Social Media's Growing Influence Among High Net Worth Investors

Using social media to reach affluent investors and strengthen your brand

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Executive Summary

With 96% of the online population using social media, it's clear that finance companies need to utilize the channel, but several questions arise for marketers in this industry.[1] What types of conversations are happening? Is my target audience using social media for serious discussion? How can my company take advantage of this ecosystem to connect with consumers and construct a narrative around my brand?

To answer these questions, LinkedIn and Cogent Research surveyed over 600 High Net Worth Investors in the U.S. and Canada. The objective was to better understand the role that social media plays in financial decisions among High Net Worth Investors, who we divided into three asset ranges: Mass Affluent, Affluent, and Ultra Affluent. Our results show that social media offers a compelling opportunity for finance marketers to reach and engage with this valuable audience.

Key Findings

- Social media is proving to be an invaluable tool with **five million High Net Worth Investors** in the U.S. and Canada actively using social media to help them with their financial decisions.
- **Two-thirds** of High Net Worth Investors **visit LinkedIn monthly**, which is consistent with Facebook and over 2X Twitter and Google+.
- LinkedIn is the most **trusted social platform** for financial services companies to engage with High Net Worth Investors when they are in a **professional mindset**.
- Regardless of whether or not they use an advisor, **social media users** tend be more **active with their investing**.
- The **Ultra Affluent** ($5M+ in investable assets) are passionate about investment research, with **LinkedIn** proving to be an **invaluable resource**.
- Social media is about relationships and **finance companies need to actively engage** with their customers.
- Social media, including LinkedIn in particular, improves **brand perceptions**.
- **LinkedIn** is critical for developing high value business relationships, and financial advisors who are not taking advantage of the platform are missing the **opportunity to engage in relevant conversations**.

[1] comScore MediaMetrix March 2012 Social Network US category reach

Social Media Users and Their Investments

Five million High Net Worth Investors use social media to inform finance decisions, and findings show that high net worth social media users are considerably more involved in their investments.

High net worth social media users manage a greater portion of their investments (Figure 1). These investors are significantly less likely to have an advisor compared to non-social media users, although this is largely influenced by age (only 35% of those under 55 years of age who use social media are advised compared to 73% of those 65 years or older). In addition, advised social media users tend to manage a significantly larger percent of their assets on their own. Moreover, social media users are two times less likely to delegate all of their financial research and decision making to an investment professional (28% vs. 52% for non-social media users).

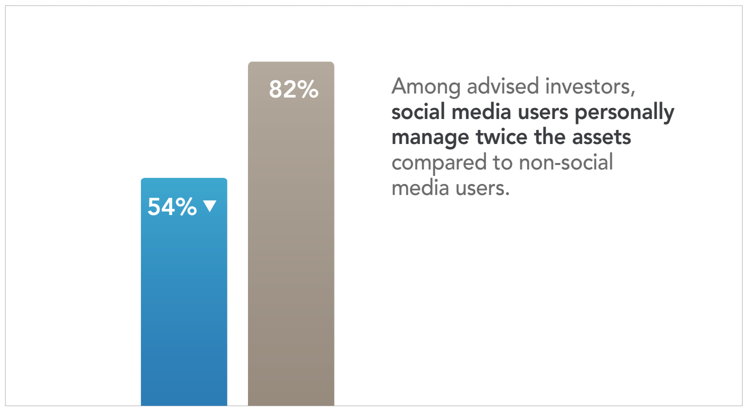
Figure 1

Management of Investable Assets among High Net Worth Investors

Social Media Users

Non-Social Media Users

▲|▼ = Significant change



% Use Financial Advisor

Demographics of High Net Worth Investors that use Social Media

High Net Worth Investors using social media are slightly different demographically than those who don't use social media. In particular, social media users tend to be younger (56.8 years of age versus 64.3), which likely results in many of the differences between the two populations. For example, social media users tend to have a smaller amount invested on average ($510K versus $600K), which again, is a reflection of age.

One such investment difference is that social media users are two times more likely to have an employee sponsored retirement account (401(k), 403(b), 457, or other defined contribution accounts), and slightly more likely to have a brokerage account. However, all High Net Worth Investors tend to invest in similar products (i.e., stocks, mutual funds, annuities, insurance, etc.).

Not only do a larger proportion of social media users manage their investments, they are significantly more likely to conduct finance research. Over nine in ten High Net Worth Investors using social media conduct financially-related research compared to only 70% of non-social media users.

Ultra Affluent and Their Investments

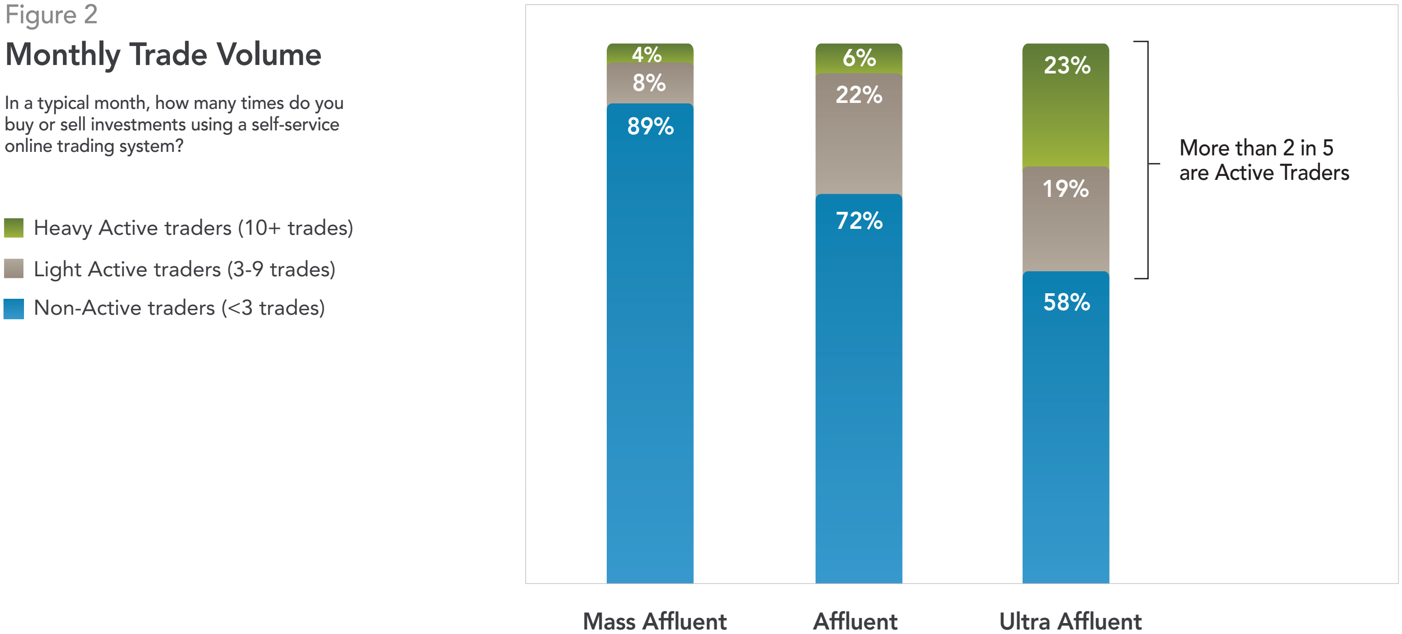
Interestingly, social media users weren't the only segment that displayed a higher level of engagement with their investments. **The Ultra Affluent[2] also have a greater tendency to personally manage their investments**. The Ultra Affluent are considerably more likely than Mass Affluent and Affluent[2] populations to be active traders (more than three trades per month), with over two in five Ultra Affluent Investors being classified as such (Figure 2).

[2] Mass Affluent Investor: $100K < $1M in investable assets
Affluent Investor: $1M < $5M in investable assets
Ultra Affluent Investor: $5M+ in investable assets

Figure 2

Monthly Trade Volume

In a typical month, how many times do you buy or sell investments using a self-service online trading system?

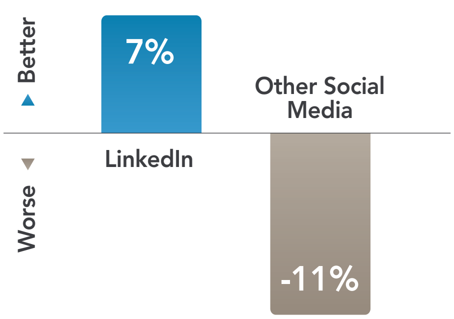


In addition to frequent trading activity, a higher proportion of Ultra Affluent Investors classify themselves as "Soloists" (do their own research, make their own decisions, and execute trades) and "Validators" (work with an investment professional, but also conduct their own research and tend to make their own investment decisions) when compared to their Mass Affluent and Affluent counterparts. This self-directed behavior requires more personal research to stay up to date and LinkedIn has proven itself to be a trusted resource. Compared to the average High Net Worth Investors, the Ultra Affluent are 37% more likely to trust information from their LinkedIn network and 157% more likely to trust articles that are shared on LinkedIn.

Figure 3

Change in Opinion of Financial Companies Advertising on Social Media

If a financial services company were to advertise on each of the following social networks, how would your opinion of that financial institution change?



Base: Social Platform Users

The Social Media Effect

With over 90% of High Net Worth Investors participating in social media in some form, an integrated social media marketing strategy is necessary for relevance and results. Not only does social media reach a wide breadth of individuals overall, and High Net Worth Investors in particular, but it can also improve brand perceptions.

Our research shows that 28% of all High Net Worth Investors would perceive a financial company as "innovative," "a leader in the industry," or "on the cutting edge" if they offered social media tools. However, investors indicate that financial communications are only appropriate on certain social platforms. Figure 3 shows that leveraging LinkedIn can improve opinions more so than other social platforms, as a net 7% of investors believe advertising on LinkedIn would improve their opinion of a financial company while advertising on other social platforms such as Facebook, Google+ or Twitter could actually impair company perceptions (net 11% worse).

Figure 4

Information Expected on Social Platforms

If a financial services company were to use social media, what types of information would you expect to receive from it?

	Mass Affluent	Affluent	Ultra Affluent
Market and economic trends and commentary	73%	70%	64%
New product information	62%	58%	57%
Company background	60%	55%	55%
Product performance updates	54%	52%	50%
Best practices, Case Studies / Thought leadership pieces	38%	34%	17%
Moderating a group discussion	21%	14%	7%

Low Expectation — High Expectation

Base: Social Platform Users

Financial companies should take note that investors will have increased expectations with social media adoption. **Social media is about relationships, and finance companies need to actively engage in conversation with their customers**. Investors expect more relevant and timely updates, increased transparency, and real time interaction and conversations with financial companies that are on social media. There is also an opportunity for finance companies to establish themselves as market leaders by providing investors with specific types of content. Over 50% of High Net Worth Investors, regardless of asset size, would like to receive market and economic trends and commentary, new product information, company background, and product performance updates (Figure 4).

LinkedIn, the Social Media Ally for Financial Companies

Compared to non-users, High Net Worth Investors that use social media are at least 75% more likely to own municipal bonds, ETFs, U.S. Government Obligations (e.g., Treasury Bills) and employee sponsored retirement accounts (e.g., 401(k)). This portfolio diversity is largely driven by LinkedIn users. Active LinkedIn users own significantly more investment products on average (5.6) than social media users who don't use LinkedIn (5.0) and non-social media users (4.8).

Social platforms tend to have the greatest density of High Net Worth Investors. **In fact, 66% of investors with investable assets over $100K are active on LinkedIn (use at least monthly), which is consistent with Facebook (68%) and higher than other similar social platforms (Google+ at 27% active usage and Twitter at 21%)**. LinkedIn also attracts investors with higher affluence: 60% of those with $1M<$5M and 37% of those with over $5M in investable assets are active LinkedIn members, which is significantly higher than other social networks. Results show that one in two High Net Worth Investors are very satisfied with LinkedIn, which is higher than Facebook, Twitter, and Google+, a trend that continues across asset cuts (Figure 5). These levels of satisfaction will likely help maintain or even increase its usage among affluent investors.

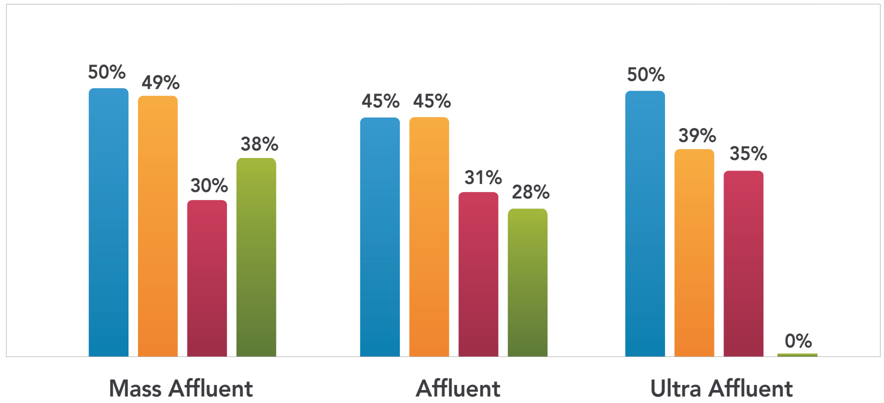
Figure 5

Satisfaction with Social Platforms

(% Top 2 Box Among Users)

- LinkedIn
- Facebook
- Google+
- Twitter

Base: Social Platform Users



Additionally, High Net Worth Investors are 65% more likely to value financial content and information on LinkedIn compared to other social platforms. It is no surprise that, of those five million High Net Worth Investors who use social media to research and make financial decisions, 73% use LinkedIn (Figure 6). That number is 20 percentage points greater than the next closest source (financial blogs/discussion boards) and more than double Facebook, Google+, and Twitter combined. What is surprising is that, after financial websites, social media using High Net Worth Investors consider LinkedIn the best place for financial companies to advertise online, ahead of online newspapers, blogs, and portals (Figure 7). High Net Worth Investors trust LinkedIn more than other social platforms as a resource for researching their finances, and as a result, it is a valuable tool for financial companies to attract investors.

Figure 6

Use of Social Platforms for Finance Decisions

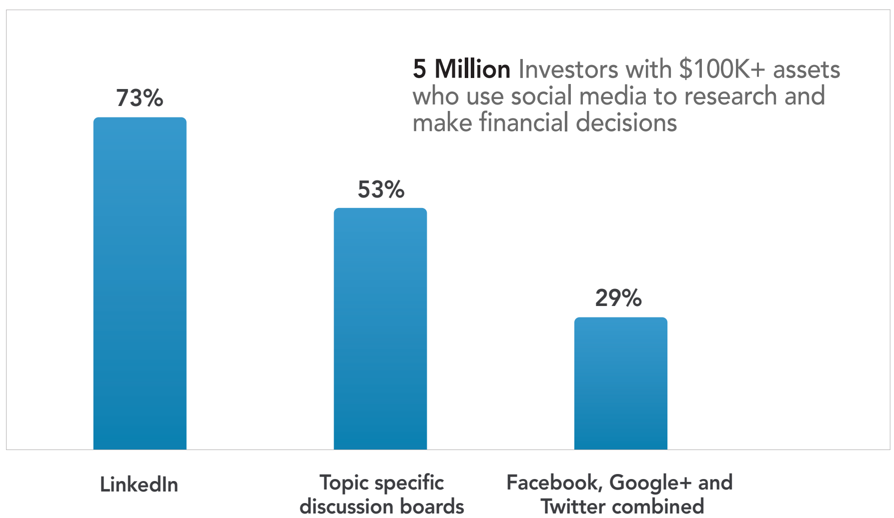


Figure 7

Online Sources Financial Institutions Should Use To Advertise

If you had to pick just one, which of the following online sources do you think financial institutions should use to advertise?

Base: Social Platform Users

1st	Financial websites (e.g., Bloomberg, Smart Money, CNN Money)
2nd	**LinkedIn** Preference for advertising on LinkedIn is 2X higher than Facebook, Google+, and Twitter combined
3rd	Online Newspapers (e.g., Wall Street Journal, New York Times)
4th	Your online brokerage provider's website
5th	Online portals
6th	Financial blogs
7th	Lifestyle interest websites

While High Net Worth Investors not only use and trust LinkedIn for financial content, they are in a mindset that is more appropriate for financial discussion when on the platform. Figure 8 illustrates that High Net Worth Investors use LinkedIn for professional insights and information. Compared to other social platforms, investors prefer to leverage LinkedIn for business related aspects of social media, with more than 50% of users connecting with business colleagues, networking for jobs, posting business updates, reading colleagues' status updates, and receiving updates on their industry. And while social media collaboration is still growing among High Net Worth Investors, LinkedIn is pulling ahead of competitors as investors use it more frequently than Facebook and Twitter to collaborate and connect with groups.

Figure 8

Preferred Activities by Social Platform

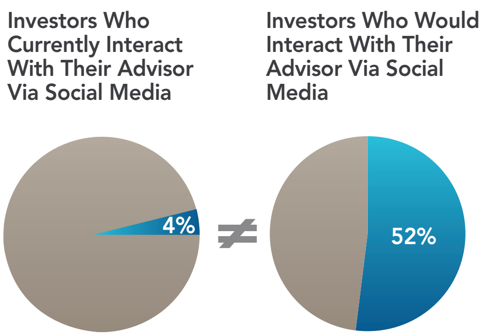
		Facebook	LinkedIn	Twitter
Personal Uses	Keep up with current friends/family	90%	5%	3%
	Post personal updates about my life	62%	2%	2%
	Reconnect with classmates/alumni	70%	13%	2%
Professional Uses	Connect with business colleagues	17%	**76%**	1%
	Discuss business topics	8%	**42%**	4%
	Network for a job	5%	**66%**	2%
	Post work-related questions	7%	**39%**	10%
	Post business updates	17%	**63%**	12%
	Read colleagues' status updates	11%	**71%**	4%
	Receive updates on my industry	10%	**50%**	8%
	Research/develop business ventures	1%	34%	3%
Group Discussions	Collaborate with a group	25%	**28%**	6%
	Connect with groups	32%	**40%**	22%
Company Relationships	Follow a company/brand	24%	16%	15%
	Friend/fan companies	53%	10%	14%
Additional Resources	Obtain a review/recommendation	23%	8%	16%
	Find resources to help with specific questions	16%	23%	4%
	Stay up to date with news/events	18%	9%	32%

Base: Social Platform Users

Weak preference — Strong preference

Figure 9

Disconnect in Social Platform Interaction between Investors and Advisors



Base: Advised Social Platform Users

The Social Media Opportunity for Financial Advisors

The vast adoption of social media by High Net Worth Investors presents financial advisors with many opportunities. While the breadth of advisor/investor interaction is still governed by compliance regulations, those firms that are able to adjust their policies and implement a social media strategy will find a valuable platform to increase business visibility and cultivate new leads. LinkedIn, in particular, offers a large population of prospects. Half of High Net Worth Investors who are active on LinkedIn are unadvised compared to one in three non-LinkedIn social media investors and one in five non-social media investors. This is a large area of opportunity for advisors to prospect new clients who do not currently have an advisor relationship.

In addition to prospecting, social media provides advisors with a channel to deliver service and support to clients, therefore strengthening their relationships. A large percentage of advisors' current client list is on social media, as 87% of advised High Net Worth Investors are social media users, with 69% active on LinkedIn. However, adoption of a social media engagement strategy has yet to gain traction, with only 4% of investors indicating that they currently interact with their advisor via social media. This low number does not appear to be investor-driven, as a majority would actually value advisor interaction via social media (Figure 9). Similar to interaction with financial companies, High Net Worth Investors would most value general market updates from their advisors via social media (36%).

Conclusions

Social media provides an opportunity to reach active investors

Affluent social media users are active in their financial management significantly more than non-social media users. Not only are social media users more likely to manage their own investments, they are more likely to do their own investment research. They also represent fertile ground for financial advisors, as they are looking for information and guidance to help them with their investment decisions.

Presence is a start, but conversation is required

By offering social media tools, finance companies will be seen as innovative and cutting edge by their customers. However, as social media adoption evolves and proliferates, investors will have increased information and communication expectations. Through social media, investors expect more timely and relevant market updates, new product information, and increased general information about the companies that serve them financially. These companies must fully embrace a social strategy to maximize the value of the relationship. LinkedIn is critical for developing high value business relationships, and financial advisors who are not taking advantage of the platform are missing the opportunity to engage in relevant conversations.

Mindset matters

While being able to target High Net Worth Investors is invaluable, context is critical. Over 90% High Net Worth Investors use social media, but they utilize different platforms for different needs. Facebook is the platform for personal connections and Twitter is used for staying up-to-date on general news. However, High Net Worth Investors strongly prefer LinkedIn for professional discussion and content. These investors also perceive greater value in receiving financial content and information on LinkedIn compared to other social platforms. Reaching customers in the right mindset on LinkedIn will not only make your message more salient, but it can also have a positive impact on your brand overall.

Understand how to build your brand for the next generation

The next generation of Ultra Affluent Investors is going to come from today's Mass Affluent. These younger investors are much more adept at using social media than their older, more affluent counterparts. **As they grow older and acquire more wealth, they will seek out trusted financial companies and advisers to help them transition into their next life stage**.

To learn more about how LinkedIn Marketing Solutions can help you reach High Net Worth Investors, visit **marketing.linkedin.com**.

About the Authors

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Over the past 13 years, Jake has designed and executed complex studies using advanced statistical concepts and methods. Today, Jake leads research efforts at LinkedIn to help clients understand how to leverage social media to drive sales and deepen relationships.

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A project director at Cogent Research, Christopher has seven years of experience conducting market research in the financial services field. He has helped clients enhance their product offerings, improve their brand equity, and increase overall client retention. Christopher's experience includes quantitative and qualitative research techniques, and has spanned a broad segment of the financial services industry, including the advisor and investor universes, retirement services, and retail and institutional asset management.

Methodology

This report is based on a study conducted in March 2012 by LinkedIn in partnership with Cogent Research. A 20-minute online survey was conducted among 608 U.S. and Canadian investors with at least $100K in investable assets. This included cash, savings, mutual funds, stocks, bonds, retirement accounts, and all other types of investments and real estate ventures, but excluded primary residence and vacation homes.

Readable base sizes were targeted for the following asset ranges: $100K < $1M (Mass Affluent), $1M < $5M (Affluent), and $5M+ (Ultra Affluent). Results were weighted to the U.S. and Canadian census. These investors did not have to be social media users to participate. Thus, results are meant to represent the greater High Net Worth Investor population.

About LinkedIn

Founded in 2003, LinkedIn connects the world's professionals to make them more productive and successful. With more than 150 million members worldwide, including executives from every Fortune 500 company, LinkedIn is the world's largest professional network on the Internet. The company has a diversified business model with revenues coming from member subscriptions, marketing solutions and hiring solutions. Headquartered in Silicon Valley, LinkedIn has offices across the globe.

About Cogent Research

Cogent Research® helps clients gain clarity, obtain perspective, and formulate direction on critical business issues. Founded in 1996, Cogent provides custom research, syndicated research products, and evidence-based consulting to leading organizations in the financial services, life sciences and consumer goods industries. Through quality research, advanced analytics, and deep industry knowledge, Cogent Research delivers data-driven solutions and strategies that enable clients to better understand customers, define products, and shape market opportunities in order to increase revenues and grow the value of their products and brands.