



INVESTMENTS & WEALTH INSTITUTE

High-Net-Worth Investor Research 2019

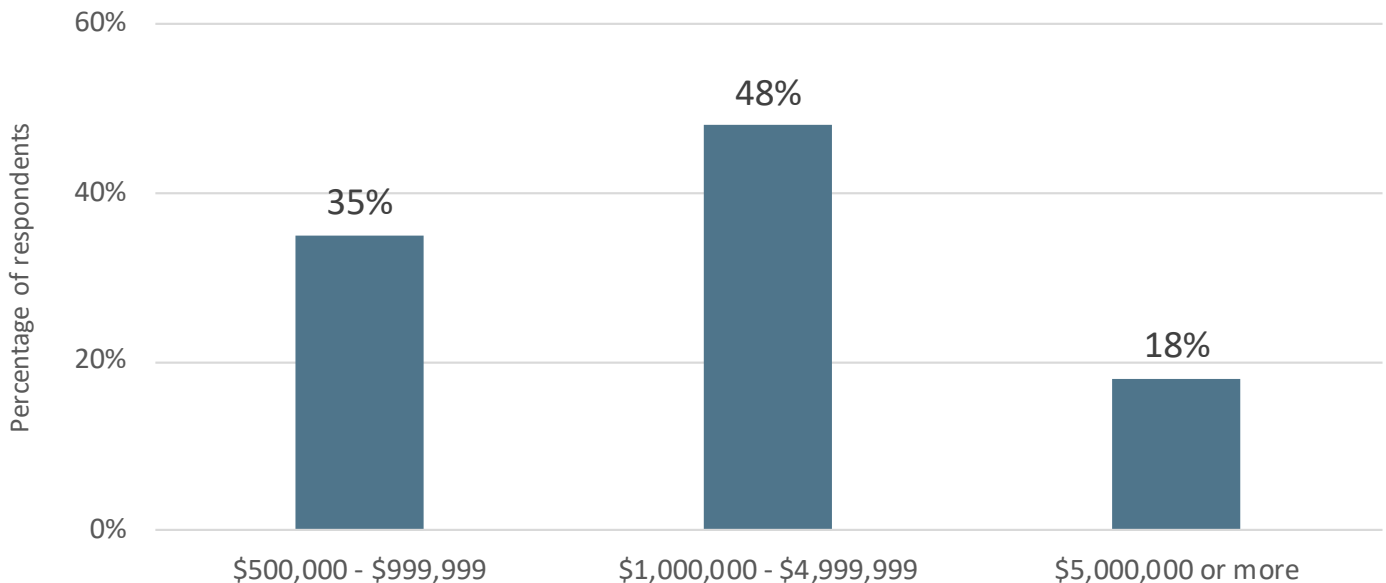
AN INTRODUCTION

The 2019 High-Net-Worth Investor Study from the Investments & Wealth Institute was designed to answer two important questions for advisors and for the industry.

1. If, as the research shows, the majority of clients are satisfied with their advisor, do we need to set a higher standard than satisfaction?
2. If not, what is the path from being a good advisor with satisfied clients, to an Exceptional Advisor with deeply engaged clients?

In order to answer these questions, the Investments & Wealth Institute gathered input from just over 1,000 high-net-worth investors across North America. The research built on the findings of previous studies conducted in 2017 and 2018. Of those respondents, 578 were in the United States and 425 were in Canada. All respondents worked with a financial advisor and met specific household investable asset criteria. This report reflects the findings among U.S. investors and there is more information on the respondents in Appendix 1.

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



Note: Totals may not equal 100% due to rounding.

THE EXCEPTIONAL ADVISOR® MODEL

The research shows that advisors have successfully built strong relationships with their clients.

- Ninety-one percent of clients are somewhat or very satisfied.
- Eighty-nine percent of clients are somewhat or extremely likely to continue to work with their advisor.
- The industry Net Promoter Score¹ among high-net-worth clients is high, at 42%.

And while the news is good, it suggests having satisfied and loyal clients won't set an advisor apart. There is a clear opportunity for advisors to hold themselves to a higher standard in order to do the best possible work for their clients and to stand out in a competitive marketplace. Drawing on those findings, the Investments & Wealth Institute created The Exceptional Advisor® Model. The model provides a way for advisors to assess how they are doing now and a path forward for those who want to achieve more in the future.



The Exceptional Advisor® Model has two key components: the foundation and the drivers.

1. **The Foundation:** The foundation of the Exceptional Advisor® Model is built on expertise and ethics, the two most important things to clients beyond the over-arching attribute of trust.
2. **The Drivers:** In addition to focusing on what clients say is most important, the Exceptional Advisor® model goes further to identify the relationship factors that are most strongly correlated with client engagement.

¹Net Promoter Score is calculated as the percentage of clients identified as Promoters (55%) less those identified as Detractors (13%).

For the purposes of the driver analysis, ‘client engagement’ was identified as a key goal of the advisory relationship in partnership with Absolute Engagement. The firm’s on-going research measures client engagement using a proprietary algorithm that reflects both satisfaction and referral activity. The Investments & Wealth Institute research took this definition of client engagement and identified which aspects of the advisory relationship are key drivers.

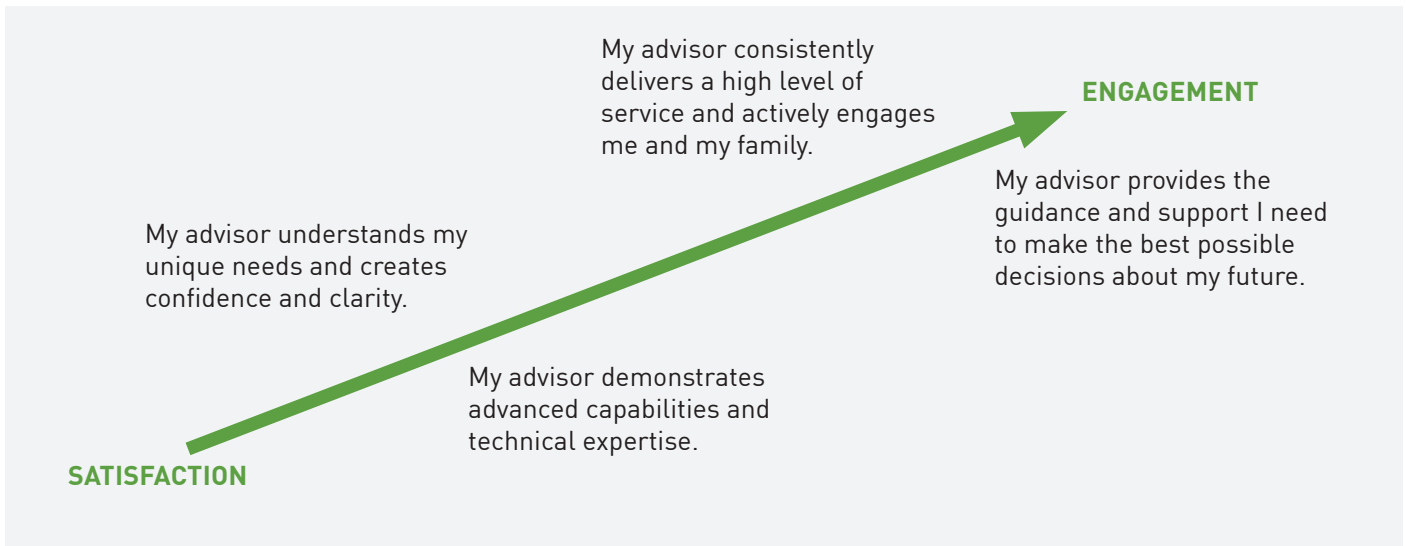
Q: How important are the following to you?

TRUST	
My advisor is trustworthy.	87%
ETHICS	
My advisor has high ethical standards.	80%
My advisor always acts in my best interests.	80%
My advisor maintains confidentiality of client information.	78%
KNOWLEDGE	
My Advisor is knowledgeable.	77%
Percentage rating a 5 out of 5 on importance.	

EXCEPTIONAL ADVISORS DEMONSTRATE EXPERTISE

In order of relative importance (from lowest to highest) the drivers of client engagement are:

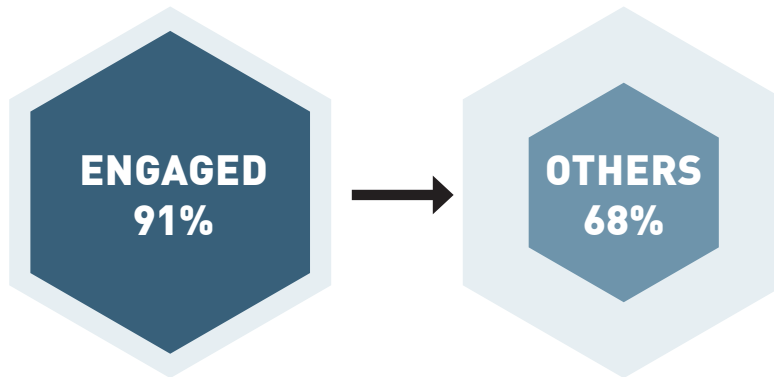
- **Taking a Personalized Approach.**
A personalized approach is about demonstrating that an advisor understands the unique needs of his or her clients and crafting a plan that reflects those needs in a way that creates confidence and clarity about the future.
- **Delivering Exceptional Service.**
Exceptional service is about such things as responsiveness, contact level and proactivity, but also about actively engaging clients and their families through the review process.
- **Demonstrating Advanced Capabilities.**
Advanced capabilities is about demonstrating advanced knowledge and technical expertise and providing the range of service that high-net-worth clients want and need.
- **Providing Meaningful Guidance.**
Meaningful guidance is about providing the support clients need to make the best possible decisions about their future.



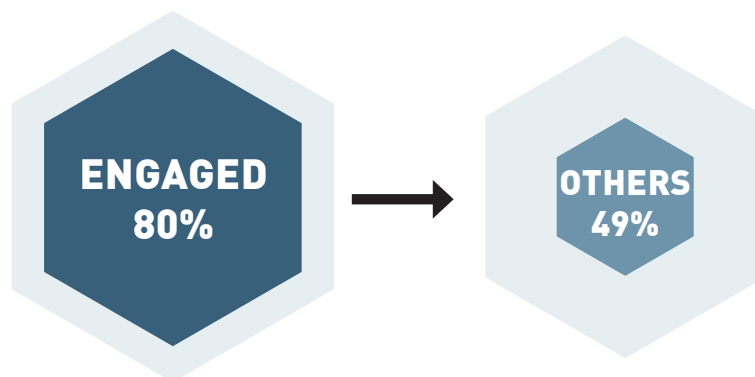
EXCEPTIONAL ADVISORS DEMONSTRATE EXPERTISE

Expertise is about more than just knowledge; it is about technical expertise. Seventy-seven percent of clients say their advisor is knowledgeable. Engaged clients are not only 1.3 times more likely to say their advisor is knowledgeable, they are 1.6 times more likely to say that he or she demonstrates strong technical expertise.

“My advisor is knowledgeable.”



“My advisor has strong technical expertise.”

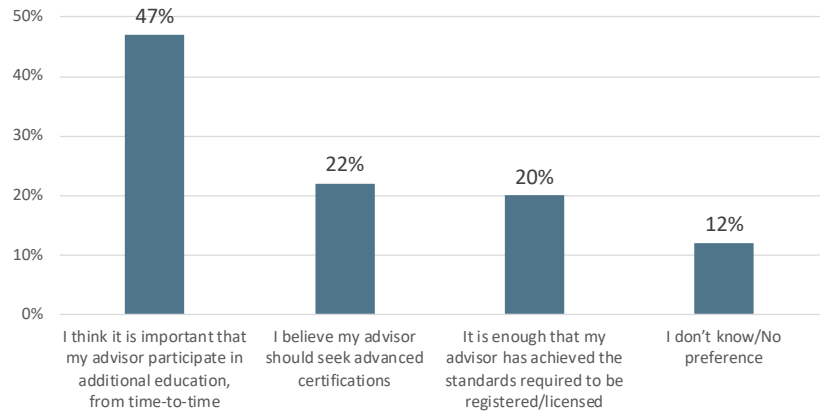


Q: To what extent do you agree with the following statements. Showing percentage rating a 5 out of 5.

EXPERTISE THROUGH THE EYES OF THE CLIENT

Advanced designations are the primary way advisors can demonstrate technical expertise. Seventy-three percent of high-net-worth clients say that designations and credentials are an important way to demonstrate technical expertise. In part this is because clients define expertise as going above and beyond the basic requirements of licensing or registration. Nearly 70 percent of high-net-worth clients saying it is important that their advisor achieve advanced certifications or voluntary education.

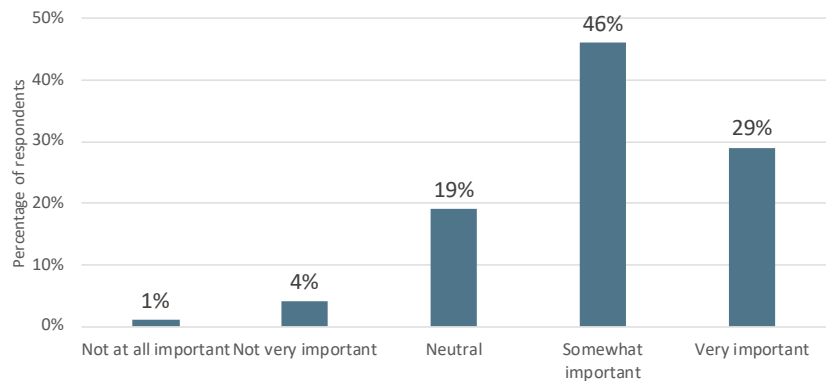
Q: Which of the following best reflects your view on your advisor's training/education?



COMMUNICATING EXPERTISE

The focus on advanced and voluntary education is not only about providing meaningful service to existing clients but will play into an advisor's ability to attract new clients. Three quarters of high-net-worth clients say that designations and certifications would be important to decision making if they were choosing an advisor today.

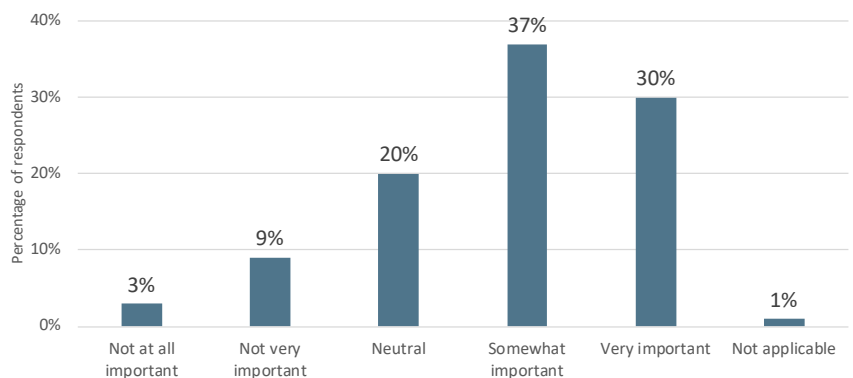
Q. If you were looking for a new advisor today, how important would the designations/certifications, that he/she has, be in making your decision?



UNDERSTANDING CREDENTIALS

It's not only clear that advisors, who want to be exceptional, need to hold advanced designations in order to demonstrate expertise, but they need to help clients understand what those designations really mean. Sixty-seven percent of clients said it was important to them to understand the designations/credentials held by their advisor.

Q. How important is it that you understand what the designations/credentials your advisor holds mean to you, as a client?



EXCEPTIONAL ADVISORS ADHERE TO A CLEAR CODE OF ETHICS

It is not surprising that working with an advisor who is ethical is critical to clients. When asked about specific aspects of ethics, clients said the following were most important.

Despite the importance of adhering to high ethical standards, 46% of clients say they do not fully understand the specific ethical standards to which their advisor adheres, creating a communications opportunity for advisors.

My advisor maintains confidentiality of client information.	83% of clients said this was critical.
My advisor has high ethical standards.	81% of clients said this was critical.
My advisor responds to my inquiries and instructions appropriately, promptly, completely, and truthfully.	81% of clients said this was critical.

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

MESSAGING

When communicating with clients and prospects about designations, there are specific messages that are more important than others. Investors were asked to rate the importance of several different statements that reflected the process of obtaining designations. The following were identified as the most important aspects of how an advisor obtains his or her designations.

My advisor would lose his/her credentials if he/she failed to meet ethics standards.	89% said this was important.
My advisor must meet ongoing standards in order to maintain his/her credentials (e.g., annual continuing education, adherence to ethical standards).	89% said this was important.
My advisor met a rigorous set of standards to be certified (e.g., ethics, experience, education, examinations).	87% said this was important.

EXCEPTIONAL ADVISORS TAKE A PERSONALIZED APPROACH

Key to taking a personalized approach is understanding client needs. Eighty-six percent of Engaged clients say their advisor fully understands their life goals, dropping to 55% for those who aren't engaged. Ninety-four percent of Engaged clients say their advisor fully understands their financial goals, dropping to 63% among those who aren't engaged.

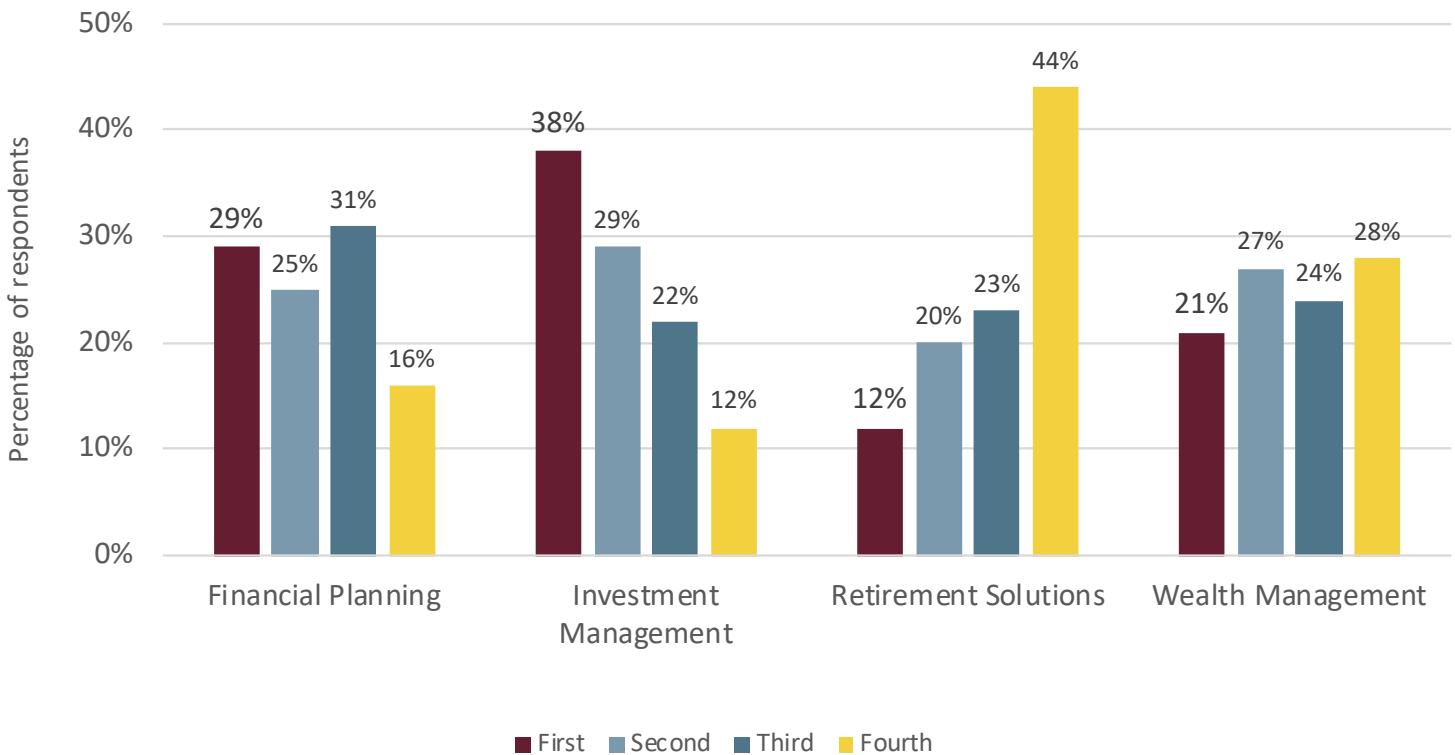
As a result, Engaged clients are more likely to report feeling clear about their financial goals, to feel more in control of reaching those goals and having a clear plan to get there.

Percentage of clients saying they 'completely agree'		
	Engaged Clients	Other Clients
I am clear about my financial goals	85%	65%
I feel in control when it comes to reaching my financial goals	78%	50%
I have a clear plan in place to reach my financial goals	81%	58%

EXCEPTIONAL ADVISORS DEMONSTRATE ADVANCED CAPABILITIES

At the highest level, high-net-worth clients turn to advisors to provide a range of different services. When asked to rank four services in order of importance, investment management tops the list.

Q: How would you rank the importance of each of the following, with respect to the overall services your advisor provides, with a 1 being most important and a 4 being least important?



While investment management is most important, two-thirds of investors say that investment performance is just one of the things for which they pay their advisor. Instead, the top three things they say they pay their advisors for are: on-going guidance/advice to help reach their goals (90%), help in avoiding costly financial/investment mistakes (84%) and on-going monitoring of their goals (81%).

For high-net-worth clients, advanced capabilities means access to strategies and opportunities they would not get elsewhere. They are more likely to say:

- My advisor provides me with cutting edge investment strategies.
- My advisor provides access to investment opportunities that are not broadly available.
- My advisor helps select the investments with best chance of a high return.

EXCEPTIONAL ADVISORS DELIVER EXCEPTIONAL SERVICE

Exceptional service is not only about delivering on the fundamentals, such as frequency of contact. Across a range of service activities, the biggest difference between clients who are Engaged and those who are not is the extent to which the advisor is proactive. 83% of Engaged clients say their advisor is proactive in managing the relationship, dropping to 52% among others.

Exceptional service also tightly tied to the quality of the review process for the client and his or her spouse or partner.

- 55% of high-net-worth clients say they get significant value from review meetings with their advisor. That number jumps to 80% among Engaged clients and drops to 44% among those who are not.
- 69% of HNW clients say they feel completely engaged during the review process. That number jumps to 87% among Engaged clients and drops to 61% among those who are not.
- 42% say their spouse/partner is completely engaged during the review process. That number jumps to 62% among clients who are Engaged and drops to 40% among those who are not.

Specifically, high-net-worth clients said they were interested in learning more about the following:

Q: Which topics would you be interested in learning more about from your advisor?

Maintaining sufficient assets to meet lifetime income needs.	40%
Coping with a significant market downturn.	36%
Creating a plan to manage income in retirement.	31%
Keeping my personal data safe.	30%
Dealing with the rising costs of health/long-term care.	28%
Education on investments or the markets.	25%
Ensuring my partner/spouse is taken care of should I pass away first.	25%
Leaving a financial legacy for my children.	22%
Creating a meaningful vision for the next phase of my life (e.g., in retirement).	19%

EXCEPTIONAL ADVISORS DELIVER MEANINGFUL GUIDANCE

All exceptional advisors deliver strong expertise. However, it is the extent to which they are able to actively support clients in making meaningful change that truly sets them apart. Engaged clients are more likely to say:

- My advisor helps me maintain a long-term investing approach.
- My advisor keeps me up-to-date on the latest tax law changes.
- My advisor helps me stay calm if the market drops.
- My advisor helps coach me with respect to savings and spending discipline.

Guidance is also about the extent to which advisors actively support clients by providing meaningful education on the topics that are most important. Sixty-five percent of clients say that working with an advisor who provides meaningful education related to markets and investments is important.

CLOSING WORDS

The path from good to exceptional is not easy but it is clear. Advisors who want to do more and be more for their clients have an opportunity to stand out. Just as important, advisors have the opportunity to move beyond the rhetoric of 'great service' and take meaningful and demonstrable action on the things that set them apart.

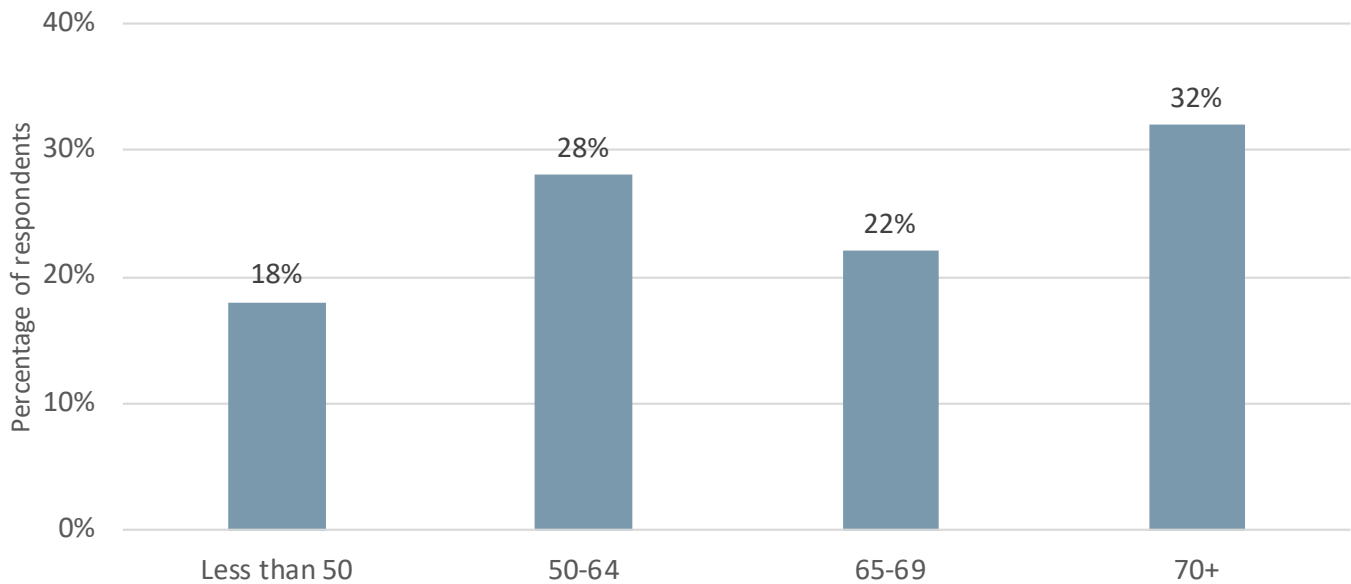
There are many things an advisor could consider changing or enhancing in a business, however the Exceptional Advisor® Model helps prioritizing by focusing on those things that will have the most significant impact.

To take action advisors should consider:

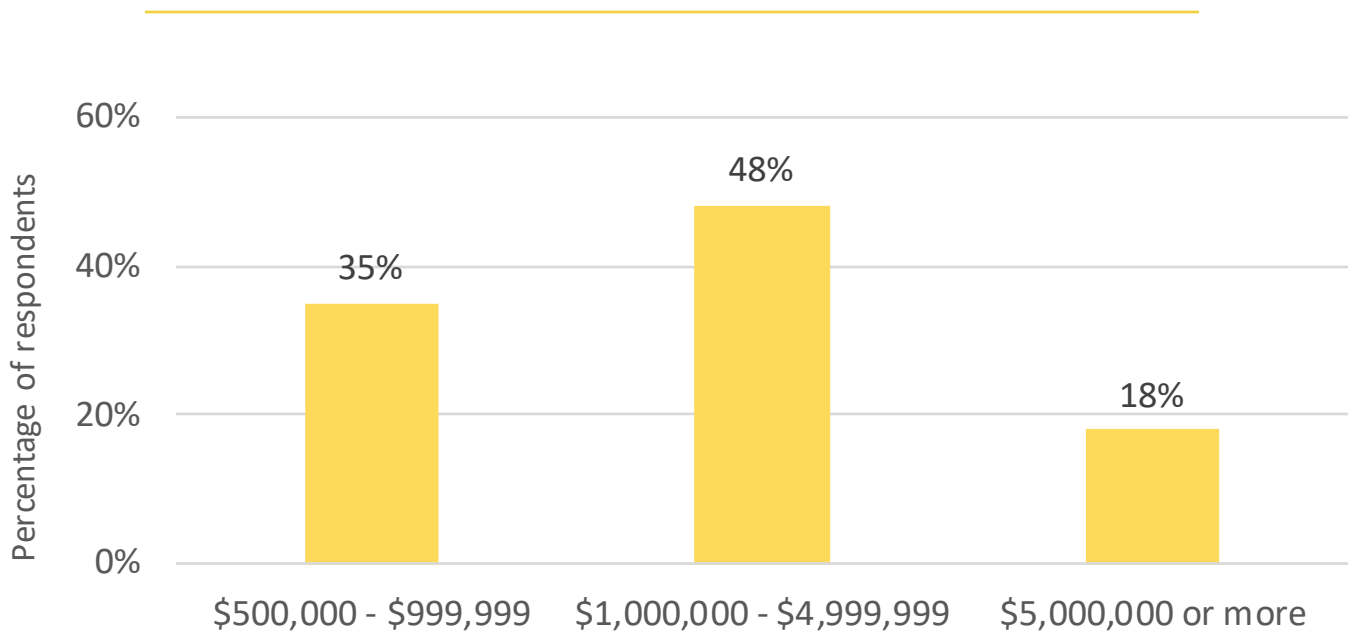
1. Taking stock of where they are today on the key elements of the Exceptional Advisor® Model
2. Clearly identify how they demonstrate the attributes of the Exceptional Advisor®, moving beyond the words to action.
3. Communicating their value through the eyes of the client, focusing on what being an Exceptional Advisor means for the client.
4. Measuring success over time to ensure they are delivering on their promises.

APPENDIX 1: RESPONDENT PROFILE

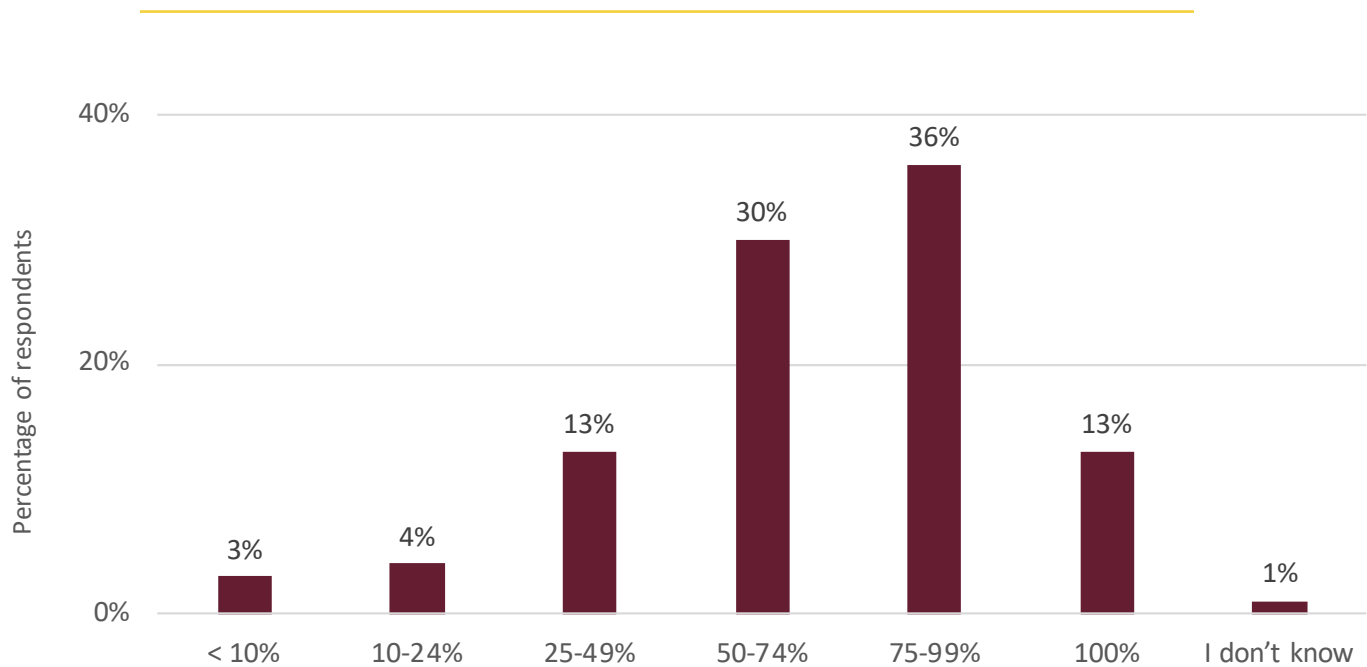
Q: What is your age?



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



Q: Today, what percentage of your household investable assets is managed by your primary financial advisor?



Note: Totals may not equal 100% due to rounding.



ABOUT THE INVESTMENTS & WEALTH INSTITUTE®

Established in 1985, the Investments & Wealth Institute, formerly known as IMCA, is a professional association, advanced education provider, and standards body for financial advisors, investment consultants, financial planners, and wealth managers who embrace excellence and ethics. Investments & Wealth Institute administers three certifications, [Certified Investment Management Analyst® \(CIMA®\)](#), [Certified Private Wealth Advisor® \(CPWA®\)](#), and [Retirement Management Advisor® \(RMA®\)](#). Through its publications, live events, online courses, assessment-based certificate programs, and advanced certifications, the Institute delivers premier-quality, practical education to advanced practitioners in more than 38 countries.

Certified Investment Management Analyst® (CIMA®) certification is the peak international, technical portfolio construction program for investment consultants, analysts, financial advisors and wealth management professionals. The CIMA program is distinctive as a global certification in financial services that meet international accreditation and quality standards (ANSI/ISO 17024) for personnel certification.

Certified Private Wealth Advisor® (CPWA®) certification is an advanced professional certification for advisors who serve high-net-worth clients. It's designed for seasoned professionals who seek the latest, most advanced knowledge and techniques to address the sophisticated needs of clients with a minimum net worth of \$5 million. Unlike credentials that focus specifically on investing or financial planning, the CPWA program takes a holistic and multidisciplinary approach. The Investments & Wealth Institute develops and delivers more than a dozen live and online education programs annually.

Retirement Management Advisor® (RMA®) certification is an advanced certificate program and pathway to certification that focuses on building custom retirement income plans to mitigate clients' risks and to master the retirement planning advisory process, all within an increasingly regulatory environment.

Many of the Institute offerings are delivered in collaboration with premier global business schools: [The Wharton School, University of Pennsylvania](#), [The University of Chicago Booth School of Business](#), [Yale School of Management](#), and [Investment Management Research Program-Australia](#).

ABOUT ABSOLUTE ENGAGEMENT

Absolute Engagement is a leader in helping enterprises and advisors collect client feedback and design and implement a differentiated client experience in their businesses. The firm was founded by Julie Littlechild, an industry recognized expert on driving engagement and growth. She sat on the board of the Financial Planning Association (FPA) from 2010-2013 and was twice identified as one of the "Most Influential People in Financial Planning" by Investment Advisor magazine and won the Influencer Award in practice management from Financial Planning magazine. www.absoluteengagement.com

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ABOUT THE EXCEPTIONAL ADVISOR® PROGRAM

[The Exceptional Advisor® Program](#) is an online education program designed to help advisors with advanced credentials to communicate their value and build client engagement. The program is based on the research conducted by Absolute Engagement. The program consists of five modules designed to help advisors better understand what clients consider important, provide meaningful guidance, demonstrate advanced knowledge through credentials, and highlight a commitment to ethics. Each module includes webinars, videos, readings, and other resources, as well as a quiz. The program has been approved for 5 hours of Continuing Education (CE) credit, including 1 ethics hour for CIMA®, CPWA®, and RMA® certifications. The program is approved for 4 hours of CE credit for CFP® certification.

Module 1: Client Research on What Makes an Exceptional Advisor—Analyze the Exceptional Advisor® model based on research by Investments & Wealth Institute and AbsoluteEngagement.com. Learn the factors that drive client engagement. Create a plan to survey clients about what they value and to determine engagement levels.

Module 2: Understand What Clients Need and Want—Develop a plan with strategies to survey clients to better understand how to best engage them in the advisor-client relationship.

Module 3: Build Your Personal Brand Integrity by Acting Ethically—Develop a plan with strategies to communicate the ethical standards an advisor must meet for their clients. Learn the Code of Professional Responsibility and apply the ethical principles to a variety of ethical dilemmas.

Module 4: Provide Meaningful Guidance—Determine a core services list and associate services with client support and individual/family needs.

Module 5: Demonstrate Advanced Knowledge—Learn how to build trust and credibility by communicating the advisor's knowledge and professional competencies. Develop a plan with strategies to communicate the value of your advanced credentials.



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