

EXECUTIVE SUMMARY

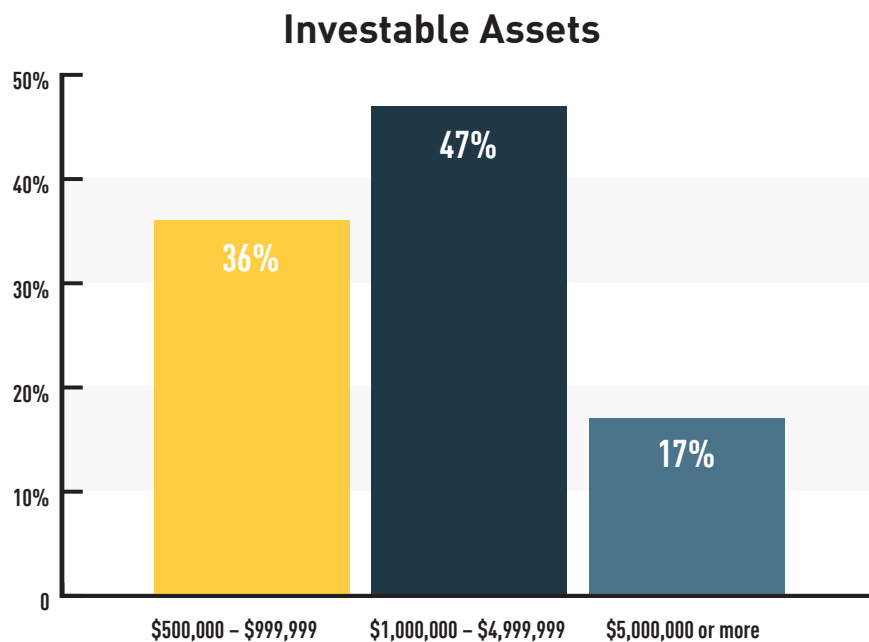
When it comes to the strength of the relationships between advisors and their clients, the news is good. In a new study, commissioned by the Investments & Wealth Institute, 94 percent of high-net-worth clients said they were satisfied with their advisor and 92 percent said they were somewhat likely to continue to work with their advisor (20 percent “somewhat” and 72 percent “extremely”).

And while those results are clearly positive, it begs a question. What can advisors do to stand out when high satisfaction and loyalty do not set them apart? This study, conducted by AbsoluteEngagement.com on behalf of the Investments & Wealth Institute, examines if and how advanced, voluntary designations or credentials supported meaningful differentiation among advisors.

THE RESEARCH

The over-arching goal of the research was to gain deeper insight into the role that advanced designations and credentials play in supporting credibility and advisor selection. The research also examined the type and depth of information investors want to have regarding designations and if and how that was communicated.

Data was gathered from 585 high net worth investors in the United States and 444 high net worth investors in Canada, via online survey between August 7 – August 15, 2017 across all advisory channels. This summary provides insight from the 585 American respondents. More specifically, the sample is comprised of investors who work with a financial advisor (across channel) and make or contribute to the financial decision making in the household. Focusing on total investable assets, the sample breaks down as follows.



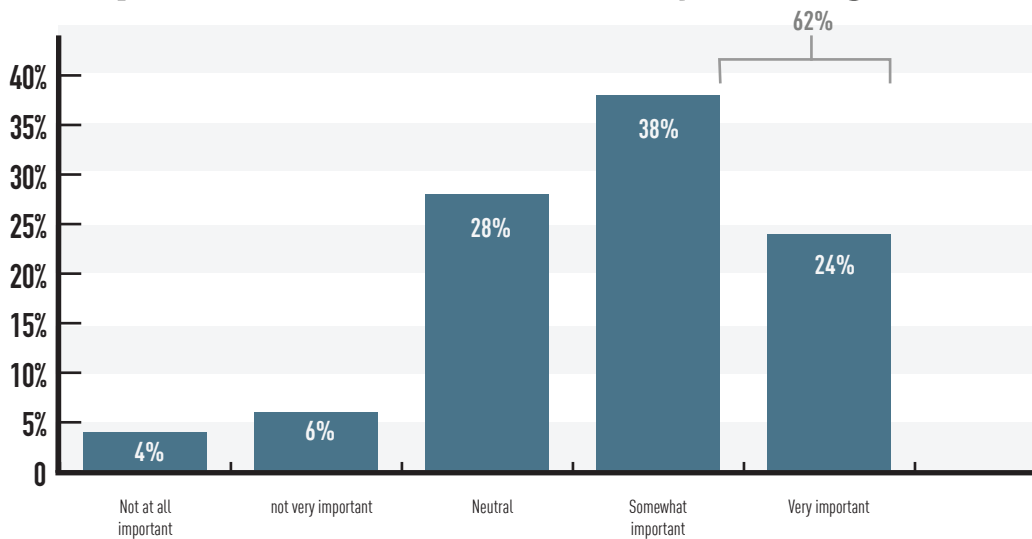
KEY FINDINGS

1. High net worth clients believe in the importance of advanced, voluntary education for their advisors.

The data clearly shows that clients believe their advisor should go above and beyond what is required to sharpen their technical skills. Fifty-seven percent of high net worth clients wanted to know their advisor had done more than meet the minimum educational requirements to become registered or licensed. For some (36 percent) that meant they wanted their advisor to participate in voluntary courses from time to time and for others (21 percent) that meant obtaining advanced certifications.

In general, clients are more concerned that their advisor has *voluntarily* sought to advance his or her level of expertise. Fully 62 percent of high net worth clients said it was somewhat (38 percent) or very (24 percent) important that their advisor hold voluntary designations or certifications in addition to licenses and registrations required by law.

Importance of Voluntary Designations

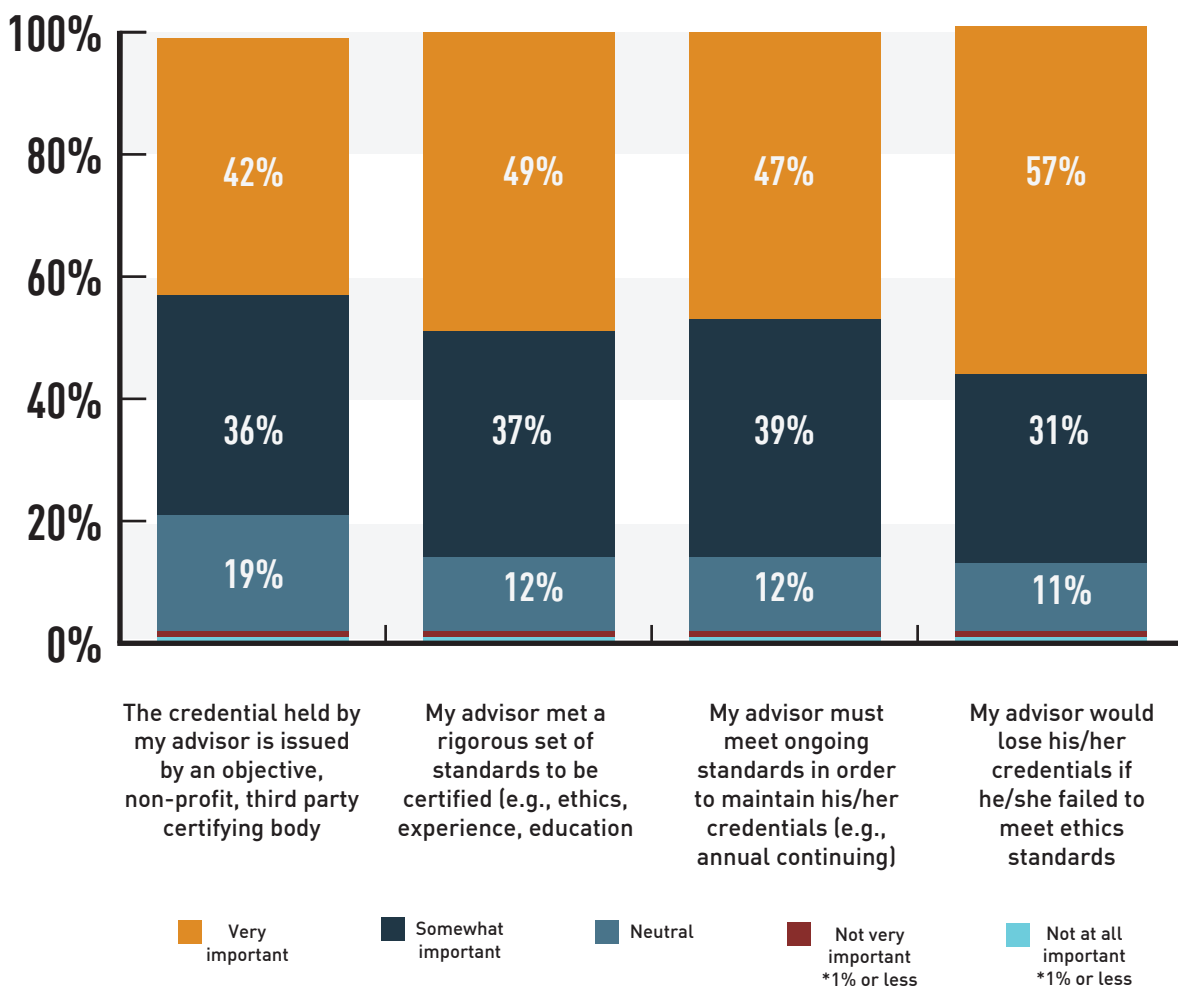


Q: In addition to licenses and registrations required by law, how important is it to you that your advisor hold voluntary designations/certifications?

When thinking about credentials, high net worth clients were clear on what was most important to them. When asked about the importance of various aspects of obtaining a certification, three characteristics rose to the top.

- Eighty-eight percent of clients said knowing their advisor would lose his/her credentials if he/she failed to meet ethics standards was somewhat or very important.
- Eighty-six percent of clients said knowing their advisor had met a rigorous set of standards to be certified (e.g., ethics, experience, education, examinations) was somewhat or very important.
- Eighty-six percent of clients said knowing their advisor had met ongoing standards in order to maintain his/her credentials (e.g., annual continuing education, adherence to ethical standards) was somewhat or very important.

Certification Process



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

2. Advanced certifications will be increasingly important to advisor selection in future.

A third of clients said they actively sought out an advisor with specific designations. Among that group, it was important that the advisor held specific designations, with three quarters of those clients saying they would not have worked with the advisor if he/she did not hold those designations.

More generally, however, over half of clients (54 percent) said that, when choosing an advisor, it was somewhat (31 percent) or very (23 percent) important that he or she held voluntary certifications/designations beyond those legally required.

However, the critical importance of voluntary certifications/designations is highlighted when we look forward. With 37 percent of respondents having worked with their advisor for 10 years or more, gauging the importance of designations/certifications in advisor selection can be difficult. Looking forward, however, 76 percent of clients said that designations/certifications would be somewhat (43 percent) or very (33 percent) important if they were looking for a new advisor today.

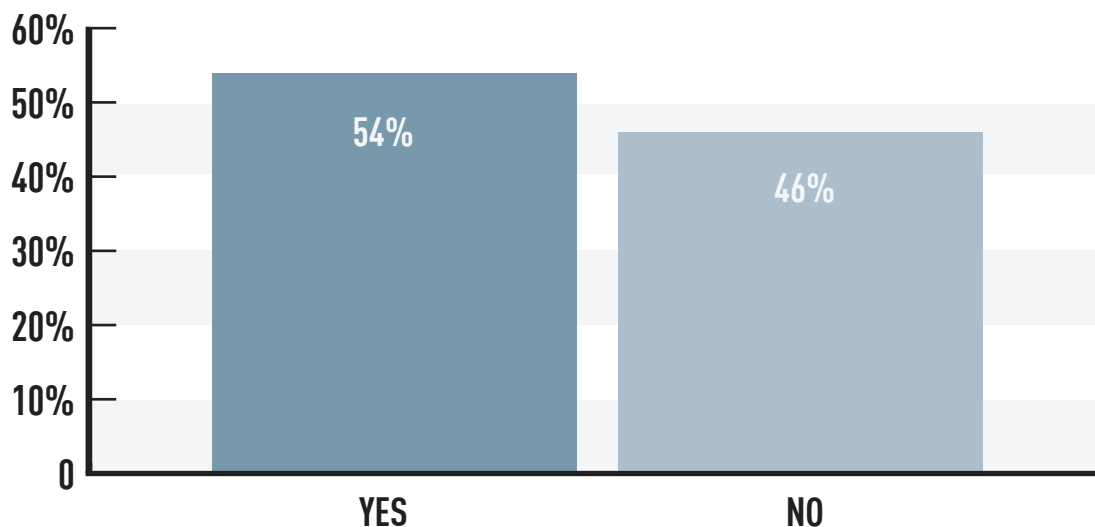
3. High net worth clients believe that advanced expertise sets their advisor apart.

In addition to supporting credibility, clients believe that having advanced certifications sets their advisor apart in a competitive marketplace. Sixty-seven percent of respondents said they somewhat (31 percent) or completely (36 percent) agreed that the designations or credentials held by their advisor set him or her apart from other advisors.

4. High net worth clients want a deeper understanding of their advisor's designations.

Advisors have a real opportunity to help clients understand the designations/certifications they hold and what those designations mean. While 71 percent of clients say they are somewhat (29 percent) or very (42 percent) comfortable with their current level of understanding of the designations held by their advisor, 54 percent say they would like a better understanding. It appears that anything short of a very high level of understanding creates a desire to learn more.

Designations: Need to Understand



Q: Would you like to have a better understanding of which designations/credentials your advisor holds and what they mean?

The level of understanding of designations/credentials mirrors the self-reported level of general investment knowledge. Thirty-one percent of clients report that they are very knowledgeable about investing and another 44 percent report that they are extremely knowledgeable. Clients who rate themselves as knowledgeable about investing are more likely to rate their level of understanding of designations higher.

There is an interesting correlation between self-reported investment knowledge and referrals. Forty-four percent of clients who provided a referral indicated they were extremely knowledgeable, dropping to 17 percent among those who did not provide a referral.

5. **It's not just the designation but what it represents.**

The importance of designations and certifications reflects what is most important to clients generally. When asked about what was most important in a relationship, ethics, trust and knowledge rank highest. The Investments & Wealth Institute believes that these characteristics are best demonstrated through voluntary and advanced credentials/designations.

When asked to rate the importance of various elements of the advisory relationship, clients rated the following highest from a longer list of items. The chart shows the percentage of clients who rated as a 5 out of 5 on importance.

What Matters Most?

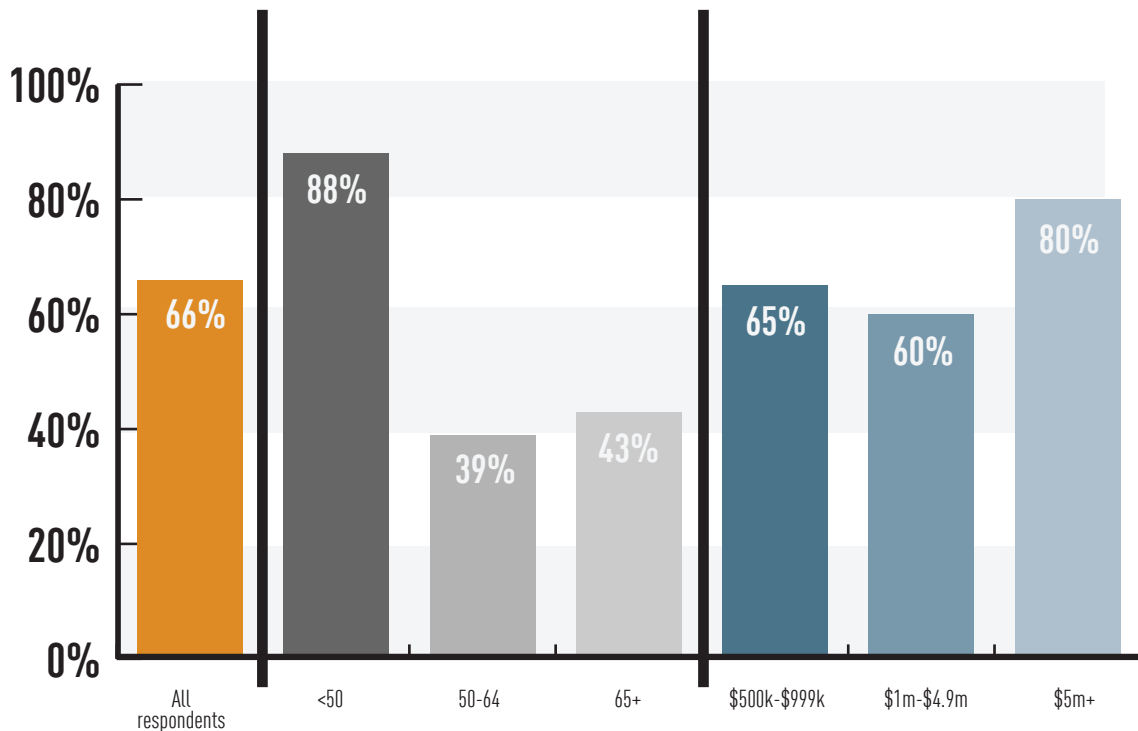
Based on 'stated importance', the focus for clients is on ethics, trust and knowledge.

	Percentage Rating 5 out of 5
My advisor has high ethical standards	80%
My advisor is trustworthy	80%
My advisor is knowledgeable	77%
I am comfortable with the level of risk in my plan/portfolio	77%
My advisor fully understands my financial needs	75%
I am satisfied with my long-term investment performance/returns	75%

Age plays an important role in how clients rate the importance of specific aspects of the relationship.

- In general clients who are under 50 are more neutral, rating most aspects of the relationship within a narrow range and generally placing less emphasis on any single aspect of the relationship than older clients.
- Older clients are likely to have extremes in what they perceive as important or unimportant.
- Younger clients (under 50) place relatively less emphasis on ethics and relatively more emphasis on working with an advisor who helps them maintain a long-term approach to investing and who helps them stay calm if the market drops.

Designations: Influence



Q: Did the information your advisor shared about his/her designations influence your decision to work together (n= Respondents whose Advisors shared credential information)?

6. Communication is a missing link

There is no doubt that advisors invest significant time, money and energy in achieving advanced expertise through designations and credentials. Yet only half of clients report that their advisor proactively shared details on those designations with them.

More striking is the correlation between client engagement (comprised of satisfaction and referral activity) and proactive communication around designations or credentials. Seventy-three percent of engaged clients said their advisor had proactively shared information on designations/credentials, dropping to 34 percent among those who were not engaged.

It is for this reason that the Investments & Wealth Institute is investing in developing a program to help members to communicate with clients through the right message, at the right time and with the right amount of depth. The program draws on in-depth information gathered in this study and will be formally unveiled at the Investments & Wealth Annual Conference on May 7-10, 2018.

7. Clients place greatest value on investment management.

When asked about the services they receive, the highest percentage of clients say their advisor provides investment management strategies (59 percent) and support on maximizing income in retirement (53%). When asked what they are paying their advisor to do for them, clients responded as follows:

Investment Management	59%
Financial Planning	46%
Wealth Management	36%
Retirement Solutions	35%

The responses were mirrored when asked to rank the importance of these four types of support/services provided. The following shows the percentage of clients rating each area as the most important, based on a ranking from one through four.

Investment Management	33%
Financial Planning	27%
Wealth Management	21%
Retirement Solutions	19%

ABOUT INVESTMENTS & WEALTH INSTITUTE

The Investments & Wealth Institute is a professional association, advanced education provider, and standards body for financial advisors, investment consultants, and wealth managers who embrace excellence and ethics. Through its publications, events, assessment-based certificate programs, and advanced certifications, the Institute delivers premier-quality, highly practical education to advanced practitioners in more than 38 countries.

The 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.

The 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. Many of the Institute's offerings are delivered in collaboration with premier global business schools: The Wharton School, University of Pennsylvania, University of Chicago Booth School of Business, Yale School of Management, and the Investment Management Research Program at University of Technology-Sydney.



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