

INVESTMENTS & WEALTH RESEARCH

2022 CLIENT RESEARCH: THE EVOLUTION CONTINUES

Global Uncertainty and Demographic Shifts
Are Changing Client Experience

By Julie Littlechild



INVESTMENTS & WEALTH INSTITUTE®

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Each year, Investments & Wealth Institute and Absolute Engagement survey clients across North America to gather insights that support exceptional advisors. We ask clients to tell us what they need, want, and expect from their advisors, and we analyze their responses to find how advisors can best adjust to the changing landscape.

Specifically, the 2022 analysis finds that:

- Client relationships continue to be strong, because advisors continue to deliver on the things that clients say are important.
- Despite strong relationship metrics, however, there is risk with regard to client loyalty. Almost one-third of clients indicate they have considered changing advisors.
- Client mindsets and preferences are evolving, impacting the ways advisors optimally engage clients and deliver advisory services.
- Demographic shifts and online tools are changing how prospective clients search for new advisors and, therefore, how advisors must present themselves online if they want to grow their practices.

METHODOLOGY

Investments & Wealth Institute and the investor research firm Absolute Engagement gathered input from 1,000 high-net-worth investors via an online survey between March and April 2022. All data and analysis reported in this article results from that survey.¹

Table 1

HOUSEHOLD INVESTABLE ASSETS

Investable household assets	Percentage of respondents
\$500,000-\$999,900	44%
\$1 million-\$4.9 million	44%
\$5 million+	13%

Table 2

RELATIONSHIP DRIVERS

Q: How important are the following to you?

Relationship Drivers	Percentage Rating "Very Important"
My advisor is trustworthy.	85%
My advisor is knowledgeable.	83%
My account is handled with few errors.	82%
My advisor has high ethical standards.	81%
My advisor provides me with meaningful guidance.	79%
My advisor puts the needs of me and my family first when making recommendations regarding our plan or portfolio.	79%
I feel financially secure.	77%
I am confident in the skills of my advisor's team/assistant.	76%
My advisor responds to my questions quickly and completely.	75%

The focus of the research is understanding the needs and concerns of high-net-worth investors. The sample is structured to reflect these clients, using household investable assets (see table 1).

Women account for 39 percent of the respondents and men account for 61 percent. All respondents work with a financial advisor and make or contribute to the financial decisions in the household.

CLIENT RELATIONSHIPS ARE STRONG

Overall, advisor-client relationships continue to be strong, in both absolute and relative terms.

More than nine out of 10 clients (93 percent) said they were somewhat or very satisfied with their advisor relationships, compared with 92 percent who answered similarly in 2021.

Likewise, the 2022 net promoter score (NPS) was 47.7 versus 46 for 2021. This NPS represents the percentage of clients who say they likely would recommend their advisors ("promoters") less the percentage who say they likely wouldn't ("detractors").

These key relationship metrics are strong because advisors are delivering on the things that clients say are most important to them. As shown in table 2, clients

say they want to work with advisors who are trustworthy, knowledgeable, ethical, and responsive; these foundational aspects of the advisory relationship remain consistent from one year to the next.

DEMONSTRATING KNOWLEDGE AND EXPERTISE

How can advisors tangibly demonstrate these characteristics? Designations appear to play an important role.

To better understand this process, the research examined one of those factors—knowledge—and the role designations play in communicating and highlighting an advisor’s expertise to clients.

Nearly eight out of 10 clients (77 percent) agreed that “the designations held by my advisor are an important way to demonstrate technical expertise.” Seven out of 10 clients (70 percent) agreed that “the designations held by my advisor set him/her apart from other advisors.”

More telling is that 83 percent of clients said that designations would be important in making a decision to work with a new advisor today.

Further, large percentages of clients say that multiple designations reflect the ability of an advisor to deliver a broader range of services or deeper technical expertise (see figure 1).

Clients also want to know that the designations have specific attributes, particularly as they relate to standards that must be met to obtain and retain the designations (see table 3).

DESPITE STRONG RELATIONSHIP METRICS, THERE IS LOYALTY RISK

Although most clients report they are satisfied with their advisors, the risk that clients will change advisors is real. Most clients (91 percent) say they are somewhat or very likely to continue working with their advisors; but nearly one-third (33 percent) have considered making a change.

This risk is not equal across all clients, however; it is significantly higher among

younger clients. Among clients younger than age 44, approximately 65 percent report they have considered changing advisors. The percentage drops as clients age, falling to only 10 percent among those ages 75+.

MANAGING LOYALTY RISK

To understand how to manage this risk surrounding client loyalty, we examined 43 specific relationship factors that may drive satisfaction and NPS, up or down, and point to opportunities for action. We calculated the satisfaction gaps for all 43 relationship factors to show the percentage of clients rating a relationship factor as “very important” less those who responded “strongly agree” on the same statement.

Figure 1

IMPORTANCE OF HOLDING MULTIPLE DESIGNATIONS TO CLIENTS

Q: Advisors may choose to pursue multiple designations. Which of the following reflects your view on advisors who hold more than one designation?

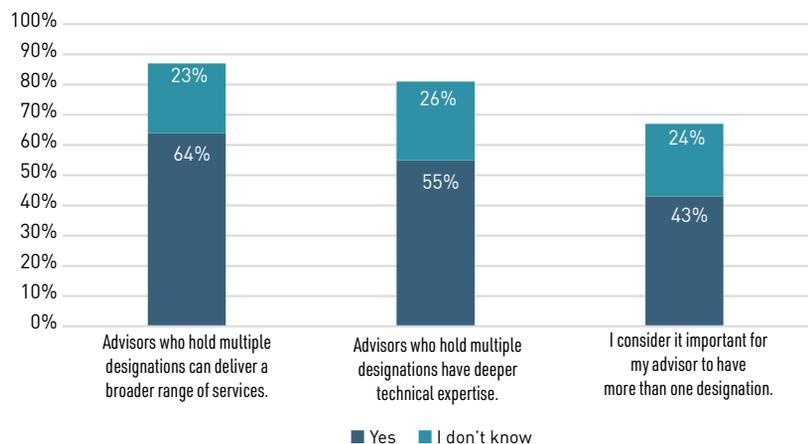


Table 3

IMPORTANT ATTRIBUTES OF A DESIGNATION TO CLIENTS

Q: Rate how important you think each of the following would be as part of how your advisor obtains his or her designations/certifications.

	Percentage rating “somewhat” or “very important”
“My advisor met a rigorous set of standards to be certified (e.g., ethics, experience, education, examinations).”	81%
“My advisor must meet ongoing standards in order to maintain his/her designations (e.g., annual continuing education, adherence to ethical standards).”	80%
“My advisor would lose his/her designations if he/she failed to meet ethics standards.”	80%
“My advisor went above and beyond what’s minimally required by regulators.”	76%
“The designation held by my advisor is issued and accredited by an objective, nonprofit, third-party certifying body.”	74%
“The designation is granted by a prestigious academic institution (e.g., Wharton, Harvard).”	49%

Table 4 shows factors with which clients have clear satisfaction gaps in their advisory relationships. These are areas where advisors have room to improve their client relationships and reduce the risk that clients will seek out other advisors.

Overall, these satisfaction gaps fall into the following three categories:

Communication. Although advisors are putting the needs of clients first, they still need to communicate clearly and tangibly.

Confidence. Clients' confidence in their financial futures affects their satisfaction with the advisory relationship. We examine this in more detail below.

Markets. Although market performance is not the primary driver of satisfaction,

turbulent markets can create a dip in satisfaction.

In contrast, on other factors such as responsiveness, advisors are outperforming expectations. More than two-thirds of clients (67 percent) say it is very important that advisors return calls and emails quickly, and 70 percent say they strongly agree that this is happening.

PREFERENCES AND ENGAGEMENT

Advisors need to be intentional in delivering an experience that meets client needs and preferences. The reality is, however, that client preferences and mindsets have changed as a result of demographic shifts as well as the uncertainties we've lived with of late. Therefore, advisors need to change, too, in order to deliver extraordinary service and engage with clients in the future.

CLIENT PREFERENCES FOR SERVICE DELIVERY

COVID-19 forced advisors to change how they delivered service. Are those changes a temporary blip or are they more permanent? The data suggests the latter.

The most significant and obvious shift is the use of virtual reviews as a standard part of the client experience. Advisors had no choice but to deliver virtual reviews when in-person meetings were impossible, but many clients found they prefer the new process. In 2022, only 39 percent of clients said they want exclusively in-person meetings, a decline from 55 percent in 2021.

The research shows a similar shift away from in-person events when it comes to providing access to educational content. Clients are more likely to prefer to access articles, tools, and resources or to attend virtual events (see figure 2).

Demographic impact on preferences

It is tempting to assume that the shift toward virtual was driven entirely by the COVID-19 pandemic. The reality is that demographics also are playing an important role. Younger clients have preferences that are clearly different from older clients.

Clients younger than age 45 are more likely to want to meet more frequently, conduct reviews virtually, and use social media to connect with an advisor. However, younger clients also were more likely to want to consume education in-person, bucking the general trend.

CLIENT MINDSETS ABOUT THE FUTURE

The research also highlights changes that are occurring in clients' mindsets—particularly their outlooks regarding their financial futures. These mindsets are a critical component for advisors to consider if they are to successfully engage clients. This is because, although the advice they are giving may

Table 4

CLIENT SATISFACTION GAPS

Q: To what extent do you agree or disagree with the following statements?

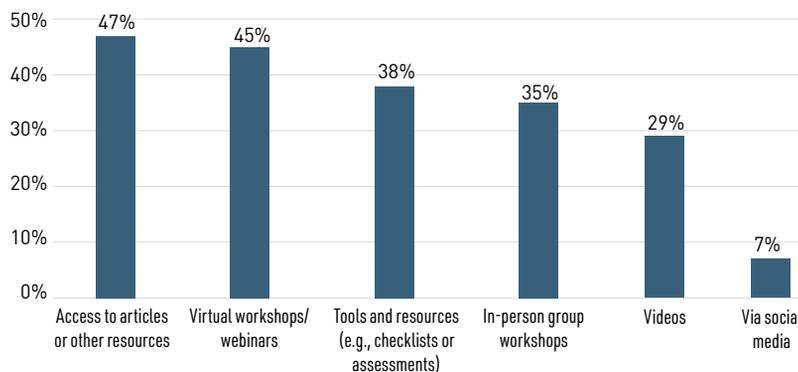
Q: How important are the following to you?

	Percentage who "strongly agree"	Percentage rating "very important"	Satisfaction Gap
My advisor puts the needs of me and my family first when making recommendations regarding our plan or portfolio.	56%	78%	-22%
I feel financially secure.	55%	76%	-21%
I feel in control when it comes to reaching my financial goals.	51%	71%	-20%
My advisor provides me with meaningful guidance.	60%	79%	-19%
I am satisfied with my long-term investment performance/returns.	54%	73%	-19%

Figure 2

CLIENT PREFERENCES ABOUT ACCESS TO EDUCATIONAL CONTENT

Q: Select your top three preferences for receiving educational content from your advisor.



remain the same, the context for that advice is now different.

Our research about clients' self-confidence illustrates this change of mindset that is occurring. In March 2020, we began tracking client self-confidence to highlight how clients are feeling about their financial futures. Using that data, Absolute Engagement created the Client Self-Confidence Index to gauge the extent to which clients:

- feel financially secure,
- feel in control of reaching their financial goals,
- feel confident in their ability to reach their financial goals, and
- have clear plans in place to reach their financial goals.

The Client Self-Confidence Index has highlighted that some clients are feeling vulnerable or uncertain about their futures. It also shows that the less self-confident the client, the less likely the client is to feel satisfied with the advisory relationship, suggesting that lack of self-confidence among clients is a lurking form of risk for advisors.

Figure 3 shows the connection between self-confidence and satisfaction. Only 32 percent of the clients in the "low client self-confidence" category indicated they were "very satisfied" with their advisory relationship, increasing to 76 percent among those who were in the high client self-confidence category.

Nearly half of clients indicated that the uncertainties wrought by the past two years of pandemic had impacted their feelings about all four components of the Client Self-Confidence Index. In addition, nearly three-quarters of those clients reported they were still feeling the impact of the pandemic on their financial security strongly or to some degree (see figure 4). This is a critical piece of information for advisors as they now work to support clients.

Figure 3

CLIENT SELF-CONFIDENCE

Q: How satisfied are you with your relationship with your financial advisor?

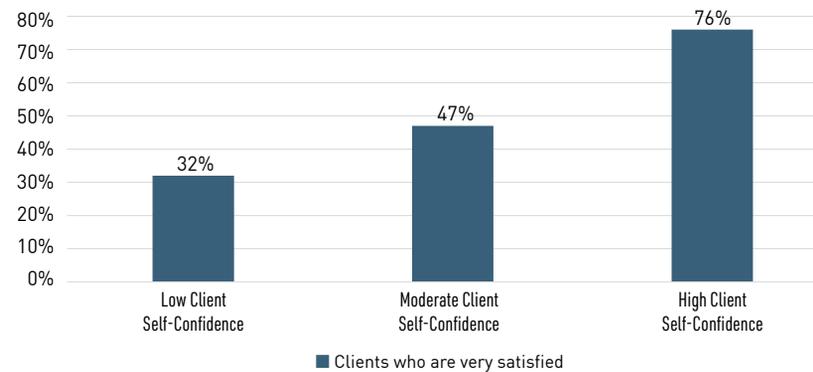


Figure 4

HOW CLIENTS PERCEIVE IMPACT ON FINANCIAL FUTURE

Q: You indicated the past two years had impacted how you thought about some aspects of your financial future. Which of the following reflects where you are today?

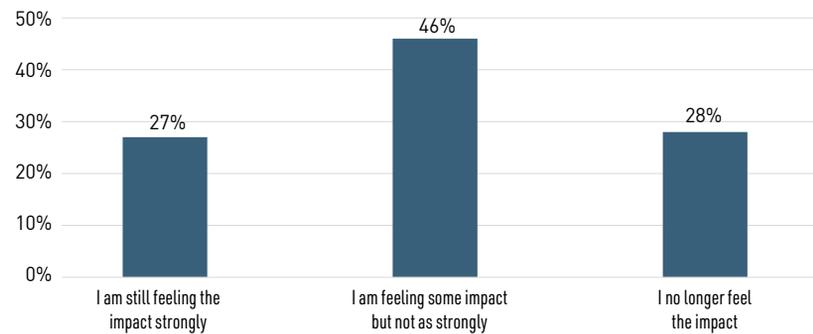


Table 5

CLIENT CONCERNS ABOUT A VARIETY OF ISSUES

Q: How would you rate your level of concern with each of the following right now?

Issue	Percentage rating "somewhat" or "very concerned"
The international political landscape	81%
Keeping my personal data safe	74%
Personal or family health	65%
Ensuring my family is taken care of when I pass away	51%
Ensuring my children make good financial decisions	49%
Having enough money to retire comfortably	46%
Having enough time to spend with my family	45%
Managing personal or financial stress	45%
Job security for my children	42%
Ability to retire when I had planned	39%
Caring for elderly parents or family members	38%
The financial health of my business	29%
Personal job security	28%

The impact of the past two years also shows up in client self-confidence concerns. Table 5 shows the percentage of clients who indicated they were

somewhat or very concerned with a range of numerous and varied issues that can affect their confidence in the future.

Table
6

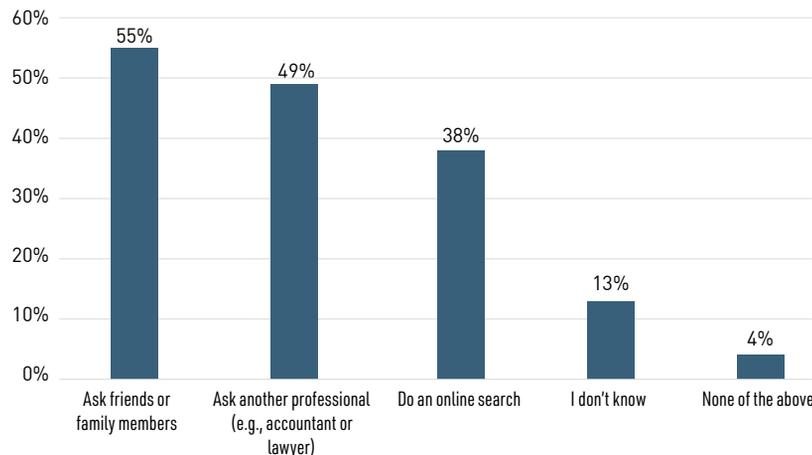
CLIENT ENGAGEMENT CORE METRICS BY AGE GROUP

	Age					
	< 35	35-44	45-54	55-64	65-74	75+
NPS (promoters less detractors)	57.9	65.2	21.6	42.3	44.2	51.6
Client satisfaction (percentage rating "very satisfied")	54%	71%	48%	61%	72%	80%
Client loyalty (percentage rating "extremely likely to continue working with their advisor")	55%	68%	53%	64%	73%	83%

Figure
5

HOW CLIENTS WOULD SEARCH FOR AN ADVISOR TODAY

Q: If you were looking for a new advisor today, which of the following methods would you likely use to identify potential advisors? Select all that apply.



These concerns can impact how clients feel, how they think about the future, and their ability to make decisions. Sixty-two percent of clients report having been impacted negatively by the past two years in ways that go beyond finances. As a result, nearly one-half of clients (47 percent) said they need to manage or reduce the amount of negative stress in their lives and 39 percent said the level of stress they were feeling was higher now than 12 months ago.

Demographic impact on preferences

We often think that age impacts client preferences (e.g., virtual versus in-person meetings), but age also may impact client preferences—especially for clients ages 45-54, a group we've dubbed "the juggle generation." Clients in this age group, many of whom are juggling obligations to their children as well as their parents, are noticeably lower on key relationship metrics including NPS, satisfaction, and loyalty (see table 6).

We analyzed the data to understand why this client segment feels so differently about their advisory relationships. The answer may have more to do with how clients in the juggle generation are feeling about their futures, because the period since March 2020 has been particularly trying for many of them. Specifically, clients in this age cohort are more likely to say they are concerned with:

- Ensuring their families are taken care of when they pass away
- Personal or family health
- Managing personal or financial stress
- Ensuring their children make good financial decisions
- Having enough money to retire comfortably
- Their ability to retire when they had planned
- Having enough time to spend with their families

These clients also say they have been more impacted by the uncertainty of

the past two years and indicate higher levels of negative stress than other clients. These higher levels of concern and stress also correlate with lower satisfaction with advisory relationships.

ONLINE PRESENCE AND PRACTICE GROWTH

As preferences and mindsets change, advisors must adapt so they can continue to engage clients and provide them with excellent service—and attract new clients.

Research shows that demographics and new online tools are impacting how prospective clients look for new advisors. Advisors who want to grow their businesses need to pay attention to this change.

Consider how existing clients likely found their existing advisors. Would they go about it differently if they were looking for a new advisor today?

When we asked clients how they found their current advisors, a majority said they were referred by friends or family (39 percent) or a professional (17 percent). Only 10 percent said they searched online.

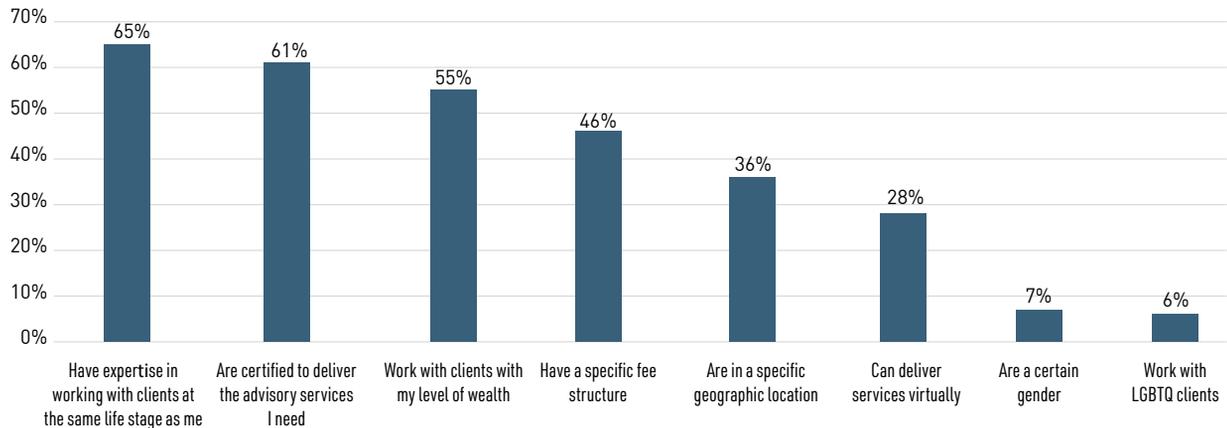
Now fast-forward to today. When we ask clients how they would look for an advisor today, almost 40 percent say they would do an online search in addition to seeking referrals from friends, family, and professionals (see figure 5).

Demographics play an important role in this shift. Almost three-quarters (73 percent) of clients younger than age 35 and more than half (58 percent) of clients ages 35-44 say they would

Figure 6

HOW CLIENTS WANT TO FILTER ONLINE MATCHING TOOL RESULTS

Q: If you were using/have used an online tool to match you with an advisor based on your specific needs, how would you want to be able to filter results in order to find an advisor who is right for you? Select all that apply.



check online if they were seeking an advisor today.

What’s more is that, as online tools for clients grow more sophisticated, so does the online search process. Most clients (73 percent) say they would google to find an advisor, but 55 percent say they would use an online matching service, i.e., a program or app that matches clients to advisors based on specific needs and preferences. Overall, 84 percent of clients indicate that online matching would be a valuable tool.

Younger clients are more likely to perceive value in online matching. Almost all clients younger than age 44 (99 percent) say it would be of value, and this drops to 74 percent among those ages 65-74 and to 70 percent for those ages 75+. Note, however, that even among the oldest client segment, the perceived value is clear.

WHAT PROSPECTIVE CLIENTS WANT TO SEE ONLINE

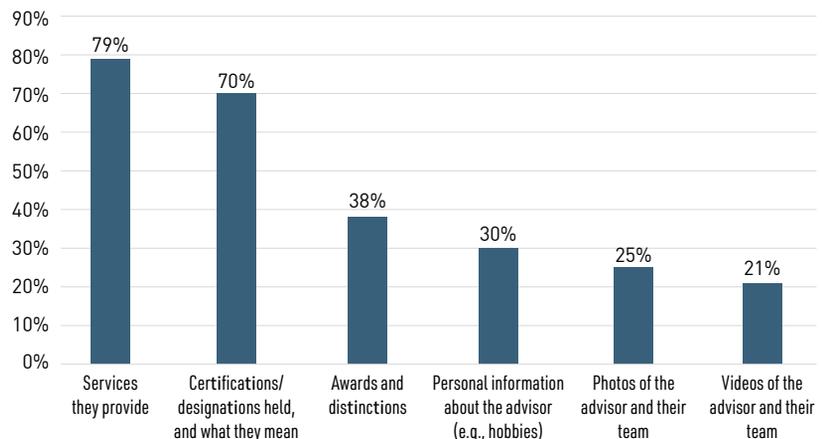
When prospective clients go online to match with an advisor, what do they want to see?

Our survey found that these clients are most interested in filtering for advisors who have expertise in working with

Figure 7

INFORMATION CLIENTS WANT TO SEE ABOUT ADVISORS WITH WHOM THEY MATCH

Q: What kind of information would you want to see about the advisors with whom you were matched to decide if you wanted to meet? Select all that apply.



clients like them. They also want to filter by advisors who are certified to deliver the services they need (see figure 6).

Those clients also indicate that they want to clearly see the services that advisors provide, in addition to the designations and certifications they hold and what they mean (see figure 7).

CLOSING COMMENTS

The data is clear: Client preferences, expectations about the future, and engagement styles have changed and continue to change. And although

advisors continue to deliver on trust, knowledge, ethics, and responsiveness, they must adapt the ways they engage with clients if they are to protect and grow their practices.

Our analysis of the data suggests that advisors can respond to their evolving clients by taking action on the following items:

- Communicate about and reinforce the value of designations with clients as a way to demonstrate your advisory expertise.

- Make the effort to understand your clients' preferences and how they are feeling about their financial futures in order to evolve and improve the experience you provide for them.
- Set up a hybrid review process that includes both in-person and virtual reviews; make sure that both formats meet client needs and expectations.
- Offer and deliver educational content via on-demand resources without relying on in-person events.
- Segment the client experience based on age to reflect significant differences in preferences and needs.
- Go the extra mile with clients, particularly those in vulnerable age groups or with a less-confident financial mindset or worldview.

- Review your online presence and make sure it reflects what clients find most important.
- Learn about online tools that help clients find new advisors, and make sure your prospective clients can find what they want to know about you by using these new services.

Client research provides guidance about how to respond to changes, but it's important to note that needs, concerns, and challenges are fluid by their very nature. This is not the end of the story, it's just the next chapter. ●

Julie Littlechild is the founder and chief executive officer of Absolute Engagement, a firm that helps advisory firms capture and

use direct feedback and input from clients to drive deeper engagement and growth. Contact her at jlittlechild@absoluteengagement.com.

ENDNOTE

1. See previous research findings in Littlechild (2020; 2021).

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