

# ADAPT, CHANGE OR DISAPPEAR

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## New Approaches for a Changing Marketplace

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# Advisors and the Marketplace Today

# Advisors Need Help

## ISSUES FACING ADVISORS

### Current Issues

Commoditization

Overwhelming quantitative information

Confusion and Complexity

Transactional

Single Generation



3 out of 4 financial services clients considered switching, or actually did switch, their professional advisors in 2023.

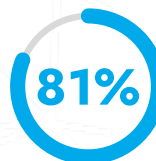
# Advisors Need to Speak



Percent of clients who receive infrequent communication from their advisor are **confident in their financial plan** if there is a **recession**. (Compare with 77% who are confident if they do receive frequent communication)



Percent of high-net-worth clients believe that increased communication would **significantly enhance their confidence** in their advisor.

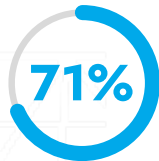


Percent of clients say increased communication would increase their likelihood of **recommending their services to someone else**.

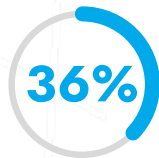


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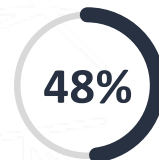
# Advisors Need to Speak... And Speak Well



Percent of consumers report being **more confused** after they meet with an advisor than before.



Percent of conversations with advisors **don't resonate** at all with clients



of advisors want to learn how to integrate values and goals into overarching wealth management plans (though only 32% have even attempted those conversations).

# Clients want to be known

91%

Over nine in ten respondents (91%) indicated the **MOST IMPORTANT FACTOR** is selecting an advisor is finding one who “gets” them as a person.

94%

Percent of clients ultimately chose to work with an advisor who gave them “**complete attention, listened without interrupting, and built rapport.**”

## AND ADVISORS KNOW IT

78%

78% of financial advisors say **developing relationships** with clients’ children is very important and 22% say it’s at least somewhat important.

70%

of financial institutions stated that “understanding individual customer needs and local value propositions” was one of their **main challenges in meeting customer expectations**

# Advisors need to be Quantitative **AND** Qualitative



## **Tech-Forward Advisors**

Advisors who rate technology (client portals) as very or extremely important and are actively using it in their planning process



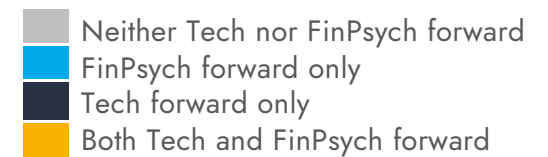
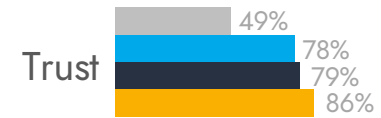
## **FinPsych-Forward Advisors**

Advisors who believe financial psychology is very or extremely important and have adopted six or more FinPsych actions into their practice.

**NOTE:** Only 17% of advisors currently embrace this dual approach.

*Source: eMoney 2023 Summit Research*

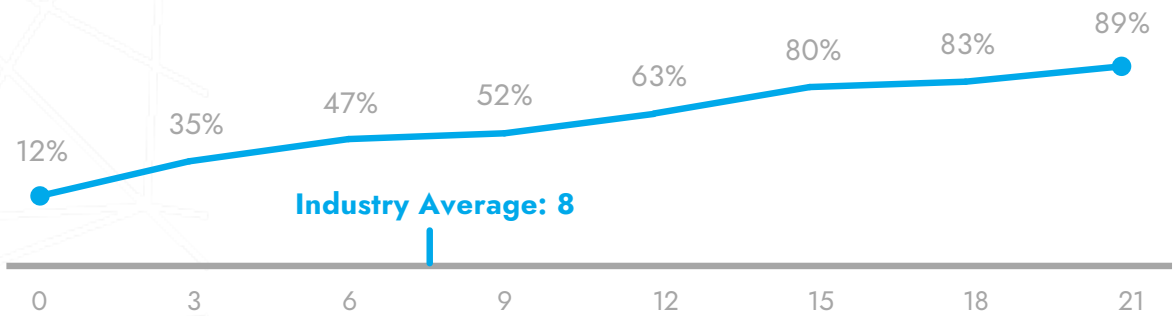
# Advisors need to be Quantitative **AND** Qualitative



Source: eMoney 2023 Summit Research

# Top Qualitative Actions

**Client satisfaction dramatically increases with each additional qualitative action taken by an advisor.**




See Exhibit A for all 21 actions

Source: eMoney 2023 Summit Research

# Top Qualitative Actions

Out of the 21 FinPsych actions tested, the top five practices that have the greatest positive impact on a client's overall satisfaction:

- #1**  My advisor helps me identify meaningful **PERSONAL AND FINANCIAL** goals and objectives.
- #2**  My advisor tries to understand my **VALUES AND PRIORITIES** before delivering financial advice.
- #3**  My advisor always considers what I **VALUE** most in life.
- #4**  My advisor makes an effort to learn about my money **BEHAVIORS AND ATTITUDES**.
- #5**  Communicates recommendations in terms that I can **UNDERSTAND**.

Source: eMoney 2023 Summit Research

# Advisor Perception Versus Client Experience

## QUALITATIVE TOPICS IN FINANCIAL PLANNING

percent who "somewhat agreed" to "strongly agreed"

Planner is open to discussing what client values most in life



Planner's financial recommendations are based on client's personal goals, needs, and priorities



Planner communicates importance of considering all areas of life when creating a financial plan



Planner contacts clients on a regular basis to see what changes in life may affect the financial plan



Source: Financial Planning Association

Carol Anderson, and Deanna Sharpe 2021.  
"Research: Developing and Maintaining Clients in a Rapidly Changing Environment."

# The clock is Tik-Toking



More than one-third (39%) of Americans under 65 receive their financial advice primarily online or from social media.



Over one-fourth of Gen Z Americans receive their financial advice SOLELY from social media.



Most popular place for **generation X**

63%



Most popular place for **millennials**

71%



Most popular place for **generation Z**

56%

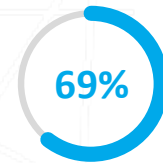
**Respondents** who receive advice from social media and have acted on that advice.

60%

# Commoditization is coming



AND YET



Almost 90% of mid-High Net Worth Investors (HNWI) with \$10 million or more in personal wealth felt the advice provided to them by their advisor was too generic.

Percent of respondents who would consider using Google, Apple or Facebook to manage their money if these channels featured a wealth and money management offering.

Generation that would consider wealth products and services offered by Google, Apple or Facebook.



## Baby Boomers

30%



## Millennials

83%



## Generation Z

95%



# Clients and their Wealth

# Wealth is Undirected



Of HNW say it is important to leave inheritance to their children.



Of HNW believe their family would benefit from formal principles to guide purpose and meaning of wealth

**But only**

**But only**



Say their children will be prepared to handle said wealth.



Have done so

## Heirs Aren't Directed

### Percentage of children who were:

72%

Made aware of the value of inheritance

31%

Told how parents would like them to use the inherited wealth/assets

21%

Told how the structures used to transfer wealth worked

17%

Introduced to individuals who would manage the wealth transfer

12%

Educated about budgeting and financial management

10%

Educated about investing

5%

Educated about the broader aspects of wealth

## Wealth isn't Purposed And it's Overwhelming

49%

Taken Deliberate Steps to use wealth as intended

46%

Very satisfied with how they spend their time

47%

Clearly identified a Purpose for the use of wealth

19%

Say more money would make life better

53%

Very satisfied with how they spend their money

4%

Say more stuff would make life better

# Wealth Creators Don't Like Traditional Estate Planning

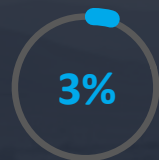
Percentage of Baby Boomers who:



plan on different planning than parents



have begun wealth transfer during life

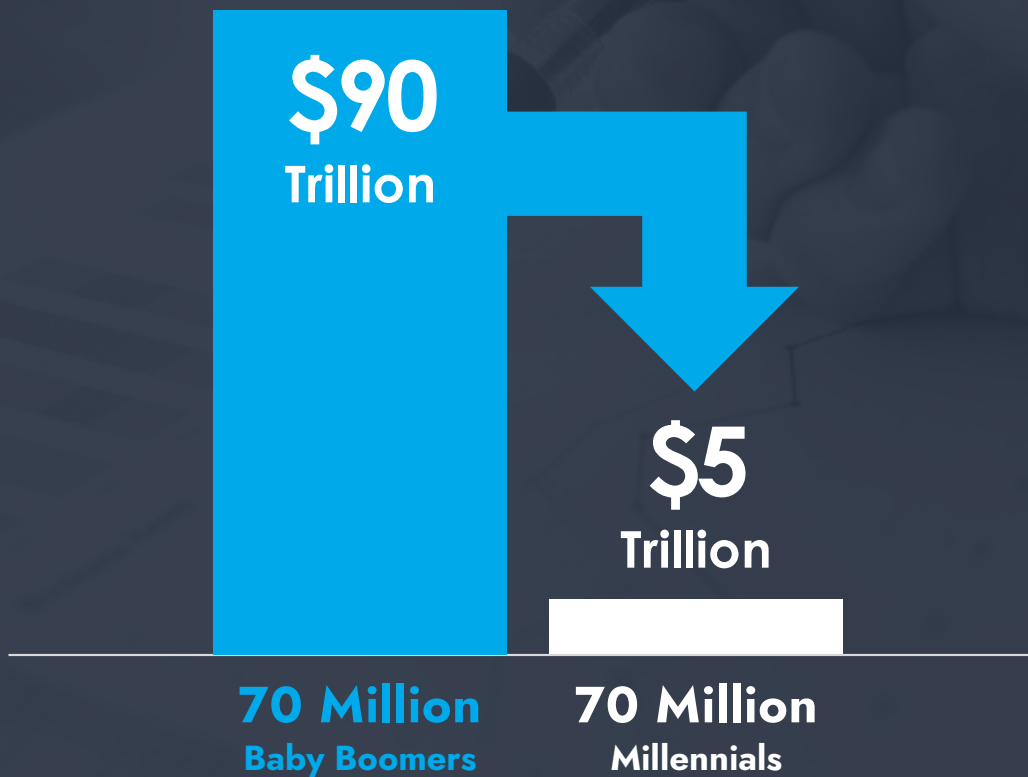


believe they "owe" children an inheritance



said that their estate plan dealt with their goals, wants, and objectives.

# Money is Changing Hands



**And that  
money is  
going to walk  
out the door**



70%

More than 70% of heirs are likely to **fire or change** financial advisors after inheriting their parents' wealth, according to Cerulli. (Note: A similar percentage of **women** change financial advisors after the death of their spouse).

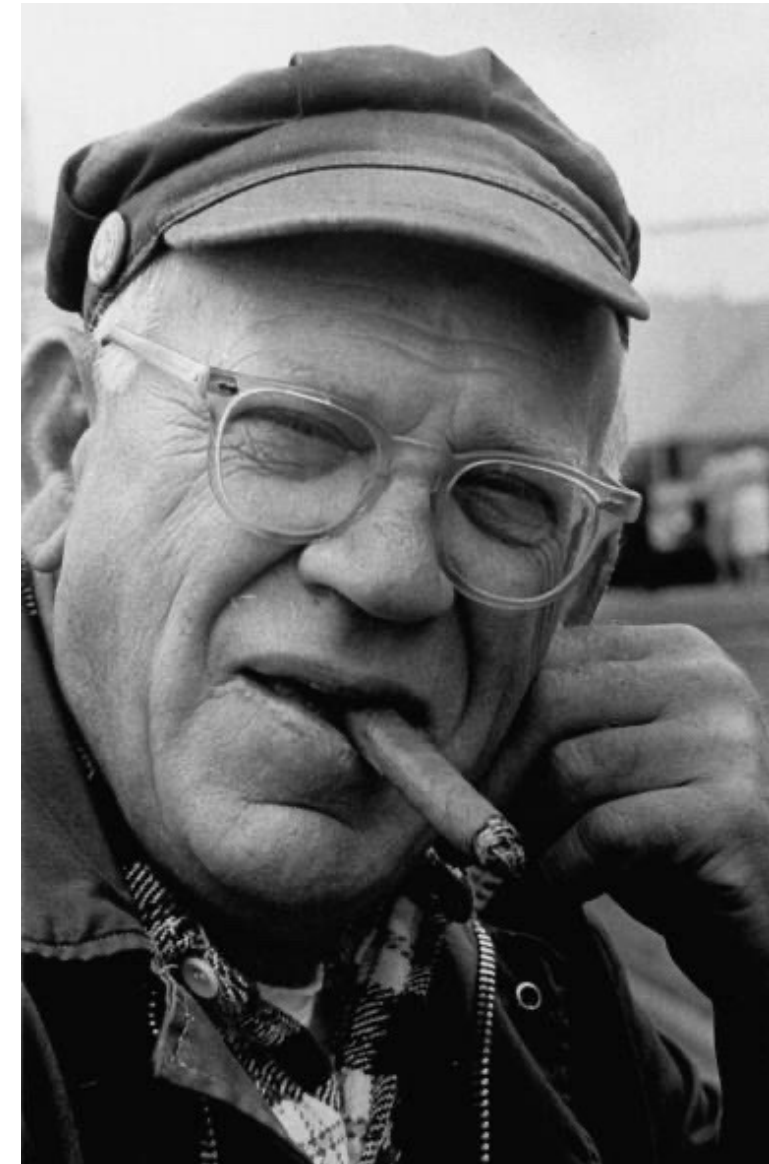


51%

More than half (51%) of clients who had over \$10 million in personal AUM indicated that they would **seek a new advisor** to oversee all of their assets if they receive a significant inheritance.

## Summary of the current market

1. Professional advice is becoming more and more complicated and confusing while at the same time the advice given is being perceived by the market as being increasingly generic.
2. Clients want to be known and understood by their advisors, and yet those clients struggle themselves with being able to clearly articulate who they are, what they value and what they believe in key areas of life.
3. Clients and advisors both want to connect with the next generation in meaningful ways and discuss issues like wealth, money and finances, but by and large that is not happening.
4. Money is about to change hands.

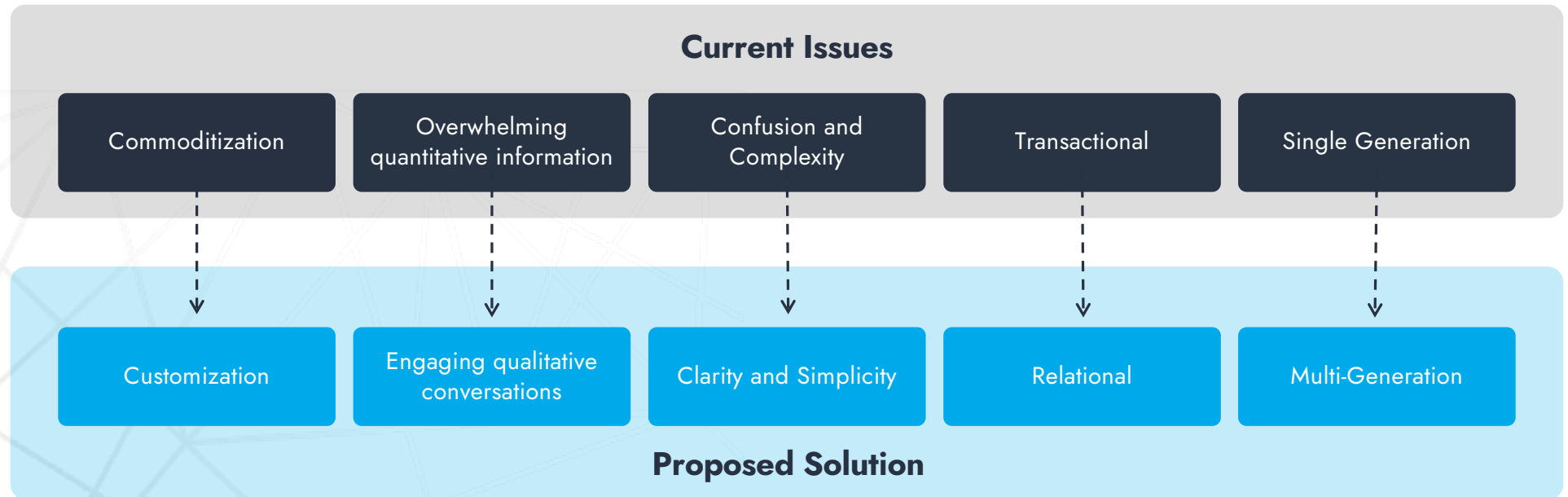


## Times of great change provide great opportunity

“ In time of change, learners inherit the earth while learned find themselves beautifully equipped to deal with a world that no longer exists. ”

*Eric Hoffer*  
*Social Philosopher*

## Issues And Solutions For The Market



Advisors who can combine **high quality professional financial and wealth planning** with the **latest technology** and a **rich human connection** will not only make incredible differences in the lives of their clients, but they will have clients for life and will continue to work with the client's successors.



## One small change can make all the difference

Until 1959, cars only had two-point seat belts (lap belts).

In 1959, Nils Bohlin, a Volvo engineer from Sweden, invented the three-point seat belt that included a strap across the shoulder.

**Initially the three-point seat faced strong resistance over:**

- Comfort and convenience concerns
- General resistance to change
- Cost and implementation concerns
- Lack of awareness on safety benefits

## One small change can make all the difference



**Enhanced Safety in Collisions:** The three-point seat belt offers superior protection by restraining the upper and lower body, reducing the risk of serious injuries to the head, neck, and spine.



**Reduced Mortality:** Studies have shown that three-point seat belts reduce the risk of fatal injuries by about 45% compared to unrestrained occupants and ejection from the car by over 75%.



**Distribution of Impact Forces:** Spreading the forces of a crash over a wider area of the body—the chest, hips, and shoulders—minimizes the impact on any single part which reduces the risk of moderate to critical injury by up to 50%.



**Improved Stability:** This design holds the occupant more securely in the seat, providing better control of the body during sudden stops and maneuvers, which reduces the chance of collision-related injuries.



# Three Point Approach

- Excellent Planning Advice
  - Comprehensive, Easy to use Technology
    - Qualitative Human Engagement
- 

# Human Issues for Advisors and Clients



## Advisor

Advisors need a better sense of their clients, their wants, concerns and objectives beyond simply the financial



## Shared Need

Greater Understanding



## Clients

Clients need a better understanding of themselves, their families, and the purpose and meaning of their financial resources

# Human Issues for Advisors and Clients



## Advisor

Advisors need ways to set themselves apart in an increasingly commoditized, tech-driven generic marketplace



**Shared Need**  
Human Element



## Clients

Clients want plans and solutions that are custom tailored to themselves so they can personally connect with their planning

# Human Issues for Advisors and Clients



## Advisor

Advisors need to understand what to do next when it comes to their client's more human and relational needs



## Shared Need

Actionable  
Next Steps



## Clients

Clients need clarity on what they need to do next to bring purpose to their planning

# Human Issues for Advisors and Clients



## Advisor

Advisors need to not only connect with their clients, but with the spouses, children and even grandchildren of their clients



## Shared Need

Multi-Generational Connections



## Clients

Clients need a framework to have engaging connections about finances and wealth with their spouse, children, and even grandchildren

# Human Issues for Advisors and Clients



## Advisor

Advisors need to communicate with their clients about areas beyond the balance sheet



## Clients

Clients need to communicate with their partners, spouses, children and grandchildren



## Our Roles as Professional Advisors

We are not counselors... **but we should provide counsel.**

We are not psychologists... **but we certainly can ask questions.**

We are not family therapists... **but we can serve the whole family.**

We can provide highly quantitative advice... **but still do so in highly qualitative ways.**

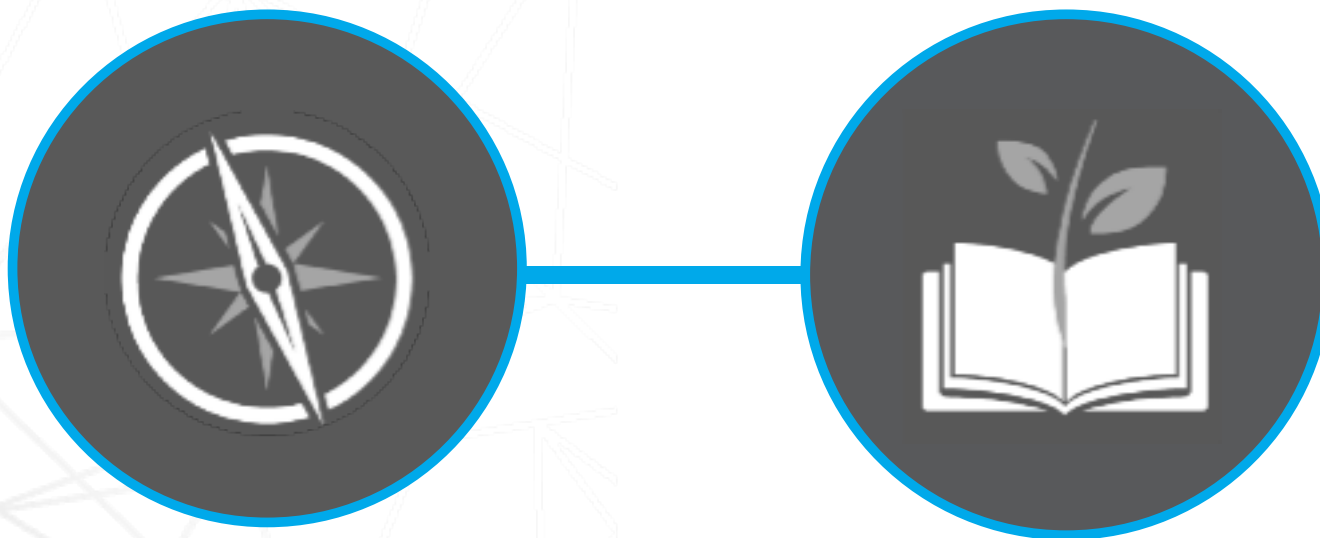


# **Five Recommendations For Highly Qualitative Human Engagement**








## RECOMMENDATION 1

**Help clients understand and articulate who they are and what they value.**



## John Smith: Top Core Values

Value	Description	Quadrant
 Determination	Striving for something despite challenges, persisting in efforts towards a goal in the face of difficulties	Productive
 Responsibility	Taking complete personal ownership over the wellbeing of something or someone, accepting the full consequences of one's choices and actions, good or bad	Ethical
 Productivity	Efficiency of a person in creating and accomplishing, a great amount of achievement, fast progress	Productive
 Optimism	Hopefulness and confidence about the future or the successful outcome of something	Artistic
 Trustworthiness	Able to be relied on to do or provide what is needed or right	Ethical



**John's**  
Quadrant Blend  
Productive/Ethical



**John's**  
CoreStyle™  
Director

**The Director's Driving question:** Is it optimal and is it right?

**The Director's Key word:** Enterprising






**Others may see a Director:** Principled, dependable, results-oriented, determined

**Director's Quadrant Blend Description:** Resolute in what you see as right, you steadfastly focus on what is in front of you

**A Director may struggle with:** Integrating new and different experiences or turning new ideas into measurable action

**A Director's key want:** To measure and define the moment.

## Smith: Top Five Shared Core Values

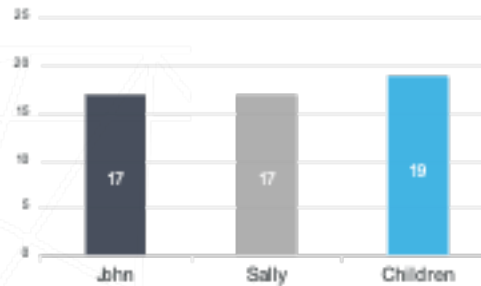
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# COREculture™

For these scores, the higher the better. Lower scores represent areas of culture that could be focused on in the future. Scores can range from a high of 25 to a low of 5. Scores are not intended for comparison to others but rather to help you issue spot potential areas of focus and can be tracked and measured over time.

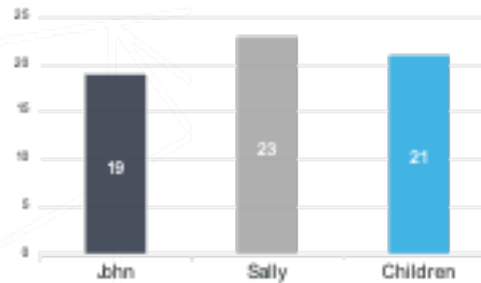
## 1. Communication

Families with the best culture regularly engage in healthy communication, effectively deal with conflict, and allow family members to express themselves.



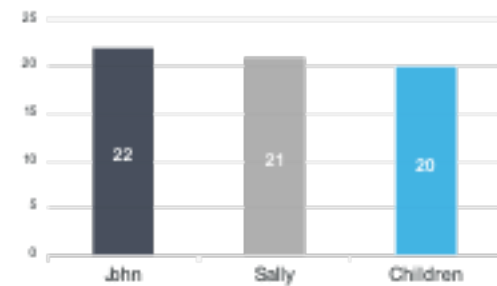
## 2. Cohesion

Families with the best culture have family members who feel like an important part of the family, listen to each other, and treat each other with respect.



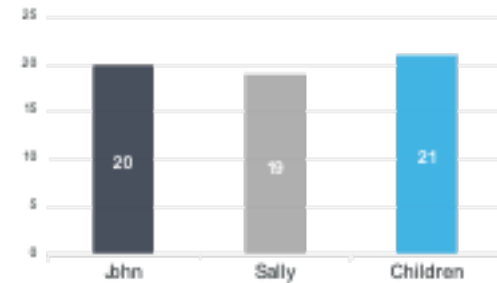
## 3. Identity

Families with the best culture know what matters to them, have clear expectations for each member of the family, can articulate their core values, and have a strong sense of identity and purpose.



## 4. Impact

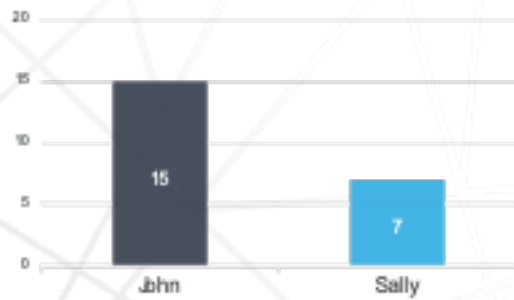
Families with the best culture are actively working towards individual and group goals, know how they want to make a difference in the world, and view themselves as a team.



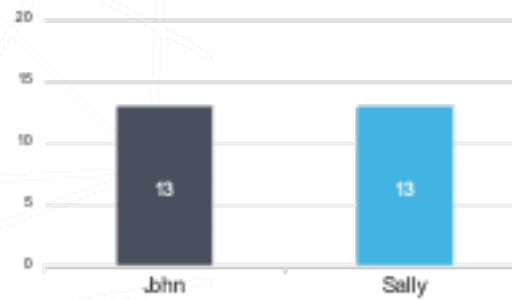
# COREobstacles™

## Three Primary Roadblocks

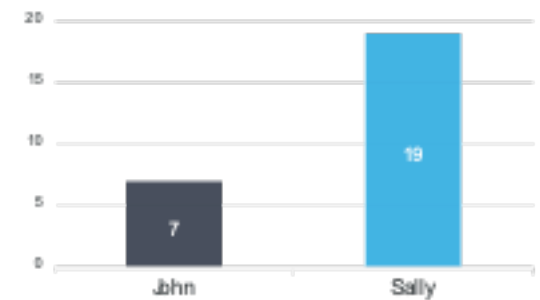
### 1 Regret - Mistakes of the Past



### 2 Paralysis - A Hidden Present

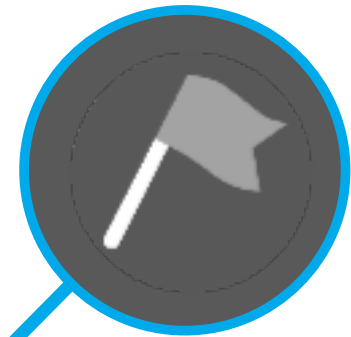


### 3 Worry - An Unknown Future



## RECOMMENDATION 2

**Help clients connect their Wealth with their Why**





## Connecting Wealth and Why in Estate Planning

- Add custom language to estate planning to incorporate family's unique values
- Consider investments that align with client's values
- Fund specific provisions to advance shared values

**CONNECTION**

Funds for annual family retreats, maintenance of legacy property

**EMPATHY**

Charitable gift matching, funds for adoption

**FAITH**

Funds for missionary and charitable service

**WISDOM**

Funds for multi-generational educational opportunities

## Connecting Why and Wealth



**Philanthropy**



**Impact  
Investing**

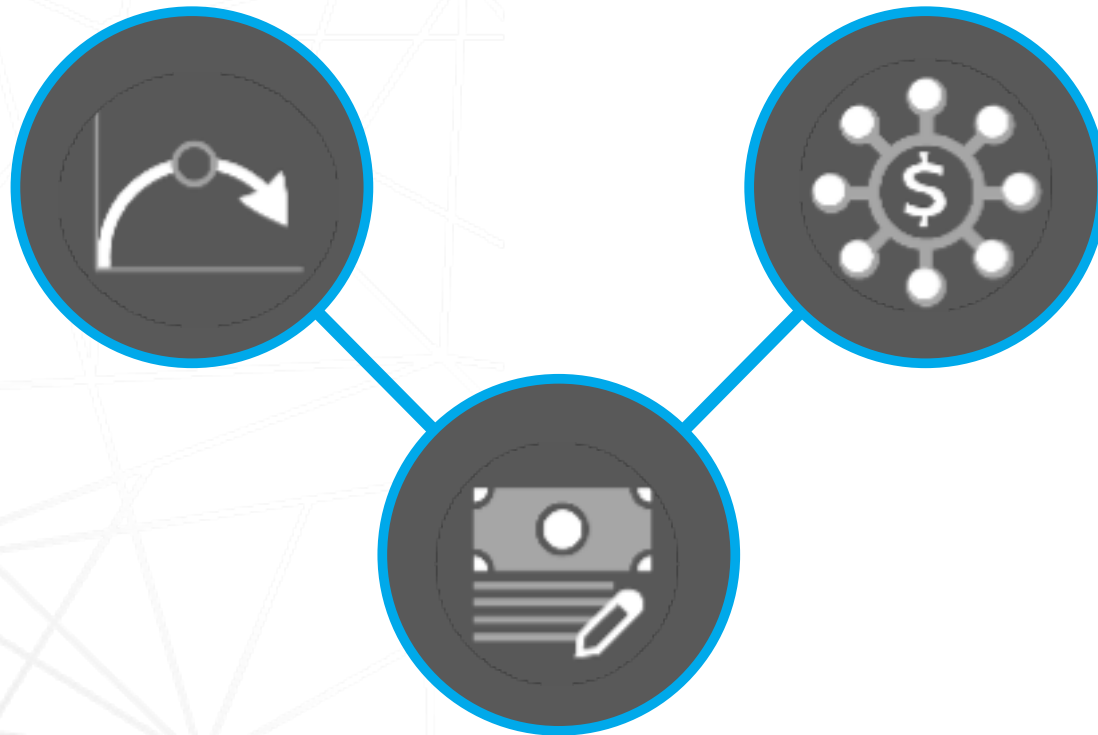


**Co-Investing with  
Younger Generations**

**KEY: Help clients resource what they value.**

### RECOMMENDATION 3

**Help clients and their families prepare for wealth and don't just help prepare wealth for the family.**



# The four lessons that need to be taught from one generation to the next about wealth

1. The Trappings of Wealth
2. The Trials of Wealth
3. The Tools of Wealth
4. The Transcendence of Wealth

## Help clients and their families prepare for wealth

What are you doing to teach the next generation about:

### The Trappings of Wealth

**Seen in:** Personal residence(s), vehicles, vacations, lifestyle (clothing, food, entertainment)

**Acquired by:** Spending

**Key Word:** CONSUMPTION

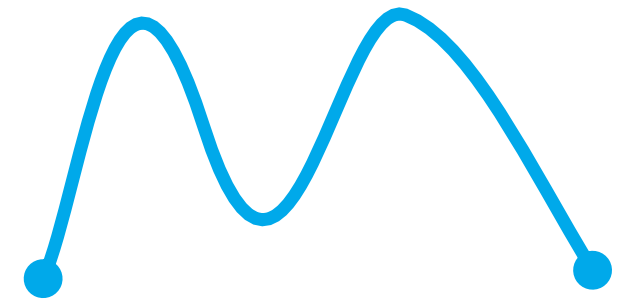
**Key Learning:** The connection between Spending and Enjoying

**Measured by:** Return on Enjoyment

**Learned by:** Passive observation and experience

**Timeframe:** Typically comes last to wealth creators and first to their descendants

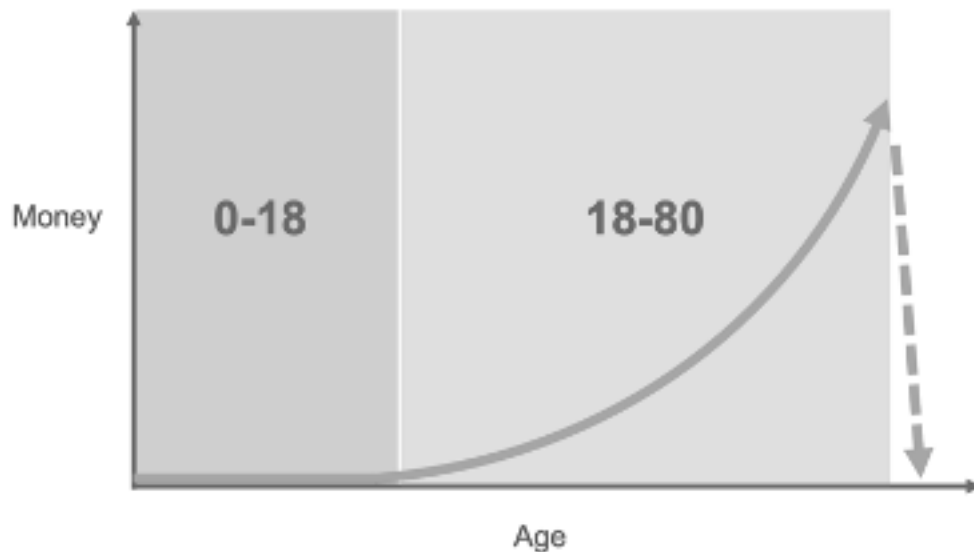
**Note:** Only non-optional teaching and may be taught explicitly, implicitly, or both



Spending and Enjoying  
(Hedonic Adaptation)

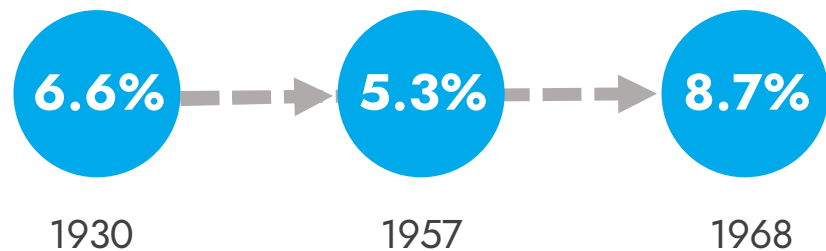
## The Consumption of Inheritance

Too often in the United States, only the Trappings of Wealth are taught to the next generation and that teaching carries over to the inheritance, where it is typically consumed as a result



**Inherited funds are typically  
expended in 18 months**

### Average Annual Erosion of Wealth Among Wealthiest Families



This average annual erosion results in a half-life of inherited wealth of roughly 8 years.

Source: *The Myth of Dynastic Wealth: The Rich Get Poorer*, 2015,  
Robert Arnott, William Bernstein, Lilian Wu

# Help clients and their families to prepare for wealth

## What are you doing to teach the next generation about:

### The Trappings of Wealth

#### The Trials of Wealth

**Seen in:** Struggles, work, risk, effort, difficulty, sacrifice

**Acquired by:** Suffering

**Key Word:** COST

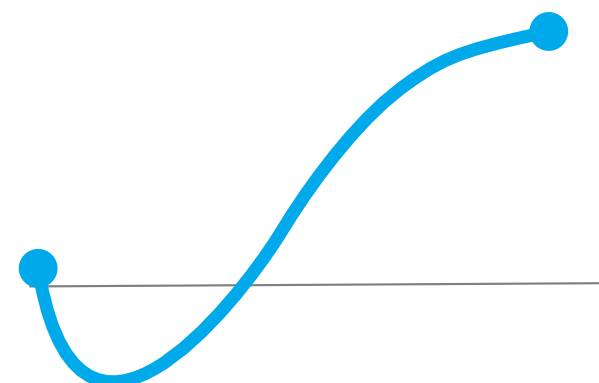
**Key Learning:** The connection between Cost and Value

**Measured by:** Return on Suffering

**Learned by:** Story and personal experience

**Timeframe:** Typically precedes other forms of wealth

**Note:** Can be minimized or even eliminated by the provision of external financial resources



Suffering and Benefit  
(Delayed Gratification)

# Return on Legacy

## The Trials of Wealth



### Employment

- Parents have children work and pay for portion of living expenses, beginning in high school



### Education

- Parents assist with education but child is responsible for minimum performance and/or covering some portion of the costs (including treating assistance as a loan)



### Residences

- Parents assist with down payments on residences, but require child to earn a portion of the inheritance and to be responsible for a mortgage

# Return on Legacy

## The Trials of Wealth



### Entrepreneurism

- Parents assist with starting a business, but only after:
  - Child has worked in the industry they want to operate in for two (2) years
  - Child develops a formal business plan that has been approved by a third party who is from the industry
  - Child invests personally earned resources
  - Child secures non-family investments from the marketplace (parents are only second funds)



### Lifestyle

- Parents allow children to struggle with limited resources and refrain from helping children resolve financial trials and difficulties

# Help clients and their families prepare for wealth

## What are you doing to teach the next generation about:

The Trappings of Wealth

The Trials of Wealth

### The Tools of Wealth

**Seen in:** Income producing real property, equity investments, business enterprises, bonds, cash

**Acquired by:** Investment in things

**Key Word:** CAPITAL

**Key Learning:** The connection between Risk and Return

**Measured by:** Return on Investment

**Learned by:** Financial education, experience and personal engagement

**Timeframe:** Typically produces other forms of wealth

**Note:** Requires sacrifice of Time and/or Trappings



Investment and Time  
(Compounding Return)

# Return on Legacy

## The Tools of Wealth



### Financial Education

- Parents provide financial education in the areas of budgeting, saving and investing
- Parents assist with understanding investing in real property, operating closely held businesses
- Parents (and/or their advisors) assist with providing an understanding of capital markets and the benefits and pitfalls of debt (leverage)
- Parents require children to earn their own resources and then engage in co-investing and co-management of assets with their children



### Leveraged Opportunities

- Parents provide low-interest or no interest loans used for investment, with the requirement that loans be repaid
- Parents assist with some portion of funds to acquire income producing real property operated and managed by child

# Return on Legacy

## The Tools of Wealth

Parents assistance (which should begin well prior to death) results in:



Increased annual earnings from higher education



Average return on closely held businesses (11% per year)



Average growth in value on down payments for primary residence (8% per year)



Average grown on real property investments (12% per year)

## Help clients and their families prepare for wealth

### What are you doing to teach the next generation about:

The Trappings of Wealth

The Trials of Wealth

The Tools of Wealth

### The Transcendence of Wealth

**Seen in:** Impact, giving, people, employees and their families, communities

**Acquired by:** Investment in others

**Key Word:** CONTRIBUTION

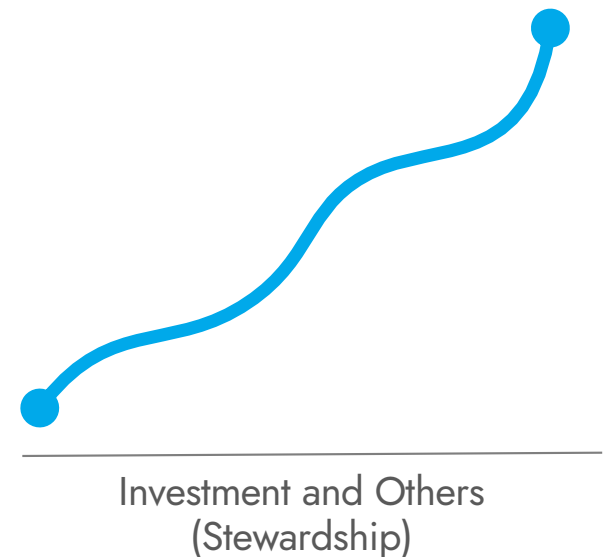
**Key Learning:** The connection between Oneself and Others

**Measured by:** Return on Legacy

**Learned by:** Intention and connective engagement

**Timeframe:** Typically magnifies all forms of wealth

**Note:** Requires an understanding of transcendent values and/or purpose



# Return on Legacy

## The Transcendence of Wealth



### Purpose

- Parents help children understand their individual core values and the shared core values of the family as a whole



### Culture

- Parents develop a strong culture within the family based on four key areas: Communication, Cohesion, Identity and Impact

# Return on Legacy

## The Transcendence of Wealth



### Engagement

- Parents actively work with children to find ways to care for, invest in, and serve others



### Partnership

- Parents act as stewards, and not merely owners, of their own personal resources
- Parents and children look for investments with components of impact
- Parents partner with children in charitable giving initiatives that are engaging to the children and require personal investment (time, talent, treasure) of the children

## RECOMMENDATION 4

**Help clients reduce ambiguity by helping them focus on authenticity**

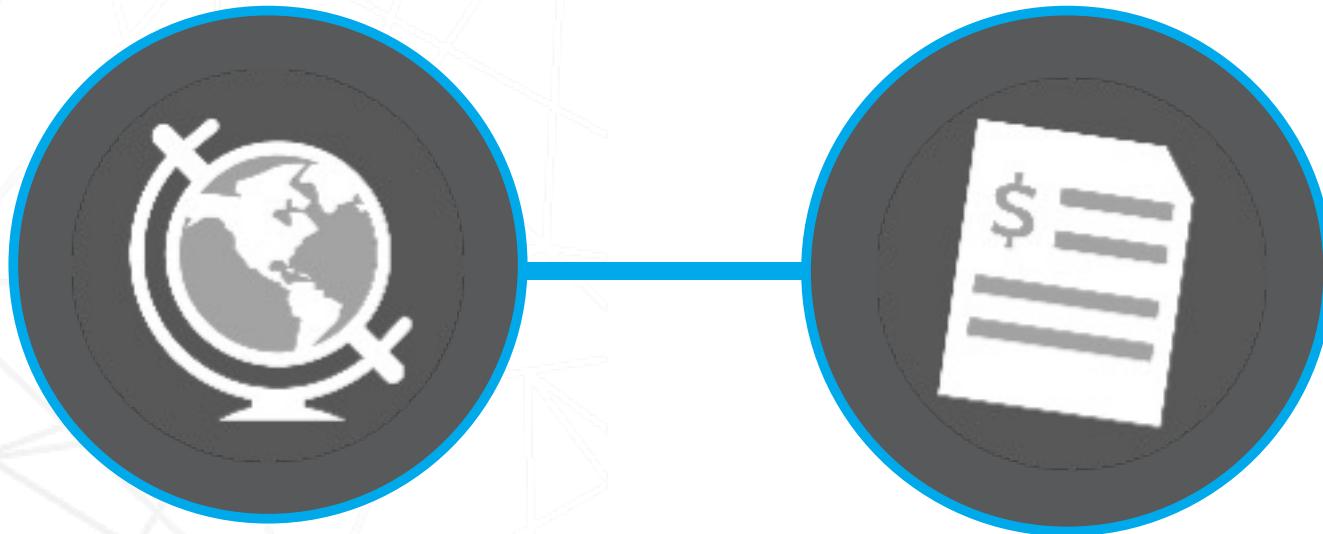
**REALITY: Families who are most successful in multi-generational wealth transfer engage in authenticity in addition to, or even in place of, transparency.**

# Transparency versus Authenticity

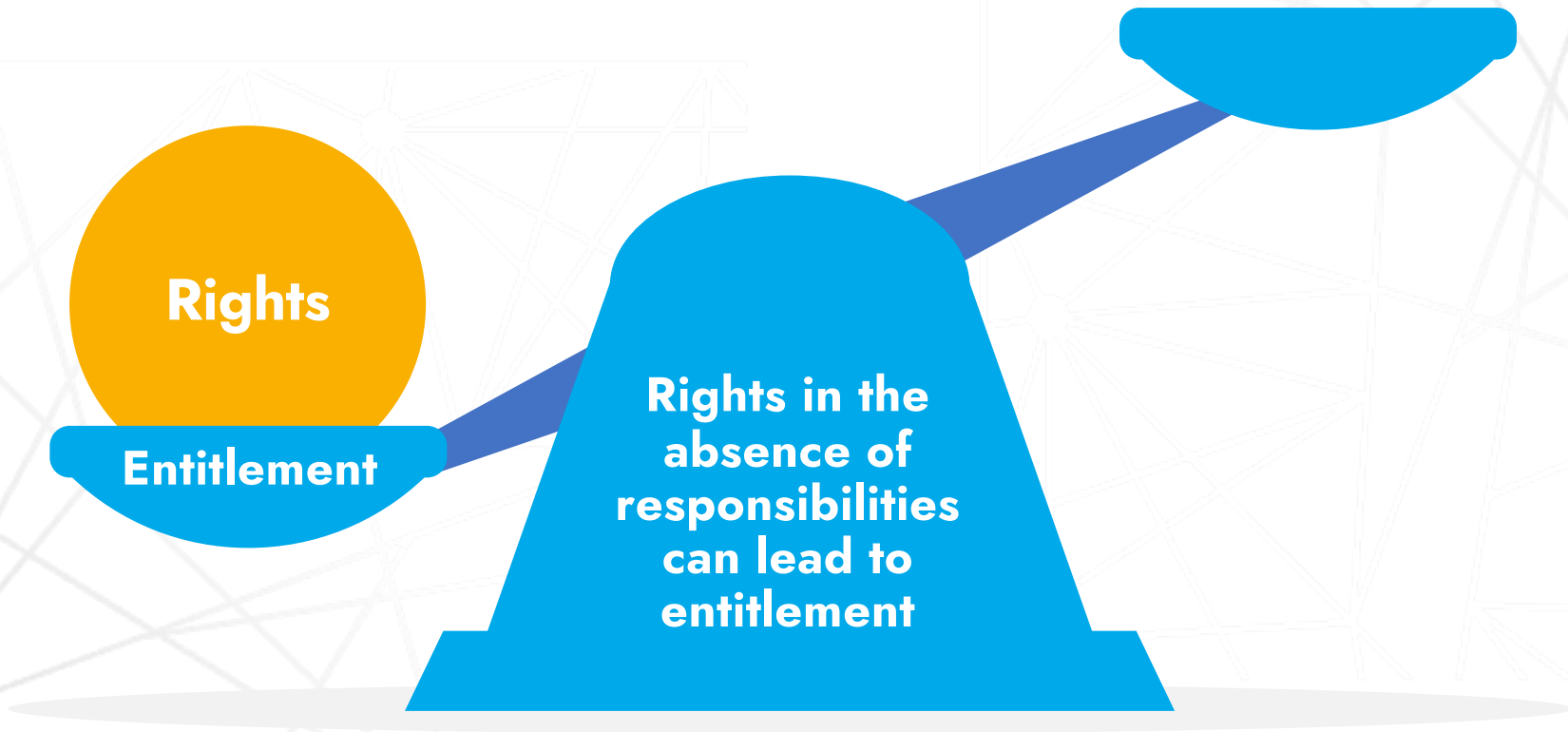
Transparency	Authenticity
<p><b>Is more about facts and figures</b></p> <ul style="list-style-type: none"><li>• Transparency is about openly sharing factual information and data.</li><li>• Access to accurate and clear facts can be beneficial because it can aid stakeholders in making informed decisions.</li></ul>	<p><b>Is more relational and can foster deeper connections</b></p> <ul style="list-style-type: none"><li>• Authenticity helps in building trust and stronger relationships, as it involves sharing personal experiences and emotions.</li><li>• Enhances understanding: Being authentic allows others to understand you on a more personal level, promoting empathy and compassion.</li></ul>
<p><b>Can Change</b></p> <ul style="list-style-type: none"><li>• Facts and figures can change over time, which may affect the perception of transparency.</li><li>• While transparent information is useful, it might not provide the whole picture or the context behind decisions.</li></ul>	<p><b>Can be a higher form of disclosure</b></p> <ul style="list-style-type: none"><li>• Authenticity goes beyond the surface level, revealing the true intentions and motivations behind actions.</li><li>• Being authentic often requires a deep understanding of one's own values, beliefs, and emotions.</li></ul>
<p><b>Does Not Necessarily Reveal Intention or Motive</b></p> <ul style="list-style-type: none"><li>• Transparency focuses on the what and the how, but often omits the why behind actions.</li><li>• Without understanding the intentions or motives, stakeholders may misinterpret the facts or data shared.</li></ul>	<p><b>Can be more honest</b></p> <ul style="list-style-type: none"><li>• Authentic behavior is rooted in honesty, which upholds moral and ethical standards.</li><li>• Consistently being honest in interactions leads to a reputation of reliability and trustworthiness.</li></ul>

## RECOMMENDATION 5

**Help clients articulate a balance of rights and responsibilities within their family.**



## Balancing Rights and Responsibilities



## Balancing Rights and Responsibilities



## Balancing Rights and Responsibilities

**Rights**

**Responsibilities**

**The Three Critical  
Questions for members  
of any group (family,  
business, organization)**

1. What can I expect?
2. What should I not expect?
3. What is expected of me?



# Summary of Recommendations

1. Help clients understand and articulate who they are and what they value.
2. Help clients connect their Wealth with their Why.
3. Help clients and their families prepare for wealth and don't just help prepare wealth for the family.
4. Help clients reduce ambiguity by helping them focus on authenticity.
5. Help clients articulate a balance of rights and responsibilities within their family.

# ADAPT, CHANGE OR DISAPPEAR

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## New Approaches for a Changing Marketplace

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**COREnology**  
*Connecting People with Purpose*



# Appendix A – FinPsych Statements used in Study

1. My advisor tries to understand my values and priorities before delivering financial advice
2. My advisor makes an effort to learn about my cultural values
3. My advisor makes an effort to learn about my family history and family values
4. My advisor makes an effort to learn about my partner's/ spouse's relationship with money (e.g., identify potential financial conflict, transparency issues, etc.)
5. My advisor makes an effort to learn about my personality traits/types
6. My advisor makes an effort to learn about my money behaviors and attitudes
7. My advisor makes an effort to learn about my financial anxiety and stress
8. My advisor helps me identify meaningful personal and financial goals and objectives
9. My advisor uses a systematic process (set of worksheets, series of questions, onboarding, etc.) to help me clarify my values and priorities
10. My advisor identifies my motivation for change and achieving my goals
11. My advisor explains the consequences of a lack of transparency with a spouse or family member when making financial decisions
12. My advisor identifies situations in which money may be used as a means of undue influence, control, or abuse in relationships (e.g., power imbalances, financial abuse and financial enabling)
13. My advisor identifies how my psychology, such as my financial comfort zone, socialization, money beliefs, and past financial experiences and behaviors impact my objectives, goals, understanding, decision making and actions
14. My advisor uses appropriate counseling and communication techniques with me
15. My advisor always considers what I value most in life
16. My advisor communicates recommendations in terms that I can understand
17. My advisor focuses on identifying and building on my strengths to encourage my behavior
18. My advisor doesn't hesitate to discuss the consequences of my actions, or inaction, to motivate change
19. My advisor encourages me to use money as a tool to optimize my well-being and to flourish in life
20. My advisor encourages me by focusing on the implications of debt, lack of savings/no emergency funds, etc.
21. My advisor encourages me by focusing on my financial health and security

*Source: eMoney 2023 Summit Research*