiencies where possible will build the strongest client relationships and reap the accompanying rewards.

TABLE 1

#### INVESTORS: WILLINGNESS TO PAY FOR ADVICE BY GENDER, 2020

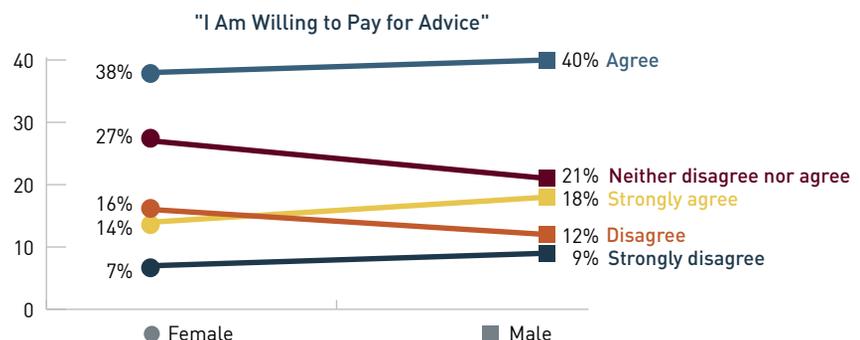
**TABLE 1 HIGHLIGHTS:** Half (51 percent) of female investors say they are willing to pay for financial advice versus 58 percent of male investors.

**KEY IMPLICATIONS:** When it comes to addressing their need for advice, responses across gender cohorts are fairly consistent: Approximately 40 percent of male and female investors indicated that they feel the need for more advice.\* However, female investors are more likely to report being ambivalent about paying for advice. This provides an opportunity for advisors, but as the following figures and tables show, requires addressing ongoing issues of trust, transparency, and inequity within the industry.

\*Datapoint not shown in table 1.

I Am Willing to Pay for Advice	Gender: Female	Gender: Male	Gender Gap
Strongly disagree	7%	9%	-2%
Disagree	16%	12%	4%
Neither disagree nor agree	27%	21%	6%
Agree	38%	40%	-3%
Strongly agree	14%	18%	-4%
Total Agree	51%	58%	-7%

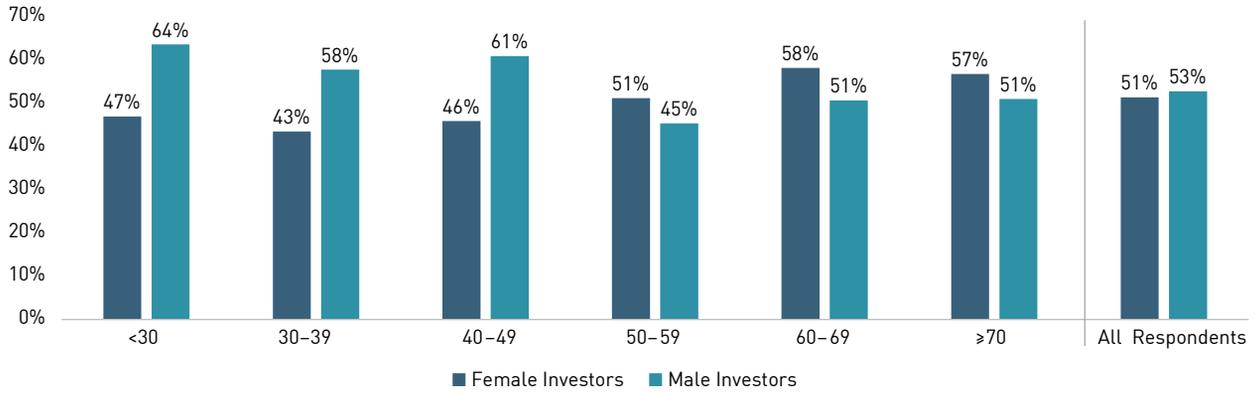
Sources: Phoenix Marketing International, Cerulli Associates  
Analyst note: Totals may not add up to 100% because of rounding.



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**FIGURE 1**  
**INVESTORS: TRUST IN FINANCIAL SERVICES FIRMS BY GENDER, 2020**



*Analyst note: Respondents were asked whether they agreed with the statement: “I trust that financial services firms are looking out for my best interests.” Data shows respondents that agree or strongly agree with the statement.*

*Sources: Phoenix Marketing International, Cerulli Associates*

**FIGURE 1 HIGHLIGHTS:** Only two-fifths (43 percent) of women in their 30s said they agree that financial services firms look out for their best interests, compared with three-fifths (58 percent) of men in their 30s.

**KEY IMPLICATIONS:** A significant gender gap exists in perceptions of the industry

for investors younger than age 50. Women in this cohort are significantly less likely than men to trust financial services firms. This means they are missing out on crucial advice when it matters most (e.g., planning for retirement and other life events). Meanwhile, advisors miss out on establishing strong relationships as these

women enter their peak earning years. Often this gap in trust is the byproduct of a lack of familiarity with an industry that has done a poor job historically of marketing to and serving young women.

**TABLE 2**  
**INVESTORS: FACTORS RATED EXTREMELY IMPORTANT IN CHOOSING AN ADVISOR, BY GENDER, Q3-Q4 2020**

Factors Rated Extremely Important in Choosing an Advisor	Gender: Female	Gender: Male
Provides transparency in interactions (i.e., nothing is hidden)	62%	54%
Takes the time to understand your needs, goals, and risk tolerance	59%	49%
Explains financial analysis to you in a clear, straightforward way	55%	43%
Keeps an eye on your portfolio and lets you know when there are problems or opportunities	51%	44%
Looks at your entire financial picture (investments, insurance, credit, etc.)	50%	40%
Proposes solutions customized to your needs and goals	47%	39%

*Analyst note: Respondents were asked to rate important factors if they were to choose an advisor today.*  
*Sources: Phoenix Marketing International, Cerulli Associates*

**TABLE 2 HIGHLIGHTS:** Transparency and an advisor taking the time to understand their needs are the factors most frequently cited by all investors as important in their advisor search.

**KEY IMPLICATIONS:** Interactions with a financial advisor include many of an

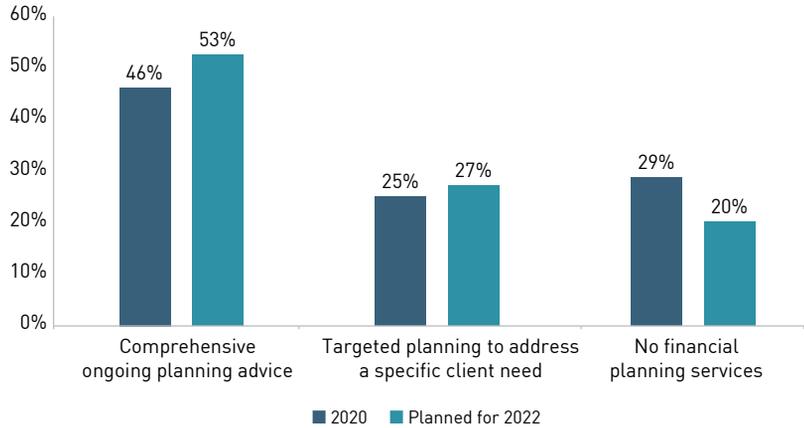
investor’s most private details. Investors may discuss their retirement dreams with friends, but rarely with the specificity and concerns that they share with their advisors. Clear communication about services and fees and making sure that clients feel that their needs are understood are essential for establishing trust. This is particularly

true when working with female investors who may be more skeptical of the industry. As one female advisor shared with Cerulli Associates: “Particularly for women investors, it’s about the ‘why’—the end objectives. Investments are a means to an end; it doesn’t matter how we get there, it matters where we’re going.”

**FIGURE 2**  
**FINANCIAL PLANNING CLIENTS, 2020 VS. 2022E**

**FIGURE 2 HIGHLIGHTS:** Currently, 46 percent of advisors' clients receive comprehensive planning advice, but advisors expect this segment to increase to 53 percent of clients by 2022.

**KEY IMPLICATIONS:** Financial planning has long been shown to deepen and strengthen relationships between advisors and clients. However, Cerulli Associates cautions leaders of all firms, regardless of size, working with mass-affluent retail clients to accurately assess their advisors' and clients' needs. Practices that focus primarily on investors with less than \$100,000 in investible assets hope to implement comprehensive financial plans for 34 percent of their clients by 2022.\* Although this ambition is encouraging, targeted planning that addresses specific investor goals or concerns is often the



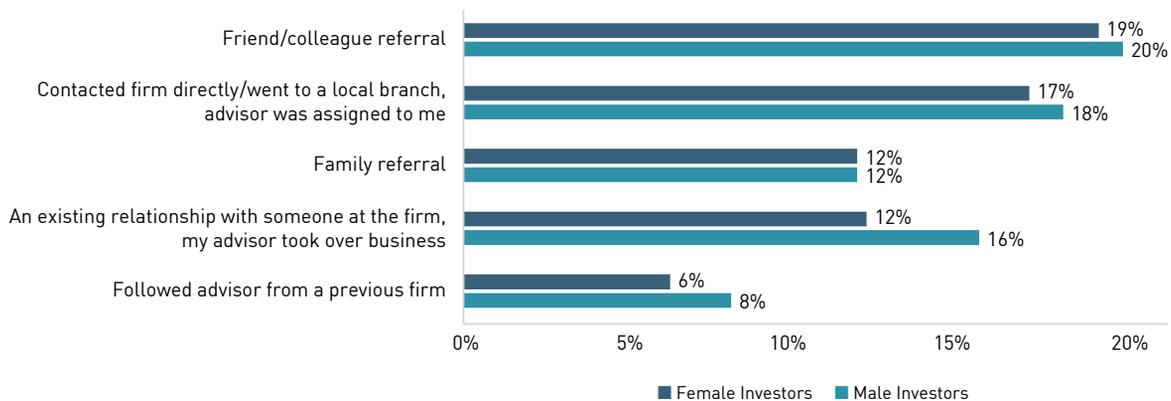
Sources: Cerulli Associates, in partnership with Investments & Wealth Institute® and the Financial Planning Association®

better choice in these cases. This allows practices to help investors focus on the areas where they can make the biggest impact: fostering trust. It also allows

advisors to reserve the demands of comprehensive planning for the most complex (and generally more affluent) cases.

\*Datapoint is not shown in figure 2.

**FIGURE 3**  
**INVESTORS: TOP SOURCES OF PRIMARY ADVISOR RELATIONSHIP BY GENDER, 2020**



Sources: Phoenix Marketing International, Cerulli Associates

**FIGURE 3 HIGHLIGHTS:** Referrals from friends or colleagues are the top source of advisor relationships.

**KEY IMPLICATIONS:** For many advisors who wish to work with more women, the answer lies within their current books of business.

Like men, women most frequently find their primary advisors through referrals from friends and family. So, taking the time to identify ideal existing clients, delivering on those clients' needs, and acknowledging referrals (e.g., thank-you notes, small gifts, fee discounts) is the best way to win more

female clients. Similarly, several advisors have shared how community engagement can be a powerful organic growth driver. Volunteering at or being on the boards of nonprofits that serve women can yield valuable introductions.

TABLE 3

## ADVISORS: FEMALE PRIMARY CLIENT CONTACTS, 2020

**TABLE 3 HIGHLIGHTS:** Just one-third (33 percent) of male advisors report that women make up 50 percent or more of their primary client contacts.

**KEY IMPLICATIONS:** Female advisors are more likely to work with women as clients. For 58 percent of female advisors, at least half of their primary client contacts are women. By extension, firms that have more female advisors will attract more female clients.

Clients want to work with advisors who listen to and understand them, their values, and their goals. Advisor diversity within a firm ensures that the firm offers a range of perspectives and can engage a broader spectrum of investors. Firms can better

Percentage of Female Primary Contacts	Advisor Gender: Female	Advisor Gender: Male	Gender Gap
<10%	1%	2%	-1.1 pp
10% to <20%	2%	6%	-3.8 pp
20% to <30%	6%	14%	-7.8 pp
30% to <40%	18%	19%	-1.0 pp
40% to <50%	15%	26%	-11.0 pp
≥50%	58%	33%	24.7 pp

*Analyst note: Respondents were asked to provide, out of their practice's total client relationships, the percentage of primary contacts who are female; pp = percentage points.*

*Sources: Cerulli Associates, in partnership with Investments & Wealth Institute, the Financial Planning Association, and the Investment Adviser Association*

serve clients if their advisors reflect the diversity among clients and potential clients. The industry has made significant steps to address issues of diversity in recent years,

but it still has a way to go: Currently, women make up just 18 percent of the overall advisor population.\*

\*Datapoint not shown in table 3.

TABLE 4

## TOP SOURCE OF FIRST FINANCIAL-ADVISORY JOB, BY GENDER, 2020

**TABLE 4 HIGHLIGHTS:** One-fifth (19 percent) of female advisors were referred to their first financial-advisory job by a personal contact, compared with 29 percent of male advisors.

**KEY IMPLICATIONS:** The traditional path into the industry is through a personal network, but given that most established advisors are men, it is unsurprising that most of these opportunities go to other men. To help address this, firms can expand talent pipelines into the industry. Firms of all sizes can partner with local schools or organizations to foster awareness about the profession and cultivate the next generation of financial professionals.

Source of First Financial-Advisory Job	Advisor Gender: Female	Advisor Gender: Male	Gender Gap
Referred by personal contact	19%	29%	-10.7 pp
I solicited a specific firm or practice	16%	17%	-0.7 pp
A local advisor recruited me	15%	10%	4.4 pp
I have a family member who is an advisor and recruited me	9%	7%	1.5 pp
Recruiting event held by broker-dealer or advisory practice	7%	3%	3.7 pp
Professional recruiter	6%	3%	3.9 pp
College campus recruiting	6%	6%	0.0 pp

*Analyst note: Respondents were asked how they found their first job as a financial advisor; pp = percentage points.*

*Sources: Cerulli Associates, in partnership with Investments & Wealth Institute and the Financial Planning Association*

**FIGURE 4**  
**ADVISORS: CAUSES OF ASSET OUTFLOWS, 2020**



*Analyst note: Respondents were asked for the distribution of asset outflows in the past 12 months.  
Sources: Cerulli Associates, in partnership with Investments & Wealth Institute and the Financial Planning Association*

**FIGURE 4 HIGHLIGHTS:** Regular income withdrawals (40 percent) and one-time distributions (18 percent) are the top two sources of asset outflows for advisors.

**KEY IMPLICATIONS:** Advisors' asset flows illustrate the impact of their aging client bases,

given that regular income withdrawals represent 40 percent of average asset outflows. An independent advisor notes: "If you focus on older clients, the money outflows are much faster. With a maturing firm, without bringing in new assets as clients start dying, you lose assets."

Partnering with younger advisors can help address this asset attrition because they tend to work with younger clients. Additionally, multi-generational teams are better positioned to build multi-generational relationships with households. This can be a boon for inheritors and help practices retain assets.

**TABLE 5**  
**BUSINESS DEVELOPMENT STRATEGIES DASHBOARD, 2020**

Top-Five Most-Effective Marketing Strategies	Practice Management Professionals		
	Not effective	Somewhat effective	Very effective
Intimate social events for top clients and prospects	0%	13%	87%
Niche marketing	0%	24%	76%
Strategic alliances (e.g., accountants, attorneys)	0%	26%	74%
Client appreciation events	0%	37%	63%
Community networking	3%	37%	61%

*Analyst note: Responses are from practice management professionals.*

*Sources: Cerulli Associates, in partnership with Investments & Wealth Institute and the Financial Planning Association*

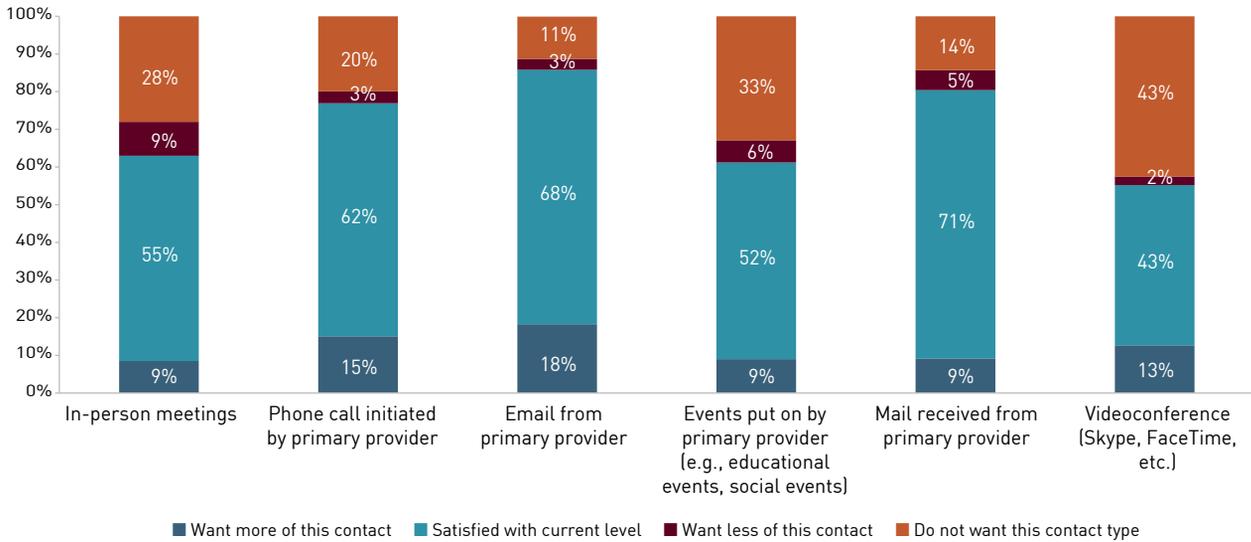
**TABLE 5 HIGHLIGHTS:** According to 87 percent of practice management professionals, social events for top clients and prospects are a very effective marketing strategy.

**KEY IMPLICATIONS:** The restrictions on face-to-face interaction during the

coronavirus pandemic have made it difficult for advisors to employ the same business development strategies that they have relied on historically. This is driving practices to re-engineer their marketing tactics. Virtual client appreciation events, networking sessions, and educational webinars have displaced the traditional

means of building connections. This can be a challenging transition; but one advantage of the digital approach to marketing is that geographic limits are not a barrier. Instead of being limited by the natural market in their immediate regions, advisors can use technology to extend their prospecting efforts nationally and target specific client niches.

**FIGURE 5**  
**INVESTORS: HOUSEHOLDS' PREFERRED AMOUNT OF CONTACT WITH PROVIDER, 2020**



*Analyst note: Respondents were asked: "Given current market conditions, would you like more or less of the following types of contact with your primary provider?"*  
Sources: Phoenix Marketing International, Cerulli Associates

**FIGURE 5 HIGHLIGHTS:** With the exception of videoconferencing, most investors are satisfied with the current levels of each type of contact with their primary provider.

**KEY IMPLICATIONS:** Although the coronavirus pandemic has cut down on in-person meetings and events, videoconferencing

remains the most divisive form of contact among investors. More than half of investors are satisfied with their current number of videoconferences or want more, but 43 percent want none at all. Self-directed households generally are the most unwilling to have advisor communications of any sort, and advisor-reliant and wealthy households

hold stronger preferences for more traditional methods such as phone calls and email.\* Cerulli Associates recommends that rather than relying on a single option, firms offer an array of communication options that investors (and advisors) can tailor to their needs and comfort levels.

\* Datapoint is not shown in figure 5.



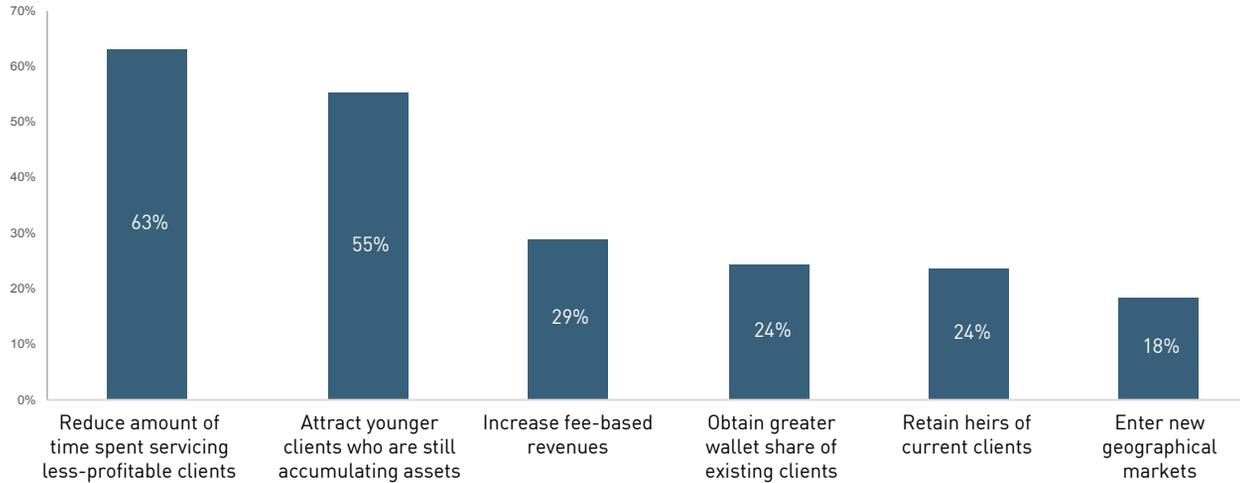
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**FIGURE 6**  
**ADVISORS: MOST EFFECTIVE DIGITAL ADVICE STRATEGIES, 2020**



*Analyst note: Responses are from practice management professionals.*

*Sources: Cerulli Associates, in partnership with Investments & Wealth Institute and the Financial Planning Association*

**FIGURE 6 HIGHLIGHTS:** Digital advice strategies are effective at reducing the amount of time spent servicing less-profitable clients, according to 63 percent of practice management professionals.

**KEY IMPLICATIONS:** Digital advice solutions can effectively attract younger investors who are still in the accumulation phase and not

quite ready to engage fully with an advisor. However, these platforms should not be considered the sole wealth-transfer strategy to retain heirs of aging clients, particularly in the high-net-worth space. The children of these clients are likely older Generation X and younger baby-boomer investors, who often have an established relationship with trusted advisors of their own.

To engage this group, practices should let their voices be heard in family-meeting settings. Incorporating elements of business planning, charitable causes, social responsibility, or environmental, social, and governance investing aspirations often are more successful in engaging the next generation of wealthy investors. ●

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