FirstClearing

Understanding Today's Affluent

THE OECHSLI INSTITUTE

Executive Summary

As its title suggests, this report based on The Oechsli Institute's 2015 Affluent Client Research is designed to provide firm principals and their financial advisors with insight into today's affluent clientele. This insight can be significant because The Oechsli Institute conducts annual simultaneous research on both the affluent and financial advisors, allowing us to uncover trends[1]. For instance, we uncovered the impact of word-of-mouth influence, personalized service, and relationship building on affluent decision-making back in our 2004 affluent research[2]. Over the past decade we've seen these trends grow stronger.

A decade-long trend that is quite disturbing, and that should be a concern for financial services firms, is ***the gap between affluent expectations and what the general population of financial advisors is actually delivering.***

For instance, affluent investors place more importance than ever on having a business and social relationship with their financial advisor. It's a trust issue. The deeper they know their advisor, the more they learn to trust them on a personal level. When we asked elite advisors to describe their relationship with clients, the majority said that they've taken the actions to deepen these relationships, but the affluent don't agree.

- 28% of the affluent report having a business and social relationship with their financial advisor[3].
- 74% of financial advisors report having a business and social relationship with their affluent clients[4].

This is an obvious disconnect, and it highlights a disquieting reality: Many financial advisors are not really *connecting* with their affluent clients.

In addition, one of the more intriguing plotlines in our industry is the current inability to connect *across client generations*. To examine this further, in certain instances throughout this report, we've segmented our affluent respondents into the standard age categories:

- Millennials – Under 35
- Generation X – 35-49
- Baby Boomers – 50-69
- Seniors – 70 and older

What we have found is there are more similarities than differences within age groups regarding their expectations of financial advisors. For instance, although all age groups reported that they were uncomfortable being asked for a referral, Millennials and Gen Xers were most uncomfortable (only 16.7% happy to help) while Seniors were the most responsive, at 29%. Another area is promptly returned calls: Only 20% of Millennials report receiving returned calls from their advisor within two hours, compared with 34% of Boomers.

As you'll read throughout this report, if financial advisors immerse themselves in the world of the affluent and make the necessary adjustments, they may enjoy the many benefits of being the primary financial coordinator for their affluent clients.

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How Do the Affluent Select Advisors?

Few things appear to be more challenging to financial advisors than acquiring affluent clients. There are many reasons for this dilemma: old-school marketing tactics that no longer work, lack of up-to-date training by firms, complacency of veteran advisors, and the list goes on. However, it's been our experience, gleaned from conducting over a decade of simultaneous research projects on the affluent and financial advisors, that most financial advisors *do not* really understand today's affluent investor.

Advisors might live in an affluent neighborhood and earn affluence for themselves and their family, but too many never think of themselves as an affluent client; therefore, they don't know how to market themselves in this niche. As a result, only a select group of advisors are successfully acquiring affluent clients on a consistent basis.

How the Affluent Initially Discovered Their Financial Advisor

Introduced from a friend, family member or colleague	41.3%	93% = Relationship Marketing
Introduced from another professional	24.9%	
Other (various forms of word-of-mouth)	13.8%	
Made contact based on reputation	8.9%	
Through community involvement or social activity	4.1%	
Went to a public seminar	2.7%	
Online research or through social media	1.9%	
Responded to cold call	1.4%	
Responded to direct mail	1.0%	

Approximately 66% of the affluent tell us that ***the personal introduction is the method*** by which they first met their financial advisor. 41% were initially introduced to their financial advisors by a friend, a family member or a colleague, and 25% were introduced by some other professional (CPA, attorney, private banker, etc.). This highlights the power of word-of-mouth influence in affluent circles and the distrust they have in traditional marketing tactics, which has been a growing trend since 2004. With 13% discovering their financial advisor through reputation or community involvement and 14% through other various forms of word-of-mouth influence, *relationship marketing* is the dominant force for acquiring affluent clients, with an astounding 93% of all affluent client acquisition as a result.

The contrast between the old marketing tactics (cold-calling and public seminars) and how today's affluent have actually discovered their financial advisors is striking. Only 1% of today's affluent investors reported that they discovered their financial advisor as the result of a cold-call. And only 2% met their financial advisor by attending a public seminar.

When the group is broken into age categories, as illustrated in the table on page 5, Millennials are a little different. While 80% tell us they discovered their advisor through some form of *relationship marketing*, only 3% were introduced to their financial advisor by another professional (it appears they don't have as many professional relationships at this stage of their lives), while 7% responded to a cold-call, and 10% responded to direct marketing – both at the bottom of affluent discovery rankings.

How the Affluent Initially Discovered Their Financial Advisor (by age group)

	Millennials: <35	Gen Xers: 35-49	Boomers: 50-69	Seniors: 70+
Introduced from a friend, family member or colleague	36.7%	45.2%	42.4%	41.9%
Introduced from another professional	3.3%	17.9%	21.7%	23.0%
Other (various forms of word-of-mouth)	6.7%	8.3%	15.2%	12.2%
Made contact based on reputation	26.7%	9.5%	7.2%	14.2%
Through community involvement or social activity	6.7%	10.7%	5.2%	4.1%
Went to a public seminar	0.0%	0.0%	2.9%	2.7%
Online research or through social media	3.3%	4.8%	1.6%	0.7%
Responded to cold call	6.7%	2.4%	1.8%	0.7%
Responded to direct mail	10.0%	1.2%	2.0%	0.7%

Factors Considered Very Important in Hiring a Financial Advisor

The top three factors considered very important in hiring a financial advisor have remained at the top over time. Although the rank order has changed from our 2014 affluent research, all three factors remain significant[5].

Quality of advisor's firm	63.3%	
Reputation of the advisor	61.1%	**Top Three**
Strong recommendation	52.7%	
Competency and professionalism	49.5%	
Appealing proposal	35.7%	
Online presence (digital factor)	7.2%	
Promotional material	3.6%	

Today, the affluent investor is telling us that the reputation of a financial advisor's firm is statistically on par with the financial advisor's reputation (both are at the top of the rankings with 63% and 61%, respectfully), followed by a strong recommendation at 53%. Granted, it's unlikely for a financial advisor to get a strong recommendation without having a very good reputation; however, now the reputation of the advisor's *firm* is equally important.

When financial advisors think of investing in promotional materials, they should keep in mind that at 4%, such materials remain the lowest factor influencing today's affluent in hiring a financial advisor. Contrast that with the 50% who reported that a financial advisor's professionalism and competency was "very important." This remains an ongoing trend: less emphasis on traditional marketing/advertising media and more emphasis on the quality of both financial advisor and firm.

Every financial advisor needs to be aware of the importance of word-of-mouth influence in both acquiring and developing loyal affluent clients. Elite advisors (defined as: acquired $10 million or more new assets, 5 or more $1 million or greater new clients, lost two or fewer clients and met affluent client expectations in 14 statistically significant criteria over the past 12 months[6]) are able to facilitate positive word-of-mouth influence — which makes the operative question for financial advisors: How is this done?

Qualities Associated with a Successful Financial Advisor

No longer should financial advisors attempt to impress affluent prospects and centers of influence (COI) with the superficial trappings of success, including fancy cars, big homes, country club memberships, and the like. This doesn't mean that today's affluent don't want an advisor who drives a luxury automobile or lives in a nice neighborhood. It's simply that they place much more importance on the person — the depth and breadth of the advisor. ***It's a trust issue.***

A well-credentialed financial advisor with good people skills is more likely to create a good first impression and develop rapport with an affluent prospect — key ingredients in trust — than an advisor who is trying to impress by exhibiting the trappings of success. In fact, it's interesting to note how insignificant the typical trappings of affluence (car, home, country club) are to our respondents.

Respected designations (CFP, CFA, MBA)	**36.7%**
Great presence and people skills	**32.1%**
Connection in community	9.7%
Prestigious job title	3.1%
Nice car, home and club memberships	2.2%
Private school for children	0.7%

Knowledge, personal presence, and people skills are the traits our affluent respondents tell us they mostly associate with a successful financial advisor. This is a trend that should be a fixed requirement: Affluent investors want a knowledgeable worker overseeing their family's financial affairs.

The affluent seek a knowledgeable professional who possesses inner confidence and is a good listener.

Most savvy investors know that having designations, even well-respected and hard-earned professional designations, does not ensure that an advisor is well-suited to manage their family's financial affairs. However, when coupled with personal presence and people skills, our affluent respondents are telling us that they can usually spot a successful financial advisor. In other words, the affluent seek a knowledgeable professional who possesses inner confidence and is a good listener. Listening is a key ingredient to being able to communicate well, and communication skills are a major component to people skills — all of which contribute directly to stimulating positive word-of-mouth influence.

Selecting Advisors Questions to Consider:

- How well credentialed are your financial advisors (CFP, MBA, JD, CFA)?
- How would you rate your advisors' personal presence in affluent social circles?
- Are your advisors good listeners?
- Do your advisors pay attention to their appearance — professionally and socially?

Selecting Advisors Key Takeaways:

- The majority of today's affluent initially discovered their financial advisor through some form of personal introduction. Advisors need to make introductions a core part of their marketing plan.
- Financial advisors need to be proud of their firm. They should be able to clearly and succinctly articulate their firm's value proposition.
- Financial advisors should make it a priority to earn respected designations (CFP, MBA, JD, CPA). One is sufficient as long as it remains current and ties into their value proposition.
- It is important for financial advisors to work to continually enhance their reputation in the affluent community, both personally and professionally, and be visible in affluent circles socially, such as at charitable events, etc.
- Broadening the relationship to include a social element is a reputation enhancer.
- Advisors need to always strive to improve their professionalism and knowledge.

What Kind of Relationship Do Today's Affluent Want?

A major affluent trend that we've been tracking since 2004 is the importance the affluent place on relationships with the professionals they hire. ***Today's affluent client wants to know his or her financial advisor on a personal level.*** Again, this is a trust issue. Unfortunately, there is a serious difference in perception between advisors and their affluent clients on this topic.

Today's affluent client wants to know their financial advisor on a personal level.

As we've said before in this paper, our research on advisors reports that nearly 74% claim to have a business and social relationship with their affluent clients, yet as the table below shows, only 28.5% of affluent clients feel the same.

How They Describe Relationship with Advisor

Purely Business	70.5%
Business and Social	**28.5%**
Other	1.0%

How They Describe Relationship with Advisor (by age group)

	Millen-nials: <35	Gen Xers: 35-49	Boomers: 50-69	Seniors: 70+
Purely Business	43.3%	69.0%	69.3%	73.6%
Business and Social	**50.0%**	27.4%	29.4%	23.6%
Other	6.7%	3.6%	1.3%	2.7%

When separated by age group, Millennials are much more likely (50%) to have a business and social relationship with their financial advisor than each of the other age groups. It appears that the majority of the advisor-client relationships in the older age groups began on a purely business level, and there has been little change.

This is significant when you consider that today's affluent investors prefer a business ***and*** social relationship with their financial advisor. They rank their advisor higher when this type of relationship is in place, and they provide far more introductions and referrals.

Getting to know the entire family of an affluent client is a major factor in developing a relationship built on trust. Because trust is so fragile, affluent clients want a business and social relationship with their financial advisor. And many advisors appear to be missing a key component of a client's life — the inner-workings of the family unit.

Getting to know the entire family of an affluent client is a major factor in developing a relationship built on trust.

Relationship with Advisor Questions to Consider:

- How often do your advisors socialize with their affluent clients (both spouses)?
- When was the last time they had a non-business lunch or dinner with an affluent client (both spouses)?
- Do they have a system for managing their affluent client relationships?
- Do they host small fun events for their top clients, referral alliance partners, and guests?
- How often do they socialize with their referral alliance partners (both spouses)?
- How well do they know the families of their affluent clients?
- Do your advisors work with the children of their affluent clients?

The real concern for the industry is whether affluent investors — of any age — see the *value* of a financial advisor's advice and guidance regarding their family financial affairs. Issues of trust and perceptions about advisors' competence most likely play into the following data.

Importance of Having a Trusted, Competent Financial Advisor

Very Important	**64.5%**
Moderately Important	**22.7%**
Neutral	8.5%
Slightly Important	1.9%
Not at all Important	2.4%

In fact, we expected this question to be a hygiene factor[7]. We anticipated that nearly every affluent client would want trustworthiness and competence as core traits possessed by their financial advisor. Much to our surprise, only 65% ranked these as "very important," while 23% considered them to be "moderately important." Even when combining "very" and "moderately" important, you have only 88% saying they value these traits in a financial advisor.

Could the other 12% be attributed to a level of cynicism held by today's affluent?

What should be even more concerning is how the importance decreases with younger clients. As the chart on page 9 shows, only 37% of Millennials (those under the age of 35) and 46% of Gen Xers (those in the 35 to 49 year age group) considered having a *trusted, competent financial advisor* as "very important."

Importance of Having a Trusted, Competent Financial Advisor (by age group)

	Millen-nials: <35	Gen Xers: 35-49	Boomers: 50-69	Seniors: 70+
Very Important	**36.7%**	**46.4%**	62.1%	64.9%
Moderately Important	26.7%	34.5%	24.4%	23.0%
Neutral	2.9%	8.2%	43.5%	14.4%
Slightly Important	10.0%	4.8%	2.0%	2.7%
Not at all Important	6.7%	3.6%	2.0%	1.4%

Whether or not this is an indicator of a do-it-yourself trend, the significance of the advent of the so-called robo-advisor[8] remains to be determined. However, the message for firms is clear: Make whatever adjustments are necessary to ensure your advisors are the trusted financial coordinators in the eyes of your clients.

This is a wake-up call for financial advisors. There is a high probability that the relationship many advisors have with their affluent clients isn't as strong as they would like to believe. Financial advisors should pay careful attention to managing their affluent client relationships.

Types of Relationship Questions to Consider:

- What wealth-management solutions are you providing to your affluent clients?
- How would you rate the overall professionalism of your advisors on a 1-to-10 scale (10 being "excellent")?
- Are your affluent clients aware of the wealth-management solutions your advisors provide?
- Are your advisors aware of the *expectations* of each affluent client (*both* spouses)?
- Do your team members hold many advanced designations (CFP, CPA, MBA, JD, etc.)?
- Do your advisors work closely with other professionals used by your affluent clients (CPA, attorney, etc.)?
- Are your advisors able to quantify, demonstrate, and communicate their value?

Engaging the Next Generation

According to our affluent respondents, financial advisors are neglecting the next generation — the children of their affluent clients. Only 8.5% tell us their financial advisor has offered to hold a "family finance" discussion, yet 51% of our affluent respondents anticipate their children will have investable assets of $1 million or greater. Only 21% say their advisors have expressed interest in working with the children, which means that 8 out of 10 financial advisors have not.

Advisor Shows Interest in Working with Children

Yes	**21.5%**
No	51.4%
Unsure	3.4%
I don't have children	23.7%

Think Children Will Have $1 Million-Plus Investable Assets

Yes	**51.2%**
No	9.7%
Unsure	14.5%
I don't have children	24.6%

Advisor has Offered Family Finance Discussion

Yes	***8.5%***
No	63.8%
Unsure	3.4%
I don't have children	24.4%

When a financial advisor works with the children of his or her affluent clients, it can be beneficial for all the parties involved. The parents are comforted with the knowledge that their children are receiving professional advice. The children are both learning how to handle their finances and receiving professional advice. And the financial advisor both strengthens the client relationship and increases the likelihood of retaining the children's assets as they become clients.

Recognition of Robo-Advisor Firms

Our current 2015 affluent research also tells us that the advisor-client relationship still outweighs the online alternative. The following table shows that robo-advisors are not top of mind with our affluent respondents. In fact, the early indication is that the affluent have little interest in a robo-advisor handling their family's financial affairs. Obviously, however, this could change.

Name Recognition of Robo-Advisor Firms

Betterment	0.6%
Wealthfront	1.8%
Learnvest	0.8%
FutureAdvisor	1.6%

Financial advisors must take heed of the low-cost alternatives that continue to surface. These will be a competitive force for any financial advisor who is not meeting the expectations of their clients in terms of services offered, professionalism, personalized service, and providing true value. Conversely, financial advisors who excel in the aforementioned will create the kind of enduring relationship that low-cost alternatives cannot provide — and that the affluent are seeking.

When a financial advisor works with the children of his or her affluent clients, it can be beneficial for all parties involved.

Type of Relationship Key Takeaways:

- Trust is so fragile that financial advisors need to take a serious self-assessment of the relationship they have with their affluent clients. (See page 3: 28.5% of clients claim business and social relationships versus 74% of advisors.)
- Financial advisors must work to develop both business and social relationships with their affluent clients.
- A periodic social check-in call by financial advisors and/or staff will strengthen relationships.
- Strong affluent client relationships are loyalty enhancers and positive word-of-mouth stimulators.
- Over half of our affluent respondents think their children will have $1 million or more investable assets. These are assets readily available to financial advisors.
- Financial advisors need to start working with the children of their affluent clients.
- Robo-advisors and other low-cost alternatives are less of a threat to financial advisors who develop business and social relationships with their affluent clients.

Do They Value Their Advisor Enough to Tell Others?

When it comes to the number of introductions and referrals that advisors receive, the importance of establishing a business and social relationship with today's affluent client remains a strong trend. This is another example of ***the power of word-of-mouth influence within the affluent community.*** When a financial advisor has the type of relationship an affluent client prefers — i.e., both business and social — there is a high probability that the client sees enough value in the relationship to tell others about his or her experience.

Number of Referrals/Introductions Given Over Past 12 Months, in General

0	37.9%
1	15.7%
2	26.1%
3	10.1%
4	4.1%
5+	6.0%

Over the past 12 months, 34% of affluent clients who perceived their relationship to be both business and social provided three or more personal introductions or referrals (see table below). This is compared to only 17% of affluent clients who viewed their relationship as strictly business.

Number of Referrals/Introductions Given Over Past 12 Months, Based on Relationship

	Business	Business/Social
0	41.7%	27.0%
1	18.2%	16.7%
2	22.7%	22.5%
3	**9.0%**	**14.2%**
4	**3.7%**	**5.4%**
5+	**4.6%**	**14.3%**

Another factor we found interesting is gender. Although the following is not statistically significant (and it is not charted in this report), we noted that affluent women stimulate more word-of-mouth influence than affluent men: 25% of affluent women gave three-plus introductions or referrals versus 21% of affluent men.

When Your Financial Advisor Asks for a Referral

Although today's affluent are significantly influenced in making major decisions through word-of-mouth, ***they don't like being asked for referrals***. Specifically, here is what our respondents thought of such requests:

It's pushy	16.2%
It's slightly awkward	23.2%
I'll need to think about it	30.7%
Happy to help	**25.1%**
Other	4.8%

Although today's affluent are significantly influenced in making major decisions through word-of-mouth, they don't like being asked for referrals.

When Your Financial Advisor Asks for a Referral (by age group)

We also found it interesting to look at the breakdown by the respondents' age groups. Millennials and Gen Xers are the least amenable to being asked for a referral, with only 17% willing to help. Boomers are a bit more responsive, at 22%; and Seniors are the most responsive (29%) when asked for a referral.

	Millennials: <35	Gen Xers: 35-49	Boomers: 50-69	Seniors: 70+
It's pushy	23.3%	20.2%	16.8%	13.5%
It's slightly awkward	23.3%	32.1%	26.7%	16.2%
I'll need to think about it	36.7%	31.0%	30.5%	35.1%
Happy to help	**16.7%**	**16.7%**	**21.5%**	**29.1%**
Other	0.0%	0.0%	4.5%	6.1%

All things considered, even if an advisor has a business and social relationship, only 25% of today's affluent clients are happy to offer a referral. It is uncomfortable at best. This is in stark contrast to an affluent client's willingness to introduce his or her financial advisor to a specific friend or colleague, which is illustrated in the next section of this report.

Introductions/Referrals Questions to Consider:

- How many new affluent clients did your firm acquire as a result of introductions or unsolicited referrals?
- How often do your advisors ask their affluent clients to introduce them to someone they know?
- Do your advisors have a method for uncovering the names of people in their affluent clients' spheres of influence[9]?

Willingness to Introduce Financial Advisor to Specific Friend or Colleague

The transition from the old referral method to a more helpful, personal introduction has been slowly occurring for over a decade. Apparently, it is simply less awkward for affluent clients to introduce their financial advisor to someone they know than it is to provide names of people to call. And once again, the nature of the advisor-client relationship impacts how willing affluents are to introduce the advisor:

- **On a social level:** 77% who have a business and social relationship are willing to introduce their advisor versus 57% with only a business relationship.
- **At a social function:** 85% who have a business and social relationship are willing versus 74% with only a business relationship.
- **At a lunch with advisor invited by client:** 74% who have a business and social relationship are willing versus 58% with only a business relationship.
- **Invite client and guest to a hosted event:** 74% who have a business and social relationship are willing versus 52% with only a business relationship.

The above findings give rise to numerous messages for financial advisors to consider. First and foremost is the difference between an affluent client's willingness to personally introduce their financial advisor to someone within their sphere of influence and the client's unwillingness when asked for a referral. With a business and social relationship, only 25% of the affluent, in general, are willing to provide a referral. Yet, between 74% and 85% are willing to provide a personal introduction.

It's obvious that today's affluent prefer personally introducing their financial advisor to a specific person when asked, as opposed to being asked for a referral.

Willingness to Introduce Financial Advisor to a LinkedIn Connection

Social media is becoming more mainstream, and LinkedIn, because of its many unique features, has attracted a professional and affluent user base.

Not surprisingly, Millennials are more willing to introduce their financial advisor to people they're connected to on LinkedIn. This could be attributed to the fact that the younger generation is much more comfortable with social media. Nevertheless, all age groups were more than 50% positive about introducing their financial advisor to one of their connections.

"Yes" to "Probably Willing" to Introduce Advisor to LinkedIn Connection

Millennials <35	**83%**
Gen X-ers 35-49	59%
Boomers 50-69	57%
Seniors 70+	56%

Social Media Connections Questions to Consider:

- Are your advisors currently using LinkedIn? Are your firm leaders?
- Have your advisors had any form of professional assistance with their LinkedIn photos and profiles?
- Are your advisors connected on LinkedIn with their affluent clients?
- Are your advisors connected with their referral alliance partners (CPAs, attorneys, etc.)?
- Do your advisors use LinkedIn to uncover connections to people who could be potential prospects?

Conversations with Friends/Family About Investments

With word-of-mouth influence (conversation) playing such a prominent role in affluent decision making, the data that today's affluent have provided us about investment conversations is insightful.

Frequency of Conversations with Friends/Family About Investments

Daily	**3.4%**
Weekly	**20.8%**
Monthly	**27.8%**
Yearly	7.5%
Rarely	38.9%
Never	1.7%

The main insight is this: A full 52% of clients have at least one investment-related conversation per month with a friend or family member. That's 12 times per year that your name *could* come up. We say *could* because you have to earn your way into that conversation, through high-level service and services. Some quick math shows the impact this can have: 52% x your total households x 12 = serious impact from "word of mouth."

Frequency of Conversations with Friends/Family About Investments (by age group)

	Millen-nials: <35	Gen Xers: 35-49	Boomers: 50-69	Seniors: 70+
Daily	6.7%	6.0%	2.7%	2.0%
Weekly	**43.3%**	**21.4%**	**19.7%**	**16.2%**
Monthly	26.7%	26.2%	30.9%	27.7%
Yearly	16.7%	7.1%	9.9%	4.7%
Rarely	6.7%	36.9%	34.8%	46.6%
Never	0.0%	2.4%	2.0%	2.7%

Millennials talk much more frequently about finances than the older age groups. With 43% discussing finances weekly, compared to 20% of Boomers, word-of-mouth influence regarding finances is going to be traveling much faster with clients who are under 35. This could be an indication that they are looking for advice and guidance in all aspects of wealth management.

> *"The single biggest problem in communication is the illusion that it has taken place."*
>
> *— George Bernard Shaw*

Telling Others Key Takeaways:

- Affluent clients don't like being asked for a referral.
- When a financial advisor has a business and social relationship with an affluent client, the client is more willing to provide a personal introduction — if asked.
- Affluent clients prefer introducing their financial advisor at social events. Why? These events are non-threatening.
- LinkedIn is a powerful tool to uncover connections to clients and centers of influence (COIs).
- Financial advisors should strive to have LinkedIn connections with top clients and COIs.
- Today's affluent clients tend to be very private about their family finances and investments.
- However, today's affluent will talk favorably about their financial advisor, introduce their advisor to family and friends, and recommend their advisor — all in broad terms.

Is Service Meeting Their Expectations?

The short answer is "No!"

Lack of communication and/or responsiveness is a red flag to today's affluent client. It is a loyalty killer. On the other hand, personalized and responsive service is a key ingredient in earning affluent loyalty. Financial advisors need to review their service model to make certain they honor *each* affluent client's communication preferences and respond to them quickly.

Time Lapse for a Return Call

Within 1 to 2 hours	**42.0%**
Same day	46.9%
The next day	9.4%
2 days or more	1.2%
They don't return calls	0.5%

In fact, 42% of affluent clients report that their telephone calls are returned within one to two hours, but 47% tell us they receive a return phone call the same day. This is alarming and should be a major concern for financial advisors. Our advice is to err on the side of timeliness: Make a one-to-two hour return call the standard for each and every affluent client.

In particular, financial advisors who are interested in working with the emerging affluent, many of whom are under 35, should take note of the table below. With only 20% reporting that their calls are returned within one to two hours, at the very minimum, they are not likely to view their financial advisors as responsive.

Time Lapse for a Return Call (by age group)

	Millennials: <35	Gen Xers: 35-49	Boomers: 50-69	Seniors: 70+
Within 1 to 2 hours	**20.0%**	34.5%	33.9%	44.6%
Same day	53.3%	41.7%	51.8%	45.9%
The next day	16.7%	17.9%	11.9%	8.1%
2 days or more	3.3%	3.6%	2.0%	0.7%
They don't return calls	6.7%	2.4%	0.4%	0.7%

Return Call Procedures Questions to Consider:

- Does your firm have return-call procedures?
- Are your return-call procedures segmented between affluent and non-affluent clients?
- Does everyone follow your return-call procedures?
- Do your advisors have the cell phone number of every affluent client (both spouses)?
- Do your advisors have their affluent clients' contact information programmed into their cell phones?

Preferred Meetings Per Year

None	7.0%
1 time per year	19.6%
2 times per year	30.7%
3 times per year	12.1%
4 times per year	22.2%
5 times per year	3.1%
6 or more times per year	5.3%

The majority of today's affluent prefer to meet with their financial advisor two or more times a year. 31% prefer two times a year, 22% want to meet four times a year, and 20% prefer meeting only once a year. These varied responses reinforce our notion that contact frequency is an individual preference.

The significance of this data is that ***advisors need to know the meeting preferences of their affluent clients.*** This does not mean they should scrap the idea of service models (which are needed to ensure proper coverage), but it does mean that advisors should solicit feedback from their top clients and provide customized solutions for them.

Communication Mode Preference

Over the telephone	25.8%
Through email	5.3%
Through webinar or video conference	1.7%

Most affluent clients (66.4%) want their portfolio reviews conducted in some type of face-to-face format (advisor's office, client's home or office, neutral location). Almost 51% prefer the review to take place in their financial advisor's office, while 11% would like the review conducted in their own office or home. Remote access is becoming more accepted as 26% of our affluent respondents favor having their review conducted over the telephone.

Frequency of Texting with Advisor

Daily	1.0%
Weekly	3.1%
Monthly	4.7%
Sporadically	21.0%
Never	**70.2%**

Overall, the numbers are quite low with regard to advisors texting with their clients. Obviously there are some compliance issues if this is done improperly, but many elite advisors find that texting is an efficient way to get in contact with their busy affluent clients. These texts often come in the form of "Call me when you're free" or "Want to join our golf outing next week?"

Frequency of Texting with Advisor (by age group)

	Millennials: <35	Gen Xers: 35-49	Boomers: 50-69	Seniors: 70+
Daily	13.3%	3.6%	0.0%	0.0%
Weekly	3.3%	10.7%	2.2%	1.4%
Monthly	16.7%	4.8%	3.4%	6.1%
Sporadically	13.3%	15.5%	21.7%	23.6%
Never	**53.3%**	**65.5%**	**72.6%**	**68.9%**

The fact that Millennials text with their advisor more than the other age groups should come as no surprise. In fact, 33.3% text with their advisor at least monthly, compared to 5.6% of Boomers. This form of communication is fluid among all demographics.

The key is for financial advisors to know how their affluent clients communicate and interact with them accordingly.

Service Expectations Questions to Consider:

- How often are your advisors meeting with clients to review their financial affairs?
- How often do your advisors talk with clients by phone?
- Is there a Communication Agreement in place with every client?
- Are your advisors aware of their clients' preferred communication medium and contact frequency?
- How many of your affluent clients communicate via text?

Service Expectations Key Takeaways:

- Financial advisors who don't have timely and responsive communication with their clients are probably not meeting their expectations regarding personal service.
- Many financial advisors need to improve both communication and responsiveness with their affluent clients.
- Not all affluent communication preferences are the same. Advisors need to determine both the communication medium and a frequency preference for each affluent client.
- Poor communication and responsiveness is an affluent loyalty killer.
- Face-to-face remains the communication preference of choice for today's affluent.

Does Money Talk?

On an intellectual level, financial advisors understand that affluent investors rarely give them credit when their portfolios rise along with the stock market. However, on an emotional level, there's a tendency for advisors to think that portfolio gains strengthen the relationship. It is not quite that simple.

As described in this next section, 7 out of 10 affluent clients do not credit their financial advisor for gains in their portfolio.

Credit for Portfolio Rise

The markets	53.1%
Financial advisor	29.7%
You	10.9%
Other	5.3%
The government	1.0%

In fact, less than one-third of today's affluent clients (30%) credit their financial advisor when the rise in their portfolio coincides with a rise in the stock market.

When broken into age groups, only 23% of Millennials credit their financial advisor for increases in their portfolio when they coincide with increases in the markets. What is also interesting regarding younger clients: They are more likely than other age groups to credit the government for this increase.

Credit for Portfolio Rise (by age group)

	Millennials: <35	Gen Xers: 35-49	Boomers: 50-69	Seniors: 70+
The markets	26.7%	52.4%	49.1%	52.7%
Financial advisor	23.3%	25.0%	31.2%	31.8%
You	26.7%	10.7%	11.9%	14.2%
Other	3.3%	7.1%	6.1%	1.4%
The government	20.0%	4.8%	1.8%	0.0%

These results strongly suggest that an advisor's performance in the markets doesn't carry as much weight as many advisors think. Instead, the affluent — regardless of their age — are telling us that ***investment performance is one factor among several.***

They are saying that it's increasingly important for an advisor to oversee not just the client's investments but *all* aspects of the client's financial affairs. Financial advisors should take note of this preference. It points to another way advisors can strengthen relationships with today's affluent.

Expectation of Their Financial Advisor Beating the Market

To break it down a bit more, it appears that today's affluent want it both ways. While only 30% credit their financial advisor for a portfolio increase coinciding with the market, 37% tell us that they expect their financial advisor to beat the market. This highlights the importance of managing the performance expectations of today's affluent client.

Expect to happen	**37.0%**
Pleased but not expected	54.6%
Would be surprised	4.6%
Don't think they would notice	1.7%
Other	2.2%

Expectation of Their Financial Advisor Beating the Market (by age group)

Millennials are the most consistent: 23% expect their financial advisor to beat the market, and 23% also give their financial advisor credit for their portfolio going up.

	Millen-nials: <35	Gen Xers: 35-49	Boomers: 50-69	Seniors: 70+
Expect to happen	**23.3%**	33.3%	35.7%	29.7%
Pleased but not expected	40.0%	51.2%	53.4%	62.8%
I would be surprised	26.7%	10.7%	7.0%	4.7%
I don't think I would notice	10.0%	4.8%	2.2%	1.4%
Other	0.0%	0.0%	1.8%	1.4%

Performance Expectations Questions to Consider:

- Does your firm have a systematic process of learning the investment performance expectations of every affluent client (both spouses)?
- Are you providing any form of goals-based planning for your affluent clients?
- Do your advisors know the financial goals of your affluent clients (both spouses)?
- How do your affluent clients view your advisors — as overseeing their family's finances or as managing their investable assets?

Performance Expectations Key Takeaways:

- 70% of today's affluent clientele don't credit their financial advisor for gains in their portfolio.
- Younger affluent clients (Millennials and Gen Xers) are even less likely to credit their financial advisor (23% and 25%, respectively) for portfolio gains.
- Financial advisors need to manage the investment performance expectations of their affluent clients; in general, 37% expect their financial advisors to beat the market.
- Financial advisors should make it a priority to oversee all aspects of their affluent client's financial affairs.

What Are They Getting? What Are They Paying?

Although today's affluent tell us ***they prefer a financial advisor who oversees the multidimensional aspects of their family financial affairs,*** they also tell us that their advisor primarily focuses on investments.

Furthermore, approximately three-quarters of our affluent respondents tell us their financial advisor assisted in creating a financial plan, yet it doesn't appear that the advisor is assisting in the execution of the plan. Tax planning, estate planning, protection, banking, and gifting are all aspects of the financial planning process that should involve advisors, but our affluent data tells us that most advisors are not assisting in these areas.

Areas Assisted by Advisor

Investment management	91.5%
Financial planning	76.6%
Tax planning	40.3%
Estate planning	36.7%
Long term care insurance	**19.8%**
Life insurance	**18.6%**
Budgeting /cash-flow management	18.6%
Financial document organization	17.4%
Charitable gifting planning	14.0%
Mortgage lending	6.3%
Business lending	1.7%
None of the above	1.2%

According to our affluent respondents, most financial advisors are overseeing investments (91%) and have gotten into financial planning (77%), but the majority of financial advisors are not advising their affluent clients on the multidimensional aspects of their family's financial affairs — which is exactly what today's affluent want from their advisor.

It looks as if many affluent clients are not receiving any form of comprehensive wealth management. Their financial advisor is not advising on protection (less than 20% involved in two types of insurance solutions). Only 40% are providing any form of tax planning regarding their family's finances. This is an unhealthy trend.

Anything less than complete fee transparency is a threat to loyalty.

Areas Assisted by Advisor Questions to Consider:

- What services are your advisors currently providing to your affluent clients?
- Are your clients aware of all the services you are providing?
- What additional services should your firm be providing to your affluent clients?
- Do you have the resources to provide additional services to your clients?
- Do you work with outside experts to assist your advisors with additional services?
- Do you coordinate the involvement of outside experts and position them as part of your services?

Understanding of Fees & Knowledge of Fees Paid to Financial Advisor Last Year

Fees and services have become a hot topic within the financial services industry. *What are financial advisors charging and what value are they delivering?* This is a question every affluent client should be aware of and every financial advisor should be able to answer.

Today's affluent aren't shopping for the cheapest alternative, but they do want to receive fair value for what they're paying. They also want complete transparency. They want to know exactly what they're paying their financial advisor. But as the table below indicates, less than 20% know exactly what they're paying.

Understanding of Fees	
Fully understand fees	**54.8%**
Mostly understand fees	29.7%
Somewhat understand fees	11.8%
Do not understand fees	3.6%

Knowledge of Exact Fees Paid	
Know exact number	**18.5%**
Guess within $500	31.8%
Guess within $1,000	23.0%
Guess within $5,000	6.5%
I could be off by more than $5,000	2.1%
I have no clue	16.8%
Other	1.3%

When it comes to the sensitive subject of fees, transparency has become increasingly important to affluent clients. It's not that they are determined to find the lowest price. Our affluent consumer research tells us that when purchasing a product or service, only 5% usually shop for the lowest price, whereas 60% are comfortable paying the going rate, and 35% will usually pay a premium for the highest level of services. But they do want to know exactly what they're paying.

In fact, there's a gap in affluent clients' knowledge about fees. On one hand, 55% tell us they fully understand the fees they're paying, yet only 18.5% know exactly what they paid their financial advisor the past year.

Fee transparency is a trust issue. When an affluent client thinks he or she knows what's being charged (55%), only to be surprised (18.5% know exactly what they're paying), a formerly healthy client-advisor relationship can be severely damaged. Financial advisors should make every effort to make certain their affluent client knows exactly what they're paying on a year-to-year basis. Anything less than complete fee transparency is a threat to loyalty.

What They're Getting/Paying Questions to Consider:

- Do all of your affluent clients (both spouses) know exactly what they are paying year-to-year?
- Do your advisors have a fee discussion with affluent clients (both spouses) every year?
- Is your fee-structure in line with the "going rate?"
- Are you discounting your services? How can this be avoided going forward?
- Are you comfortable with the value you're delivering for the fees you're receiving from your affluent clients? If not, how can you increase your firm's value?
- How do you think your affluent clients (both spouses) would describe your value if asked?

What They're Getting/Paying Key Takeaways:

- Many financial advisors have not expanded their services to meet affluent expectations.
- Failure to meet affluent expectations is what creates low-cost alternatives like robo-advisors.
- Financial advisors should strive to deliver comprehensive wealth management to every affluent client.
- Today's affluent are telling us that they want a primary financial advisor.
- Advisors need to make the necessary adjustments to become the primary advisor.
- Financial advisors need to be able to communicate, demonstrate, and quantify their value to clients, prospects, and COIs.

Conclusion

For the past 10 years, the affluent have been telling us about the services they want from a financial advisor, the type of relationship they prefer, and the marketing tactics to which they respond favorably. They tell us how often they prefer to meet with their financial advisor, their preferred communication medium, and the factors that are important to them in hiring a financial advisor.

The Big Picture

So how can financial advisors today improve their ability to acquire and develop loyal affluent clients? They can start by taking seriously what the affluent have reported and truly *understanding* these clients' needs. To summarize:

- ***How Do the Affluent Select Advisors?*** Very carefully. Reputation and word-of-mouth influence are the key impact factors in the affluent advisor selection process. They first discovered their financial advisor through some form of introduction. Their decision to hire their advisor was based on a combination of factors: quality of advisor's firm, advisor's reputation, a strong recommendation, advisor competency and professionalism.

- ***What Kind of Relationship Do Today's Affluent Prefer?*** Providing comprehensive wealth management and overseeing the totality of their family's financial affairs is a hygiene factor with today's affluent client; it's expected. What they prefer — what strengthens the relationship on every level — is when their financial advisor expands the relationship to include a social component. In addition, financial advisors should make an effort to work with the spouses and the children of their affluent clients.

- ***Do They Value Their Advisor Enough to Tell Others?*** When a financial advisor provides the relationship that today's affluent prefer — both business and social — their clients will spread the word. This broader relationship significantly increases an advisor's success at getting personal introductions in their client's spheres of influence. Word-of-mouth influence has been gaining prominence in affluent decision making for the past decade. Affluent clients who like and trust their financial advisor will talk favorably about their advisor and introduce them to people they know.

- ***Is Service Meeting Their Expectations?*** With only 42% of our affluent respondents reporting that they get their calls returned within one to two hours, it's unlikely the other half view their financial advisor as responsive. This breeds poor service and is a loyalty killer. Advisors must work hard to improve communication with their affluent clients. Determining the communication medium and frequency preferences for each affluent client is a good place to start.

- ***Does Money Talk?*** The majority of today's affluent clients do *not* credit their financial advisor for gains in their portfolio. Yet 37% expect their financial advisor to beat the market. It's essential that financial advisors manage the investment performance expectations of their affluent clients.

- ***What Are They Getting? What Are They Paying?*** Today's advisors are still too focused on investments rather than overseeing the multidimensional aspects of their affluent clients' family financial affairs. Advisors who are serious about working with today's affluent should strive to deliver comprehensive wealth management to every affluent client, thus developing a consistent client experience. Finally, today's affluent client is willing to pay but wants to know exactly what they're paying.

For firms and financial advisors willing to put in the effort to make the necessary adjustments, there's a veritable gold mine at hand. Affluent investors are some of the most coveted consumers in the world today — and they're not secretive about what they want. They're telling financial advisors and their firms what to do in order to get their business and earn their loyalty.

It doesn't get any better than that.

Research Methodology

The data for all of our research projects discussed in this white paper were collected through online surveys in 2015; 750 affluent investors (defined as having $1 million or more in investable assets) were sampled. Basic univariate results have been presented directly. When statements of significance are reported, they are based on the results of common statistical methods for the type of survey data and reflect the use of a 5% margin of error as a standard for measuring significance. Any group comparisons presented reflect significant differences in group responses.

Prior to analysis, data was examined through SPSS for accuracy of data entry, missing values, skewness, kurtosis, and outliers. After analysis of missing values, skewness, kurtosis, and outliers, some participants were excluded from the results.

Endnotes

1 The Oechsli Institute has conducted numerous studies within the financial services industry for more than a decade.

2 The Oechsli Institute. "2004 Affluent Purchase Decisions," 2004.

3 The Oechsli Institute. "2015 Affluent Investor Research," 2015.

4 The Oechsli Institute. "2015 Elite Advisor Research," 2015.

5 The Oechsli Institute. "2014 Affluent Investor Research," 2014.

6 The Oechsli Institute. "2015 Elite Advisor Research," 2015.

7 Herzberg's Hygiene-Motivation Theory.

8 A class of financial advisor who provides portfolio management online with minimal human intervention. While their recommendations may vary, they all employ algorithms templates to conduct portfolio management that originally served the traditional advisory community.

9 Seven spheres of influence, "Up-Skilling Financial Professionals for the 21st Century," The Oechsli Institute and First Clearing, June 2012, Page 2.

About First Clearing

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About The Oechsli Institute

The Oechsli Institute, founded in 1978, specializes in helping the financial services industry improve its ability to attract, service, and develop loyal affluent clients. Its research-based performance coaching and training programs have become the standard within the industry. The Oechsli Institute does ongoing work for nearly every major financial services firm in the United States. Matt Oechsli and his associates remain in high demand for keynote speeches and workshops. When not immersed in research projects, they spend most of the week traveling to national conferences, industry events, and other speaking engagements. Every program they conduct, every coaching session they hold, and every product they create is:

Research-Based

The Oechsli Institute has conducted numerous research projects on the affluent, rainmakers, and elite financial teams. This research is the foundation of every program, speaking volumes about what the affluent want and how elite financial advisors and teams meet and exceed their expectations.

Action-Oriented

Each program conducted by The Oechsli Institute is driven by the principle, "Activity drives the dream." Why? Too many financial advisors get derailed by too much preparation. Oechsli Institute programs get you learning experientially!

Street-Tested

The Oechsli Institute tests every facet of its approach to ensure its methods are working in today's environment. Every tactic we promote has been proven successful by many hard-working professionals.

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Notes

Notes

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