Guiding Clients Through Uncertain Times

By April J. Rudin
In recent years, we have been reminded repeatedly that we are living in unprecedented times. Our world, and financial markets, still are reeling from the global pandemic. Supply chains still are recovering. Geopolitical strife, from the war in Ukraine to relations between the United States and China, weigh heavily. And to top it off, the Federal Reserve changed the game, ticking interest rates upward at an almost regular, relentless pace.

Add new technology, such as advances in artificial intelligence, to the mix, and you have a volatile, complex world for investors to navigate. Feelings of being overwhelmed plague us all. The wealth management industry, however, is in a position to help its clients find opportunities, build relationships, and pave the road to better, more stable times. Along the way, advisors can even reach out to new clients, using the need for advice and a guiding hand to bring new investors into the fold.

Part of looking forward will be servicing new clients, in particular millennials and Gen Z, who are inheriting wealth and building portfolios as they come into their own in the workforce. These generations present their own challenges, as they grew up in a tumultuous, post-financial crisis world and are seeking understanding, education, and advice from someone with experience and a communication preference that they prefer.

Ernst & Young (EY) recently surveyed more than 2,600 wealth management clients in 27 geographies to piece together the areas that wealth managers need to prioritize (EY 2023). Throughout this article we will examine many of EY’s findings and recommendations in tangible ways, which include preferences for communication and how to provide value.

**TACKLING THE UNCERTAINTIES**

For investors trying to manage their money, uncertainty is the only certainty in this moment. Among clients trying to manage their money who feel underprepared or somewhat underprepared to meet their goals, some 57 percent said market volatility is the reason for their lack of financial security. That number reaches 69 percent for baby boomer who are retired or close to retirement (EY 2023, 5).

Investors react to uncertainty by seeking stable footing. Even poor market conditions are easier for investors to handle than the terrifying unknown. Will another pandemic bring supply chains to another standstill? Will political battles between the United States and China cause new sanctions and companies to be delisted with little notice? Will another bank collapse?

Unfortunately, the answers to those questions are not clear. But that doesn’t mean advisors still cannot offer some comfort and clarity to investors.

First, it is important to meet investors where they are by identifying what they need now. For many investors right now,
that means taking a defensive stance. EY found that investors’ top three goals are to protect against inflation, strengthen their investment returns, and ensure financial security (see figure 1). These goals, which revolve around maintenance, show a shift: There has been a 30-percent decrease in the importance placed on financial legacy, which includes transitioning wealth to family, foundations, or other charities. EY’s findings also notably spanned generations, making them universal.

Expert advice from wealth managers can create a sense of security as investors take this defensive stance. Now is the time for education and communication. Investors have made it clear that they want personalized engagement with their financial advisors, so an advisor’s ability to respond and proactively manage clients with a degree of personalization will make a world of a difference.

Financial advisors are not strangers to market volatility. The oldest among us have ridden the waves of free and fast money to the financial crisis and housing crash. Even younger advisors have seen drastic changes and challenges in recent years. Those experiences as advisors, but just as importantly as investors, are what financial advisors need to lean into to better empathize with clients.

Often the best practices of wealth management boil down to the Golden Rule: Treat others as you wish to be treated. Advisors should not be afraid to have honest and real conversations with clients about market uncertainty. The empathy they can express as investors themselves and working people trying to plan for retirement in the face of global changes will make them more real and relatable. Everyone has skin in the game when markets are taking a wild swing. Wouldn’t you want your advisor to be working equally as hard for your money as they would for their own?

Likewise, advisors should engage with investors in a way that they too would want to be engaged. For example, how often would you want to hear from your wealth manager when the market is swinging wildly? When a pandemic or war breaks out, advisors may not have an immediate answer to the global problem of the day, but they can be a comforting presence. No news is good news is a saying from before the days of the 24-hour news cycle and social media platforms. Now having no news is worrisome and an opportunity to stew on the negative. At the very least, an advisor should be able to recognize how clients will react to a new headline by offering an acknowledgment of the event and possibly an update on how to respond appropriately. It is better to let clients know that you are aware of a situation and watching it closely than to let them spiral into concern.

Investors will not react to the market in a blanket way because age, geographic location, and other factors influence their responses. EY found that 39 percent of clients have responded to volatility in the past couple of years by scheduling a financial plan review with an advisor (see figure 2). EY also found that about 34 percent of clients took a tactical approach to market volatility by increasing their allocations to active investments (EY 2023, 13). Some 42 percent said they would switch additional assets into active strategies in the event of future volatility.

At the same time though, 33 percent of clients indicated that they sought safety in the market by looking to savings and deposits. About 43 percent said they would further increase those exposures in cases of additional volatility. According to EY, it was millennials and the mass affluent that led the run to safety.

Either way, the data indicates that investors want guidance. EY reported that more than half of all clients, or 53 percent, said they will seek out independent professional financial advice in the face of future volatility (EY 2023, 16).
It is, of course, important to recognize the differences among generations. Older investors in general face unique challenges and approach their investments much more cautiously than younger investors. Headline news about the war in Ukraine, for instance, may create a more immediate concern about an older investor’s holdings and how it will impact them in the near term. Boomer clients will be seeking to protect their wealth and keep themselves, and possibly their families, stable in the short term. Often these are the biggest accounts, and ones that may be tied to multiple generations.

Still, advisors should not focus all their energy on monied clients approaching retirement. Millennials are the up-and-coming investors, and many of them are seeking advice now. This generation has faced different challenges than its predecessors: Many began their careers just as the Great Financial Crisis began. Some started their adult lives saddled with debt and hit their adult milestones later than expected. But this generation is now entering their 40s. Many are beginning to inherit wealth, but just as importantly they have established themselves in their careers and have independent wealth that they are looking to manage. This generation is on pace to see its wealth grow in line with the previous generations, meaning that tapping this pool of investors will offer advisors long-term rewards and years of business.

“Millennials, as a group, are not broke—they are, in fact, thriving economically,” wrote Jean Twenge in a recent article in The Atlantic. “That wasn’t true a decade ago, and prosperity within the generation today is not evenly shared. But since the mid-2010s, millennials on the whole have made a breathtaking financial comeback.”

This group, in addition to the mass affluent, are in the most need of advice and guidance because they often are the ones who see themselves the furthest from their financial goals. As volatility continues, they will need a guiding hand to lead them to success.

**SORTING THROUGH COMPLEXITY**

Complexity in investments is not just about uncertainties of the market. For investors, it means understanding products beyond stocks and bonds. It’s grappling with new technology, figuring out how environmental, social, and governance investing could play a role in their portfolios, and deciding if cryptocurrencies are a smart investment. It is essential that wealth managers respond to clients appropriately, but recognize the range of perspectives their clients have, and how their behavioral traits, experiences, and abilities will impact their responses to market offerings.

**EY found that 40 percent of clients think that managing their wealth has become more complex during the past two years ...**

Younger, less wealthy, and less prepared clients crave more education to tackle the complexities products can bring. Clients place significant value on having access to product specialists and market experts, with 68 percent and 76 percent ranking each, respectively, as important (EY 2023, 29).

No wealth manager can, or necessarily should, be able to offer everything to everyone. But the complexity of the market and the balance of wealth managers serving different uses to different people requires awareness and savvy on the part of a manager. A financial
advisors, compared with just 29 percent of boomers (EY 2023, 10).

“Clients have always switched between wealth managers, but what’s new is investors’ increasing willingness to spread their assets over a larger number of firms,” wrote EY. 3 “Far from consolidating their assets in search of simplicity, clients are becoming more inclined to shop around in search of the expert advice and support they need to make sense of a challenging environment.”

It appears that millennial investors are ripe for the picking: 73 percent told EY that they were likely to switch advisors, compared with just 29 percent of boomers.

As EY found, and others have found in surveys again and again, investors crave personal interactions and advice, despite the rise of financial technology platforms that give investors more freedom to handle decisions and actions themselves. The recent EY survey reported that investors in fintech, digital assets and cryptocurrencies, and alternative investments firms have an “above average appetite” for advice (EY 2023, 9).

EY noted in its 2021 survey that 49 percent of wealth management clients were willing to pay more for personalized products and services. The emphasis on that remains, as personalized engagement plays the most important role in client satisfaction (EY 2023, 21). Technology can assist advisors by equipping them with insights and generating timely information that can be presented in a personalized way to clients. It meets personalization demands by coupling human interaction with the efficiency of technology to help an advisor meet a client’s needs in less time. This is essential for aspects such as a swift response to queries, a complete online view of a financial position, regular client contact, and updated risk suitability profiles, all of which were deemed important by more than 70 percent of clients (EY 2023, 25).

“Traditional in-person interactions and digital experiences remain important, but responding to clients’ openness to engage virtually will increasingly become a differentiator,” wrote EY. 4 “They must be ready to seize the opportunities provided by this moment of flux—whether by acting as their clients’ primary provider or perhaps by working with other agile players in the wealth management ecosystem to deliver outstanding experiences.”

Clients want to balance face-to-face interactions with technology. In fact, technology can assist in making your personal interactions more valuable. For instance, as we found during the pandemic, video calls are a quick and efficient way to speak with clients and offer them brief conversations that can be more regular and helpful than a once- or twice-a-year in-person meeting.

Digital onboarding can ease the client experience, but many investors also want human support. EY suggests personalizing welcome messages and making introductions to the advisor team (EY 2023, 22). As the client experience moves on, it’s important to note when and how a client wishes to be contacted. EY identified the three most important milestones for investors: monitoring the progress of their plans, creating financial plans to achieve desired goals, and taking advice on how external variables may affect their plans. Client contact during these times should provide insights, analysis of the “what ifs” of the market, and a reflection on the current state of the market (EY 2023, 23). More than three-fourths of clients, or 76 percent, reported that advice on market trends and access to
market knowledge or expertise was very important to them. Some 72 percent also said that it is important that an advisor demonstrate an understanding of the client’s purpose and values when presenting advice (EY 2023, 24).

As much as a financial advisor should empathize with clients’ struggles during times of volatility, so too should they recognize the need to adapt interactions. Advisors, just like clients, found that the pandemic shifted the way they communicated with others. Those preferences should be reflected at work, too. No one should be communicating in the same way they did in 2019. Ask clients for their communication and interaction preferences. Note if changes can be made to make conversations more efficient and digestible for a client. Think about how different types of communication offer different values. A client should be able to see that an in-person meeting gives them something different than a video call, for example, so they know when they need to schedule one type instead of the other.

Only 12 percent of clients said virtual consultations were their preferred engagement channel for advice in 2021, but that number has now grown to 46 percent (see figure 4). Likewise, advisors should be willing to use tools such as graphics or simulations to walk investors through their holdings and projections. Easy communication will be a comfort and prove that an advisor can meet the client’s needs and preferences.

Leaning into the use of technology and different communication styles will bridge gaps as well as cut costs and foster efficiency. Digital and virtual interactions make an advisor more available at convenient times and build better relationships. Clients will feel that they can ask questions as they arise and save the in-person meetings for more extensive conversations (EY 2023, 26). Face-to-face is still the preferred method of account opening, understandably, but the demand for these meetings drops off later, with 48 percent happy to collaborate virtually about topics such as market conditions or retirement contributions (EY 2023, 27).

CONCLUSION
The financial services industry is not a stagnant business. To move ahead, advisors must learn to adapt and evolve with their clients. To start, this requires recognizing the spaces that can be improved. For many this involves communicating in different ways and adapting that communication to fit individual clients as well as different situations. Interactions with a 40-year-old client during a booming bull market should look drastically different from interactions with a 60-year-old client in the middle of a pandemic.

Client engagement is essential for building and maintaining relationships. It is also an important way to differentiate from the competition. If clients can get the same advice in a white paper online from any advisor, they will merely look for the cheaper option. Advisors can, and do, offer real value that is based on their personal experiences and ability to offer advice, products, and a human touch. They need to do so in a way that makes sense for themselves and their clients.

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ENDNOTES
4. See endnote 3.

REFERENCE