

Current Crisis Impacts Client Loyalty and Confidence, Highlights Unique Opportunities for Advisors

By Devon Coquillard

A new special report released by the Investments & Wealth Institute®, “2020 Investor Research: The Current Crisis, the Impact on Client Loyalty, and the Implications for Your Business,” highlights the shifts that are occurring in clients’ views; provides a look at what clients need, want, and expect during an unprecedented time; and explores how advisors can support clients to bolster confidence and loyalty.

The research, fielded by Absolute Engagement, gathered input from more than 750 investors across the United States via an online survey conducted March 10–March 24. All respondents work with a financial advisor, make or contribute to the financial decisions in the household, and meet specific asset criteria.

According to the survey, 90 percent of clients are “very satisfied” with their advisors, and advisors are delivering on the attributes that clients rate as most important: trust, accuracy, ethics, and knowledge. Despite this positive finding, the study also uncovered a potential loyalty crisis. The survey, conducted during a period of historic social, market, and economic turmoil, finds a larger-than-expected percentage of clients questioning whether their advisors are providing the advice and guidance they need. In 2019, 21 percent of clients reported they had considered changing advisors; in 2020, that figure jumped to 31 percent.

Even more interestingly, this percentage jumped to 44 percent for individuals who responded during March 16–24, which indicates the impact of the recent market disruption.

The cause for the change in client loyalty appears to stem from clear relationship gaps in six areas. The largest gap is “client perception that their advisor may not be putting their needs first when making recommendations.” Eighty-one percent of respondents rated that as “very important,” but only 63 percent “completely agreed” that the advisor was delivering.

Four gaps in client confidence also were identified, reflecting that clients are feeling less than optimally (1) financially secure, (2) in control of reaching financial goals, (3) confident in their ability to reach financial goals, and (4) settled with a clear plan in place to reach financial goals. These confidence gaps highlight an opportunity for advisors to support clients in new and more valuable ways.

“Confidence is not only a reflection of what is happening in the markets and the value of portfolios,” said Julie Littlechild, founder and chief executive officer of Absolute Engagement, and author of the Investments & Wealth Institute-commissioned report.

“Advisors cannot impact world events or the markets, any more than their clients

can. Advisors can, however, help clients to feel more in control and more confident in their own abilities. And they can ensure the plan is both clear and communicated. At a time when things feel out of control, advisors have a unique opportunity to raise the collective level of confidence among their clients.”

To help clients, advisors need to gain a deeper understanding of the real challenges their clients face and respond with content or educational opportunities that reflect those needs. In so doing, advisors can demonstrate leadership, enhance client confidence, differentiate their practices, and retain their clients.

“The world is navigating through unique challenges and rapidly emerging norms, and investor needs are significantly different today than at the beginning of 2020, with investors making changes in their lives and businesses,” said Sean R. Walters, CAE®, chief executive officer of Investments & Wealth Institute.

“What does this mean for advisors? It means that the current environment is a significant threat to businesses and a huge opportunity to provide clients with meaningful support that goes beyond investments and planning.”

Read the full report here: www.iwcentral.org/2020specialreport. ●

Devon Coquillard is communications manager at Investments & Wealth Institute. Contact her at dcoquillard@i-w.org.