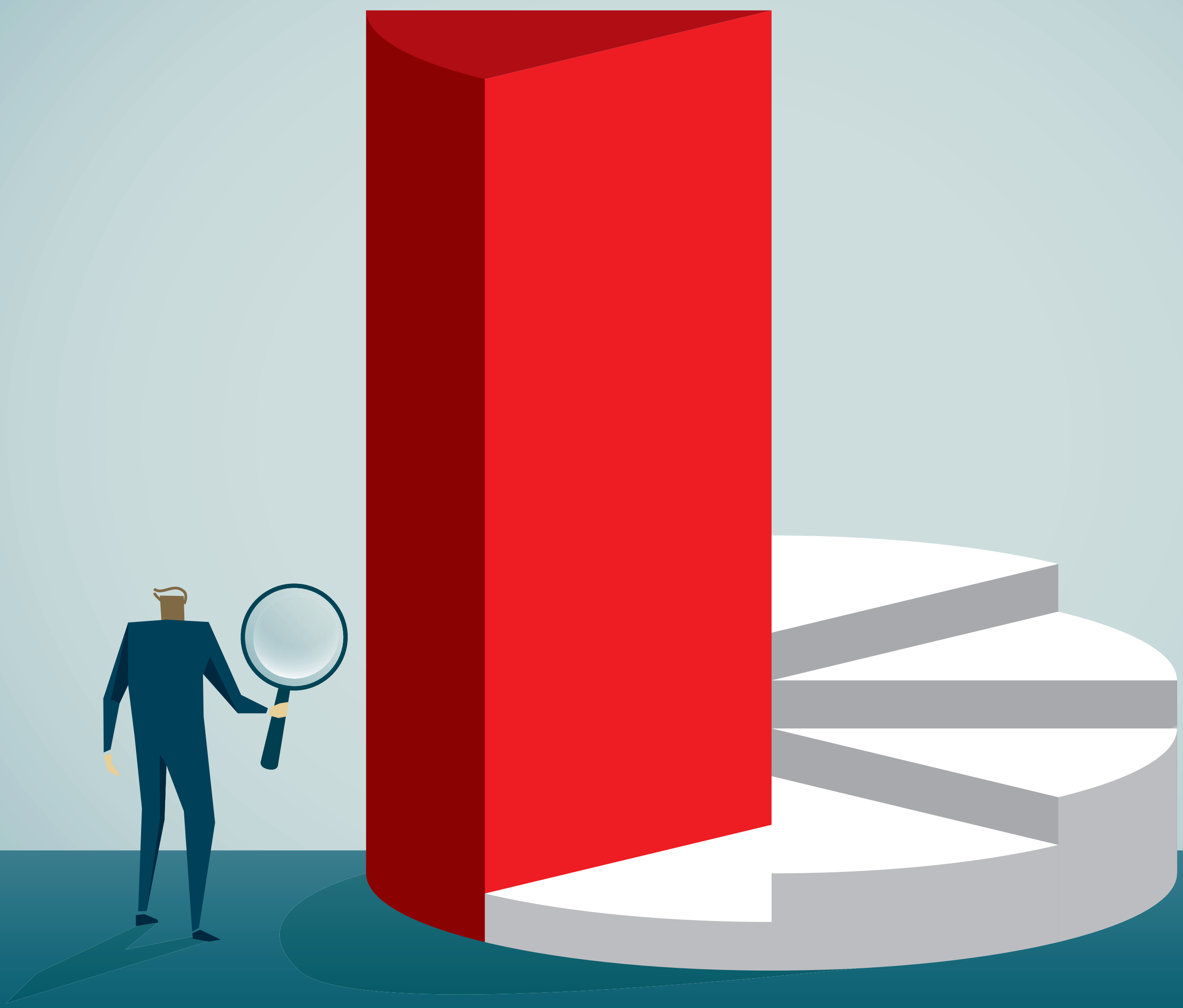
Executive Summary
2020 Investor Research

INVESTMENTS & WEALTH INSTITUTE®



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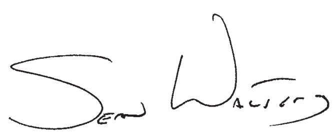
At the same time that investors across North America were being invited to participate in the IWI 2020 Investor Research, a global pandemic was taking hold. It was a unique time in history to be examining what those investors need, want, and expect from an advisory relationship.

In some respects, nothing had changed. The Exceptional Advisor® model, developed based on this ongoing research over the past two years, was validated as a framework to help advisors move beyond satisfaction and toward more deeply engaged relationships. The importance of a strong foundation, built on expertise and ethics, was evident when investors were asked what was most important to them. And a personalized approach, advanced capabilities, exceptional service, and meaningful guidance continued to drive deeper engagement. The Exceptional Advisor model is a relevant framework for advisors who want to set themselves apart.

However, the current economic and health crisis has weakened investor loyalty. That loyalty crisis means that advisors need to focus on specific aspects of the Exceptional Advisor model now more than ever. We believe that advisors need to prioritize the foundation (expertise and ethics) to ensure that they are operating from a position of strength by demonstrating their value and responding to what is most important to investors. Further, advisors need to understand and respond to the specific satisfaction gaps that have emerged in the current environment. Satisfaction gaps reflect how investors are feeling at a moment in time and, therefore, help prioritize the ways in which advisors can respond.

At the same time, this is a time for advisors to look forward. To that end, the research went deeper to examine if and how the Exceptional Advisor model can be applied within different segments, including employment status, profession, gender, and wealth. As advisors move through this crisis and begin to look forward, these insights will become increasingly important.



An Introduction

In March 2020, as the global COVID-19 pandemic took hold, the Investments & Wealth Institute invited nearly 1,200 high-net-worth investors to share their thoughts on what they want, need, and expect in an advisory relationship. The timing put the results in a unique context, highlighting shifts in client mindset and confidence.

This report sheds a light on changing client perceptions regarding their advisory relationships and outlines the steps that advisors can take to demonstrate and reinforce their value now and going forward. That is, it focuses on some of the key steps involved in becoming an Exceptional Advisor®.

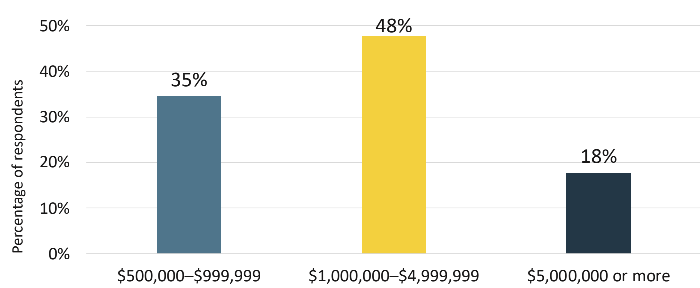
Those key findings and opportunities include the following:

- Satisfaction among clients remains high. Both satisfaction ratings and Net Promoter Score (a proxy for the quality of the advisor-client relationship) are high among respondents.
    - Ninety percent of respondents are somewhat or very satisfied with their advisory relationships.
    - Net Promoter Score sits at 49.7, increasing from 42 in 2019.
- Despite the fact that overall satisfaction is high, many respondents are questioning their advisory relationships during the current crisis.
    - Thirty-one percent of clients have considered changing advisors, up from 21 percent in 2019 and increasing to 44 percent during March 15–24.
- In order to tackle declining loyalty head-on, advisors may want to focus on those aspects of the relationship where there are satisfaction gaps. The following were identified as the most significant gaps:
    - Working with an advisor who puts my needs first when making recommendations
    - Working with an advisor who provides good value for the fees I pay
    - Working with an advisor who helps me make difficult decisions
    - Working with an advisor who protects me from making bad financial decisions
    - Being satisfied with my long-term investment performance/returns
    - Being comfortable with the level of risk in my plan/portfolio
- Advisors also may want to focus on enhancing client self-confidence. Findings, published in a separate report from the Investments & Wealth Institute, highlight the risks and opportunities connected to the extent to which clients feel in control, feel confident that they will reach their goals, and feel they have a clear plan in place.
- In addition to focusing on the more immediate gaps, advisors have the opportunity to examine their current client experience to ensure that they have a strong foundation in place and are creating an experience that supports client needs into the future.
    - Laying a strong foundation involves focusing on those things that are most important to clients, including expertise, ethics, and the right offer. Expertise is supported by professional designations and certifications.
    - Eighty-eight percent of respondents indicated that the designations held by their advisor were an important way to demonstrate his/her technical expertise.
    - Ethics played a role in the top three expectations of clients when describing the process of attaining or maintaining professional designations and certifications.
- Focusing on the future involves understanding the needs of clients who are moving into retirement separately from those who already are retired. There is a clear opportunity to better support clients who are within six to nine years of retirement.
    - Satisfaction is lower among clients who are within six to nine years of retirement.
    - The needs and client experience expectations of clients who are six to nine years from retirement are different than those very close to, or in, retirement.

Research Methodology

The study was commissioned by the Investments & Wealth Institute, conducted by Absolute Engagement, and sponsored by Toews' Behavioral Investing Institute. It included input from 1,178 respondents, via online survey, between March 10 and 24. This report focuses on the 751 respondents from the United States; Canadian results are being released separately. All respondents work with a financial advisor, make or contribute to the financial decisions in the household, and met defined investable asset criteria, shown below.

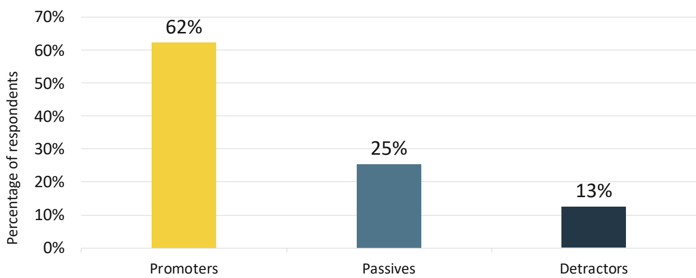
Q: Please tell us which best describes your current total investable assets.



Satisfaction Remains High

Overall, respondents are satisfied with their advisors; 90 percent indicated they are somewhat satisfied (20 percent) or very satisfied (70 percent) with the relationship. The industry Net Promoter Score paints a similar picture, increasing from 42 in 2019 to 49.7 in 2020.

Q: How likely is it that you would recommend your financial advisor to a friend or colleague?



Loyalty is in Question

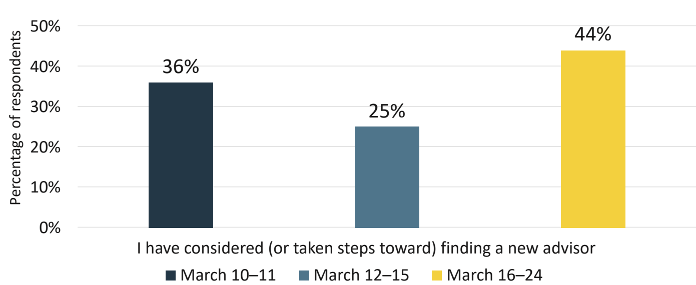
Despite the fact that overall satisfaction is high, many respondents are considering changing advisors. The percentage of clients indicating they had thought about changing advisors increased from 21 percent in 2019 to 31 percent in 2020.

More telling, however, is the proportion of respondents who began to think about changing advisors during the two weeks the survey was being conducted. Thirty-six percent of respondents who participated between March 10–11 indicated they had thought about changing advisors. That number increased to 44 percent in just 12 days. Just more than one-third of those respondents, who were thinking of making a change, had taken active steps toward doing so.

The data suggest:

1. Clients may indicate a high level of satisfaction but still consider changing advisors.
2. As the economic and human crisis began to take hold, an increasing number of clients questioned whether they should work with another advisor.

Q: Thinking about your primary advisor, which best describes your desire to stay with him or her? Shows the percentage who have thought about changing and/or taken steps to do so.



What Can Advisors Do?

The high-level metrics highlight that advisors need to focus on demonstrating value for clients. At a time when advisors rightly believe they are working harder than ever to provide reassurance, this may feel like a daunting task. The report focuses on three specific areas that advisors should evaluate, including:

- Closing the satisfaction gaps
  - How can advisors enhance the client experience in the current environment by focusing on key satisfaction gaps?
- Laying a strong foundation
  - How can advisors lay a strong foundation, focusing on what is most important to clients?
- Creating an exceptional client experience
  - How can advisors lay the groundwork for a compelling client experience going forward, focusing on building that experience around the needs of key client segments?

Closing the Satisfaction Gaps

With loyalty on the decline, advisors need to prioritize those areas where there are satisfaction gaps. Those satisfaction gaps almost certainly are influenced by the current crisis. As part of the research, we calculated satisfaction gaps across 75 different aspects of service. A satisfaction gap is calculated as the difference between how important a specific aspect of the relationship is to clients, less the satisfaction rating they give their advisors on that same thing. That is, a negative gap is created if respondents place a very high level of importance on something but provide a lower satisfaction.

The research identified six significant, negative satisfaction gaps:

- Working with an advisor who puts my needs first when making recommendations
- Working with an advisor who provides good value for the fees I pay
- Working with an advisor who helps me make difficult decisions
- Working with an advisor who protects me from making bad financial decisions
- Being satisfied with my long-term investment performance/returns
- Being comfortable with the level of risk in my plan/portfolio

All six of these satisfaction gaps reflect aspects of the relationship that can be strained during a crisis, a time when expectations are higher than usual and advisors are pulled in many directions. Advisors genuinely may believe they are delivering on the factors above, but it is important to ask why these gaps are forming and to address them head-on. To that end, advisors should consider asking themselves, and their teams, two key questions:

- How am I tangibly demonstrating that I am delivering on these aspects of the relationship?
- How am I communicating that I am delivering on these aspects of the relationship?

Laying a Strong Foundation

Closing satisfaction gaps always will be a priority at a time when loyalty is challenged. However, advisors also need to think about ensuring they are building a business on a strong foundation.

Laying a strong foundation means delivering consistently on those things that are most important to clients. It is about delivering on core expectations, which typically remain consistent from one year to the next. The research invited respondents to rate 75 different aspects of the advisor-client relationship. Those that were rated highest, in terms of importance, are below.

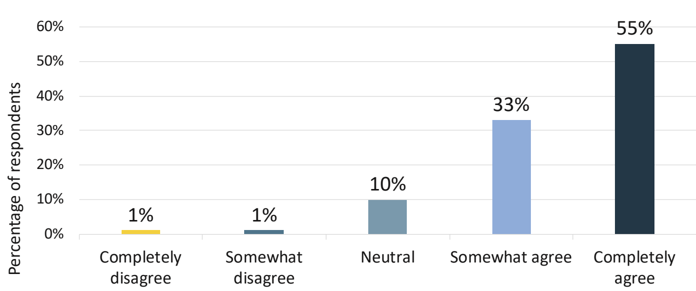
Q: How important are the following to you?

	Percentage rating 'Very Important'
My advisor is **trustworthy**.	88%
The **accuracy** with which my account is handled	86%
My advisor has high **ethical standards**.	85%
My advisor is **knowledgeable**.	85%
My advisor puts the **needs of me and my family first** when making recommendations regarding our plan or portfolio.	85%
Having an advisor who is **easy to work with**	81%

The Foundation: The Importance of Expertise

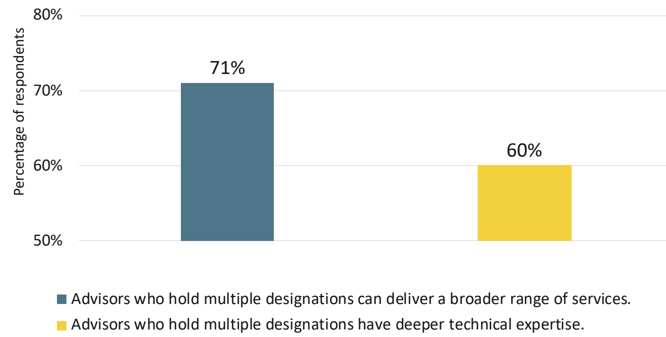
In the 2020 study, knowledge is identified as a foundational aspect of the relationship. This was mirrored in the 2019 study. And although knowledge or expertise can be difficult to demonstrate, the role of professional designations is clear. Eighty-eight percent of respondents indicated that the designations held by their advisors were an important way to demonstrate his/her technical expertise.

Q: To what extent do you agree or disagree with the following statements? Shows "The designations held by my advisors are an important way to demonstrate his/her technical expertise.

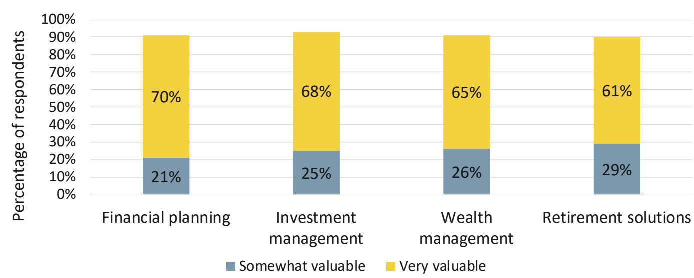


More specifically, respondents viewed professional designations as evidence that an advisor can deliver a broader range of services and that he or she possesses deeper technical expertise. As a result, 55 percent of respondents indicated it was important for an advisor to hold more than one designation.

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



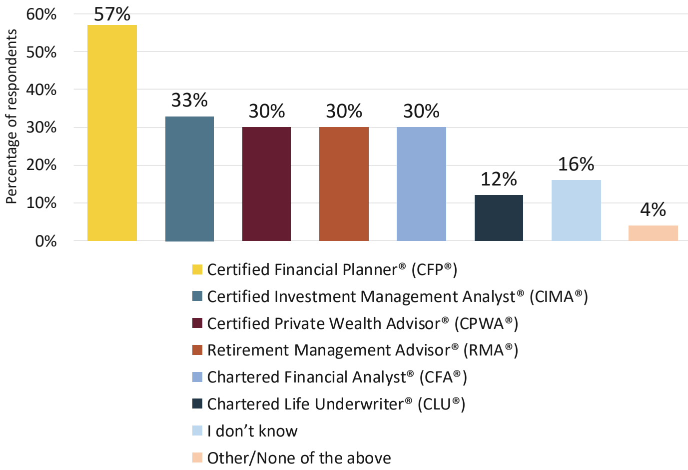
Q: It would be valuable to me to know that my advisor, or his or her team members, has voluntary certifications related to the following areas of expertise.



Although designations clearly are important for respondents, there is room for improvement in communicating the value of those designations. Nearly half (49 percent) of respondents could not name any designations or certifications on an unaided basis. A further 10 percent of designations named were incorrect (e.g., RIA). Only 46 percent of respondents indicated they "completely agree" that their advisor has communicated the benefits of the professional designations they hold.

Despite the lack of communication on the specifics of professional designations, respondents did recognize the importance of those designations and certifications. Eighty-two percent of respondents indicated that the professional designations held by an advisor would be a somewhat important (31 percent) or a very important (51 percent) factor in making a decision if they were looking for a new advisor today. When asked which designations they would look for, CFP® and CIMA® designations topped the list provided.

Q: If you were looking for a new financial advisor today, which professional designations/certifications would you look for?



The Foundation: The Connection Between Expertise and Ethics

In addition to being rated as one of the most important aspects of an advisory relationship, ethics also emerged as a critical aspect of attaining or maintaining professional designations. Below are the three statements respondents rated as most important, each reflecting the critical role of defined ethical standards.

Q: Please 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 important' or 'very important'
My advisor met a rigorous set of standards to be certified (e.g., ethics, experience, education, examinations).	90%
My advisor would lose his/her designations if he/she failed to meet ethical standards.	89%
My advisor must meet ongoing standards in order to maintain his/her designations (e.g., annual continuing education, adherence to ethical standards).	87%

The Foundation: The Right Offer

Laying a strong foundation is also about delivering the right services to clients. Respondents were asked which services their advisor delivers today, beyond core services including investment management, asset allocation, and financial planning. For those services they did not receive, they were asked which would be of interest. The most common services indicated were investment-management strategies (50 percent), retirement-income planning (47 percent), and helping to create a financial plan for retirement (46 percent).

Q: Which of the following specific services or support does your advisor provide to you today?

Investment-management strategies	50%
Maximizing your income in retirement	47%
Helping you create a financial plan for your retirement	46%
Ensuring your portfolio is tax-efficient	40%
Helping you set clear goals for your retirement	40%
Income/Cash-flow planning	35%
Tax-planning strategies	32%
Stock option diversification, execution	28%
Estate planning	27%
Transferring your assets to the next generation in a tax-efficient manner	21%
Protecting you/your investments using insurance	20%
Trust services	19%
Saving for your child's/grandchild's education	18%
Tax-preparation services	15%
Helping you establish a plan for charitable giving	13%
Behavioral coaching to help you improve financial decision-making	12%
Check writing and bill payment	12%
Assistance with purchase of major assets (home, boat, artwork etc.)	11%
Behavioral coaching to help you manage the emotions that can be associated with investing	11%
Executive benefits compensation	11%
Business succession planning	10%

Q: Which of the following, that your advisor does not currently provide to you today, would you be interested in learning more about? Shows those with interest from 10 percent or more.

	Percentage responding 'yes'
Trust services	13%
Estate planning	13%
Tax-planning strategies	12%
Maximizing your income in retirement	11%
Tax-preparation services	10%
Transferring your assets to the next generation in a tax-efficient manner	10%
Ensuring your portfolio is tax-efficient	10%
Helping you establish a plan for charitable giving	10%

When asked which services would be of interest (if not already receiving), trust and estate planning services topped the list.

Creating an Exceptional Client Experience

During a crisis, advisors often are forced to be more reactive than proactive, responding to the immediate needs of clients. However, as we move through the initial impact of the crisis, many advisors are thinking about the experiences they will deliver going forward.

To support advisors in this process, the research examined if, or how, needs and expectations differ across key client segments. More specifically, the data was cut and analyzed to assess differences based on the following:

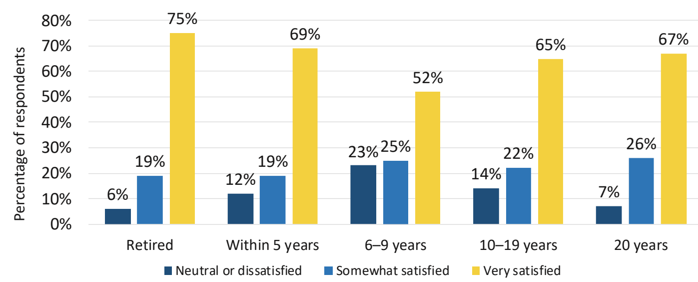
- Employment Status
    - We examined clients who are retired versus those who are not, and went deeper to examine differences based on the number of years to retirement. This segmentation also can be considered a proxy for age.
- Profession
    - We examined differences across three key groups: entrepreneurs/business owners, corporate management/executives, and professionals. The professional segment included medical professionals/doctors, lawyers, accountants, and engineers.
- In addition, the research examined differences based on gender and wealth.

Although there are differences in the needs, preferences, and expectations of clients based on profession, gender, and wealth, the most significant differences relate to employment status or age. The research highlights the need for a different experience based on whether a client is retired or how far the client is away from that phase of life.

One of the key differences between employment status and other types of segmentation is that there are differences in expectations, preferences, and satisfaction levels. The data suggest there is room for improvement in the experience being delivered to clients who are six to nine years from retirement.

Satisfaction is higher among respondents who are within five years of retirement, or who are retired already. When respondents are more than 10 years from retirement, satisfaction is also higher. However, in the lead-up to retirement, in the six-to-nine-year period when clients are beginning to think more about retirement, expectations may increase. Those expectations are putting pressure on satisfaction.

Q: Please rate your overall level of satisfaction with your financial advisor.



The same pattern can be seen with Net Promoter Score, another way to measure the quality of the client relationship.

	Retired	Within 5 years	6-9 years	10-19 years	20+ years
Detractors	13	15	15	13	8
Passives	28	24	26	16	30
Promoters	60	61	59	71	62
Net Promoter Score	47	47	43	58	54

As a result, advisors who focus on understanding the needs of clients who are within six to nine years of retirement and who deliver the service and experience that is expected may reap significant rewards. The opportunity is further underscored when we look at the percentage of clients who have considered changing advisors. There is a significant decrease as clients get closer to retirement.

	Retired	Within 5 years	6-9 years	10-19 years	20+ years
I have considered (or taken steps toward) switching to a new advisor	10%	32%	54%	60%	49%

The data raise two important questions:

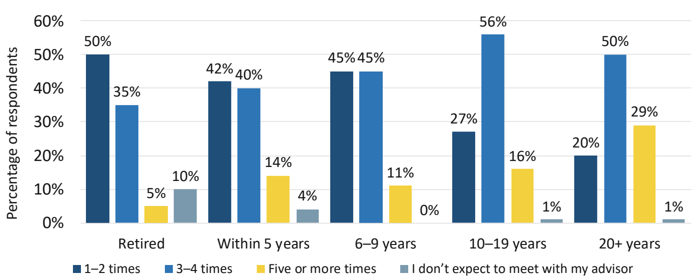
- Should advisors worry about these differences if they are targeting clients who are about to retire or already retired?
- How do the expectations of those clients who are younger/ further from retirement, differ from those who are not?

The answer to the first question seems clear. As younger clients age, they will bring with them the needs, preferences, and expectations of the generation in which they were raised. A client who responds positively to a digital experience when he or she is younger will not change suddenly five years from retirement. These differences are simply a glimpse into the future of client experience. Advisors who want to build a lasting business will need to consider how to support clients differently going forward.

The second question is answered by focusing on the data below.

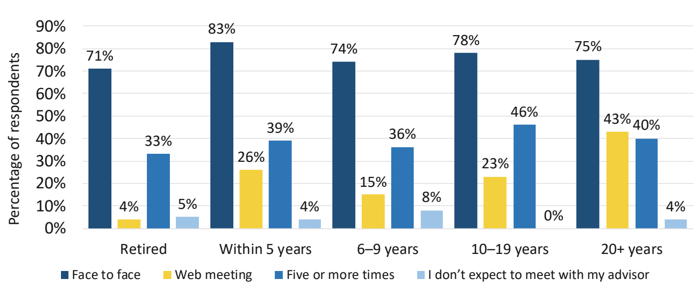
1. Be prepared to meet more with clients who are further from retirement. It is accepted wisdom that retired clients need more contact, but the data suggest that advisors may need to meet more regularly with clients who are further from retirement.

Q: In a typical 12-month period, how often do you expect to meet with your advisor to review your plan or portfolio?



2. Increase meeting efficiency with web meetings. Although retired respondents indicated a strong preference for in-person meetings, those heading into retirement are more open to web meetings.

Q: How do you prefer to meet with your advisor to discuss your plan or portfolio?



3. Augment direct contact with social connection. Although retired respondents are not likely to connect with their advisors on social media, those further from retirement are more likely to do so.

Q: Which of the following online methods are you likely to use to interact with and learn more from your advisor if it was available?

The table below shows the percentage of respondents who would not use any forms of social media to connect.

Retired	Within 5 years	6-9 years	10-19 years	20+ years
77%	52%	35%	20%	22%

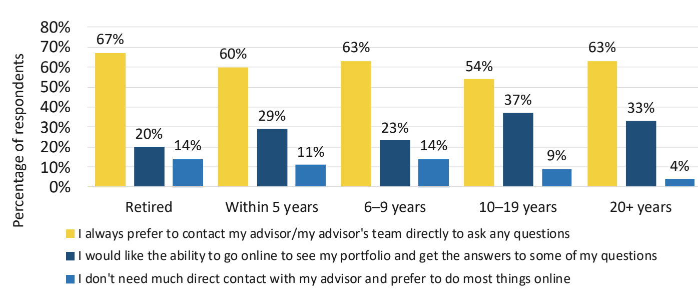
Next, you can see the preferred forms of social media among those who are interested in that manner.

Q: Which of the following online methods are you likely to use to interact with and learn more from your advisor if it was available?

	Retired	Within 5 years	6-9 years	10-19 years	20+ years
LinkedIn	4%	18%	28%	31%	24%
Twitter	2%	18%	40%	45%	30%
Instagram	1%	17%	35%	46%	37%
Facebook	3%	26%	43%	64%	49%
YouTube	2%	19%	42%	42%	34%

4. Provide options for online access to information. Although retired respondents prefer to reach out directly to their advisors for answers to their questions, those further from retirement are more open to having online access to answer their questions.

Q: Which of the following best describes how you prefer to have questions answered about your plan or portfolio?



5. Create a content strategy that supports education. Although retired respondents are less likely to want access to educational activities, those further from retirement are looking for that kind of support.

Q: Does your advisor provide educational opportunities such as workshops, articles, or other events on topics in which you are interested?

	Retired	Within 5 years	6-9 years	10-19 years	20+ years
Yes	48%	63%	69%	72%	67%
No, but it would be of interest	15%	16%	17%	18%	22%
No, and it would not be of interest	37%	21%	14%	10%	11%

6. Use a broader range of mediums to share content and deliver education. Although all respondents indicated a preference for in-person events, those who are further from retirement are proportionately more interested in receiving education via webinars, videos, or access to tools and resources.

Q: How would you prefer to learn about the topic(s) you identified in the previous question?

	Retired	Within 5 years	6-9 years	10-19 years	20+ years
Webinars (live, group meetings delivered online)	41%	50%	50%	57%	52%
In-person presentations	57%	58%	63%	56%	68%
Videos	32%	43%	46%	52%	50%
Links to articles	46%	50%	39%	52%	58%
Tools and resources (e.g., checklists or assessments)	36%	45%	50%	59%	53%

Conclusion

Although this research was conducted as the global COVID-19 pandemic began to take hold, it was planned well in advance of knowing the impact this would have on the world. The questions were designed to help advisors become Exceptional Advisors by responding to the needs of a diverse client base. The current crisis, as evidenced by the data, reminds us that delivering an exceptional experience is about laying a strong foundation and thinking forward, and about responding in the moment.

Much of the data is positive, including the high satisfaction ratings that advisors continue to earn through their on-going work with clients. At the same time, the data highlight the risk that is created in times of uncertainty. Advisors cannot control the external factors that caused the current crisis and continue to fuel the fire, but they can focus on what clients need right now. Further, they can begin to look forward at what it means to design a client experience that will support clients in good times and in bad.

To that end, the data suggest four strategies that advisors should consider:

1. Close client confidence gaps by understanding how clients are feeling in the current environment and responding directly to those needs.
2. Close satisfaction gaps by assessing how advisors are tangibly demonstrating and communicating value in the six areas identified in this report.
3. Lay a strong foundation by understanding and acting on those things that are most important to clients, including professional designations.
4. Focus on the future by understanding and acting on the needs of different client segments, starting with a core segmentation of those clients who are retired and those who are not, and further segmenting based on the number of years to retirement.

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