



# *Next Generation*

CUSTOMER JOURNEY IN WEALTH MANAGEMENT

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HIGH TECH OR HIGH TOUCH?

Smarter Engagement Strategies For Wealth Managers  
To Build And Retain High Net Worth Clients



# Background

## THE STUDY

In April 2016, LinkedIn and Greenwich Associates conducted a study of 469 high net worth individuals, focusing on Millennials and Generation X, across the United States, United Kingdom, France and the Netherlands. This report focuses on data gathered from a subset of 202 respondents from across the United States. The 20 minute online survey measured respondent's use of technology and what they are seeking in wealth managers.

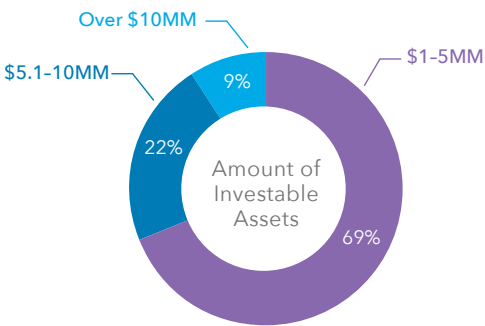
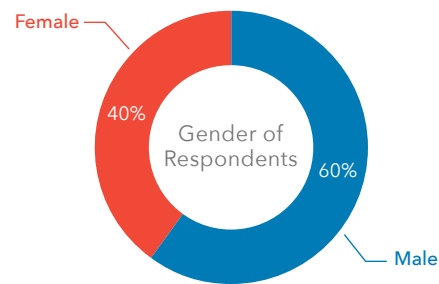
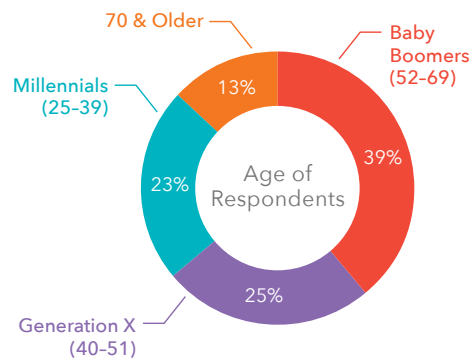
## SAMPLE POPULATION

The study targeted Millennials, Generation X, Baby Boomers and 70+ years old. The study further broke down these generations into subgroups of high net worth individuals (HNWIs), which refers to those with investable assets in excess of \$1 million, excluding primary residence.

## STUDY OBJECTIVES

- Understand HNWI's preferences and behaviors throughout the customer journey.
- Explore how HNWI's perceptions and realities of wealth managers have changed over the past few generations.
- Examine and define the key elements needed to attract HNW Millennials and Generation X and their assets.
- Determine the role emerging technologies play in managing HNWI's assets.

## SAMPLE POPULATION



Note: Based on 202 respondents.

# Key Findings

The study revealed the following about High Net Worth Individuals

1.

## Wanting the best of both worlds

Clients are looking for solutions that include both the human touch and technology to supplement the advisor's intelligence and experience.

2.

## Ready to move

Two-thirds of HNWLs have been with their current wealth advisor for five years or more. Two out of five Millennials are actively looking for a new advisor and technology is enabling Millennials to easily identify wealth managers.

3.

## Technology hungry

When portfolios are invested automatically, the advisor can spend less time on basic investing and more time on their clients' complex needs. Use evolving technology to communicate with HNW clients in their preferred manner.

4.

## Seeking real-time information

During uncertain economic times, Millennials more than other generations look for real-time information, signaling the start of a societal change in behavior.

5.

## Looking for relevant content

Top content includes investment recommendations, market news, industry updates, thought leadership and videos. Millennials are significantly more likely to acquire educational content relevant to their financial needs through social networks.



## Changing Landscape Of The Wealth Management Industry

By 2020, Millennials and Generation X will control \$30 trillion of investable assets<sup>1</sup>. Millennials' different attitudes to wealth and expectations of customer experience are commanding major changes within the wealth management industry. Other forces that are uprooting the business models of today's wealth managers include fintechs challenging incumbents and robo-advisors providing opportunities to automate portfolio allocations.

LinkedIn and Greenwich Associates conducted a study to identify how wealth managers can successfully engage HNW Millennials and Generation X along their customer journey.

Wealth managers will succeed if they work now to understand high net worth investors and their customer journey, and proactively target this audience by striking the right balance of high tech and high touch products and services, as well as content and communications that appeal to their unique preferences, challenges and dreams.

By 2020, Millennials and Generation X will control \$30 trillion or half of all investable assets.

<sup>1</sup>PwC: 2016 Wealth Management Trends. A Revolution Both Loud and Quiet



## Relationship Evolution Between Wealth Managers And Their High Net Worth Clients

Young adults conduct business differently than their parents. Most use more technology, are comfortable working from a coffee shop and don't expect to stay at the same company for their entire career. While generational shifts in thinking are nothing new, the technology boom that kicked off in the 1990s has caused changes in behaviors that had been in place for decades.

While the Internet came into its own as Generation X was in school, the Millennials have known nothing but smart phones and information on demand their entire lives. As such, they see it as a part of everyday life, rather than a novelty.

This difference in perspective is evident in generational approaches to investments, particularly for HNWLs with over \$1 million in investable assets, a group that has increased in numbers steadily year over year since the financial crisis. Wealth manager interactions were generally bilateral a decade ago. You'd find a financial advisor you trusted through family or friends, explain to them your needs and risk tolerance, and they would recommend an investment strategy and allocate your assets accordingly. Differentiators were primarily reputation and investment performance.

These things still matter a great deal. In fact, the more than 200 interviews with HNWLs in the United States found that reputation remains the top factor when choosing a wealth manager. However, what started as a generational shift has quickly become a much broader societal shift in thinking. Technology innovation has increased as a factor taken into account by all investors. Ability to communicate electronically, access to automated investing tools and real-time notifications of portfolio moving news have all become part of the conversation, with HNWLs now more willing to do their own research and be generally more hands-on.

Some generational differences are very predictable. Millennials are more interested in technology and social media than older generations. Unfortunately for wealth managers, solely targeting HNWL Millennials with technology while treating their parents as they always have may result in missed opportunities with potential new clients. Nearly 60% of Millennials place huge value on face-to-face meetings, while two-thirds of Generation X found social media profiles of their wealth manager to be extremely influential, a much higher percentage than other generations.



**66%**

of Generation X  
found social media  
profiles of their wealth  
managers to be  
extremely influential.



**60%** of

Millennials value  
in person meetings

## More Than Just Robo-Advising

Much of the technology talk in the wealth management industry focuses on robo-advising, rather than a human advisor, to determine the right asset allocations for a given investor's portfolio. The creation of and, more recently, utilization of this technology has sent ripples through the entire wealth management industry as it threatens to upend long held beliefs about the role of the wealth advisor. But a singular focus on robo-advising,

now that it has progressed beyond the novelty stage, misses much of the story, particularly for HNWIs who require a more custom, hands-on approach.

Utilizing communication and information sharing tools to both foster in person conversations and encourage information sharing within a given community are playing an equally large role in changing the advisor-advisee relationship. Whereas robo-advising is

focused on the transactional portion of the customer journey, communication related technologies are also used during the informative early stage for ongoing dialogue between the wealth manager and client. Communication technology during these stages is in fact more important to the wealthiest HNWIs than is access to automated investing tools, providing a clue to wealth managers as to where they should focus their innovation budgets going forward.

### CUSTOMER JOURNEY STAGES DURING WHICH A WEALTH MANAGER SHOULD USE TECHNOLOGY



Note: Based on 202 respondents.

Communication technology during the informative early stage is more important to the wealthiest HNWIs than access to automated investing tools.



# The Next Generation Wealth Management Customer Journey For High Net Worth Clients

To better understand the potential impacts of new technology as a whole, it is important to examine the full customer journey as a HNWI seeks out, engages and ultimately transacts with a new wealth manager. A misstep by a wealth manager at any one of these stages could lead an investor to invest elsewhere.

**AWARENESS**

**CONSIDERATION  
& SELECTION**

**ONBOARDING &  
ACTION PLANNING**

**NETWORK  
DEVELOPMENT**

**KEEPING THE  
RELATIONSHIP ALIVE**

# Awareness

Personal connections and recommendations from family and friends are still the top ways HNWI's identify new managers. In fact, 86% of study participants said they would recommend their primary advisor to others if asked, a reminder that existing clients are often the best source of new clients.

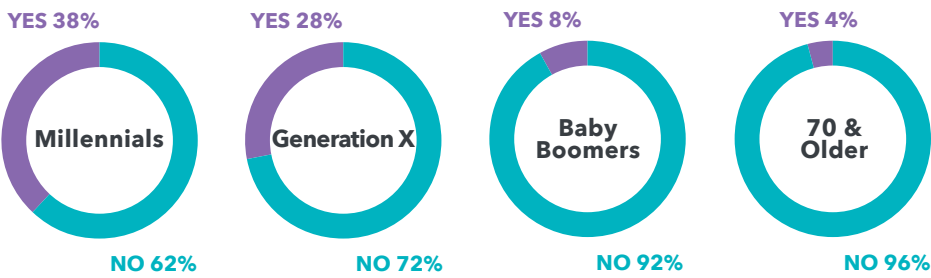
Finding and ultimately doing business with new HNWI clients is not easy. 59% of study participants, regardless of age or total wealth, used only one wealth manager. Although by a relatively small margin, Millennials were more apt to have two or three wealth managers. This difference could be explained in

part by their willingness to engage with providers electronically, an easier proposition than maintaining personal relationships across wealth management firms.

In addition, nearly two-thirds of HNWI's have had those wealth managers for five years or more. Building up trust with a financial advisor can take years, and once that trust is established, the relationship is unlikely to end. As such, wealth managers will continue to have a hard time getting noticed by a prospective client base that often feels they are happy right where they are.

Change, of course, does happen. Nearly one-fifth of HNWI's and two out of every five HNWI Millennial we spoke with plan to change their wealth manager in the next 12 months. While interest in better performance is certainly a driver for change, service quality, a higher level of personal engagement and a general openness to trying new things are increasingly the catalysts for switching managers.

## PLAN TO CHANGE WEALTH MANAGER IN NEXT 12 MONTHS



Note: Based on 202 respondents including 47 Millennials, 50 Generation X, 78 Baby Boomers, and 27 age 70 & Older.



## Consideration & Selection

Personal metrics also play a part in evaluating current advisors, with nearly 50% of HNWIs looking to family and friends, and over two-thirds basing their satisfaction level on the face-to-face meetings they have with their advisors.

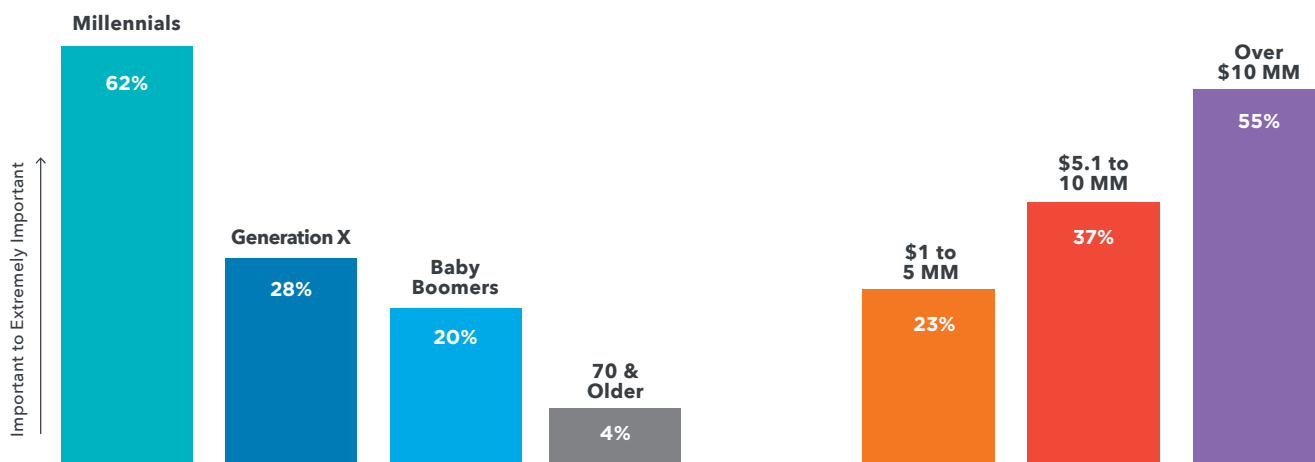
If we assume these softer assessments of performance are table stakes, wealth managers must utilize all of the tools at their disposal to really stand out in this crowded and highly competitive field. Millennials in particular are less

concerned with reputation and brand, and look to a variety of other metrics and sources of information.

One-third of HNW Millennials use the social media profiles of potential wealth advisors as part of their evaluation process, compared to only 10% of HNWIs of all other age groups. Half of HNW Millennials look at an advisor's posts on social, compared to one-sixth of HNWIs across other age cohorts.

Social media and electronic information (i.e., financial news sites, FINRA's BrokerCheck) are very important among those with total investable assets over \$10 million. Getting to know someone via their electronic footprint is therefore, not just for the younger generation, but also for those with more money on the table.

### IMPORTANCE OF WEALTH MANAGER'S ADOPTION AND USE OF SOCIAL MEDIA IN YOUR RELATIONSHIP



Note: Based on 202 respondents selecting important to extremely important ratings, including 47 Millennials, 50 Generation X, 78 Baby Boomers, 27 age 70 & Older, 140 \$1-5 MM, 44 \$5.1-10 MM, and 18 Over \$10 MM.

Contrary to its ongoing growth story, access to robo-advisors was viewed as the least important factor for HNWIs assessing/choosing their wealth manager. Only 3% of our respondents noted robo-advisors as part of their decision-making process.

However, of the few that were interested in robo-advisory, most were in the highest investable assets bucket. Our analysis has found that it is becoming more common for those with over \$10 million in investable assets to automate the foundation of their invested dollars where typical asset allocation strategies

are used, and look for a human touch for their more complex investing needs.

It is also important to note that robo-advisor technology is very much still in its first iteration. While effective and innovative, future versions will only get better, allowing for further customization based on client needs.

## Onboarding & Action Planning

Once a new wealth manager relationship has been established, it is time to decide on the path forward. A preference for high touch interactions continues at this phase, with nearly two-thirds having investment planning discussions in person.

But again, HNW Millennials stand out as a group of consumers looking to engage differently than generations before them. Only 40% of this demographic met with their new advisor in person to make an investment plan. Instead, over one-third took a more self-directed approach, with Millennials twice as often as other age groups to utilize content on their wealth manager’s website to research investment options.

This compares to 14% overall using the website, and only 2% of Generation X, who are the most heavily reliant on face-to-face meetings.

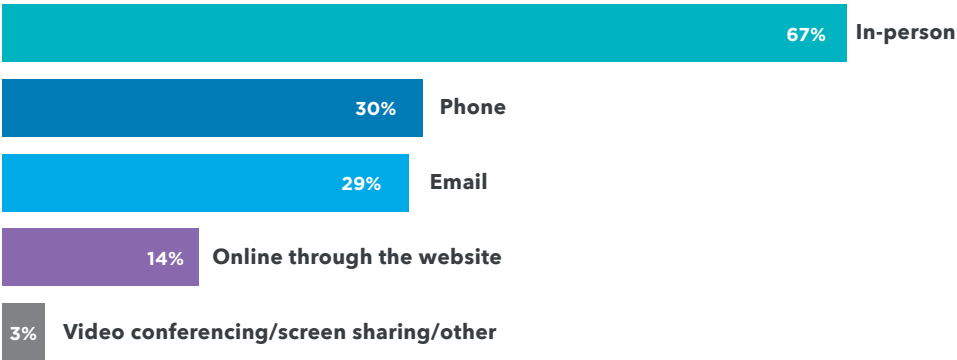
This tells us that while technology is less critical in the early stages of the relationship, its importance will grow as HNW Millennials become a bigger part of the prospective client base.

Furthermore, the research finds that technology becomes increasingly important across the board as the customer journey progresses. Whereas only 7% found technology important in the informative phase, 17% found technology extremely important while making transactions later on.

Millennials unsurprisingly found technology more important than the rest at every stage in the journey, although even among that demographic, technology was relied on most during the investing stage. We expect the importance of technology to grow across all phases over time, but with most focus on the transaction phase.

Technology becomes increasingly important across all phases of the customer journey, but with most focus on the transaction phase.

### INTERACTION WITH WEALTH MANAGER WHEN CREATING INVESTMENT PLAN



Note: Based on 202 respondents including 47 Millennials, 50 Generation X, 78 Baby Boomers, and 27 70 & Older.

## Network Development

Social media might be a new phenomenon within the last decade, but the importance of socializing with peers is not. HNWLs have discussed investment ideas and strategies with one another for years. Social media and other online tools have only made this interaction easier.

Millennials, Generation X and those with the highest level of investable assets find peer interactions the most important. Conversations at the country

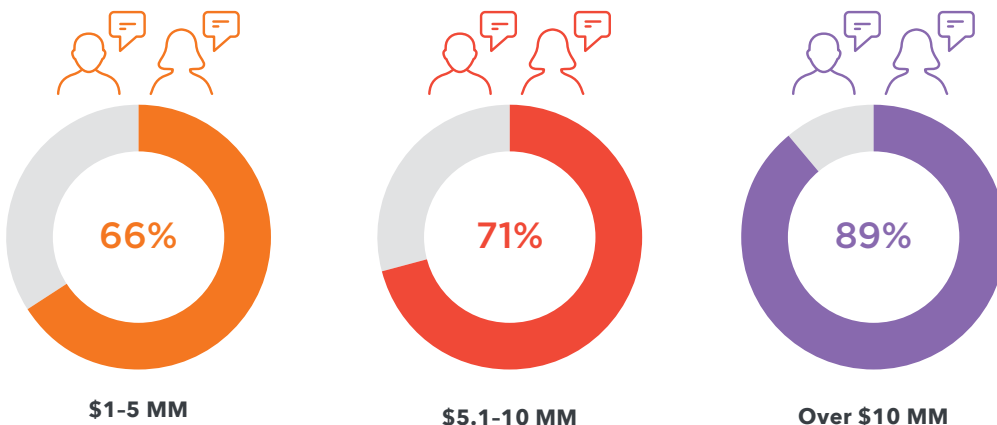
club about what companies to buy and which real estate projects to invest in are still common, but continuing the discussion via online platforms provides reach outside of an individual's local community.

Wealth managers should not see these interactions as a threat, but instead a sense of community they should foster as a part of their offering. Experts are not only those with great ideas, but those able to bring together groups that

collectively can provide better advice than the individual.

Furthermore, given the high value placed on personal recommendations when selecting a new wealth manager, the goodwill fostered by bringing the community together will be tremendously valuable in the long term.

### IMPORTANCE OF COMPARING INVESTMENT STRATEGIES WITH LIKE MINDED PEERS



Note: Based on 202 respondents including 140 \$1-5 MM, 44 \$5.1-10 MM, and 18 over \$10 MM.

Wealth managers should host online communities as part of their offering.

## Keeping The Relationship Alive

With initial investment decisions made, HNWI's look to their wealth advisors to keep them updated on what's going on in the market and for recommendations on what they should do next. These needs are relatively consistent regardless of investable assets, but some generational differences do exist.

When market volatility increases, so does frequency of contact, although less than initially expected. Only 6% of all HNWI's expressed the desire for daily contact, while 60% wanted contact at most on a monthly basis. Millennials however, are driving some change here, with 15% interested in hearing from their wealth advisor daily when markets get rocky.

Younger investors place greater importance on news updates from their wealth manager. At first glance

this might seem odd, if we assume that younger generations are more connected to current events via electronic channels. However, this flood of information makes it hard to weed out news that could ultimately impact a portfolio. Wealth managers can act as a human filter, alerting Millennial clients when an economic event should matter to them.

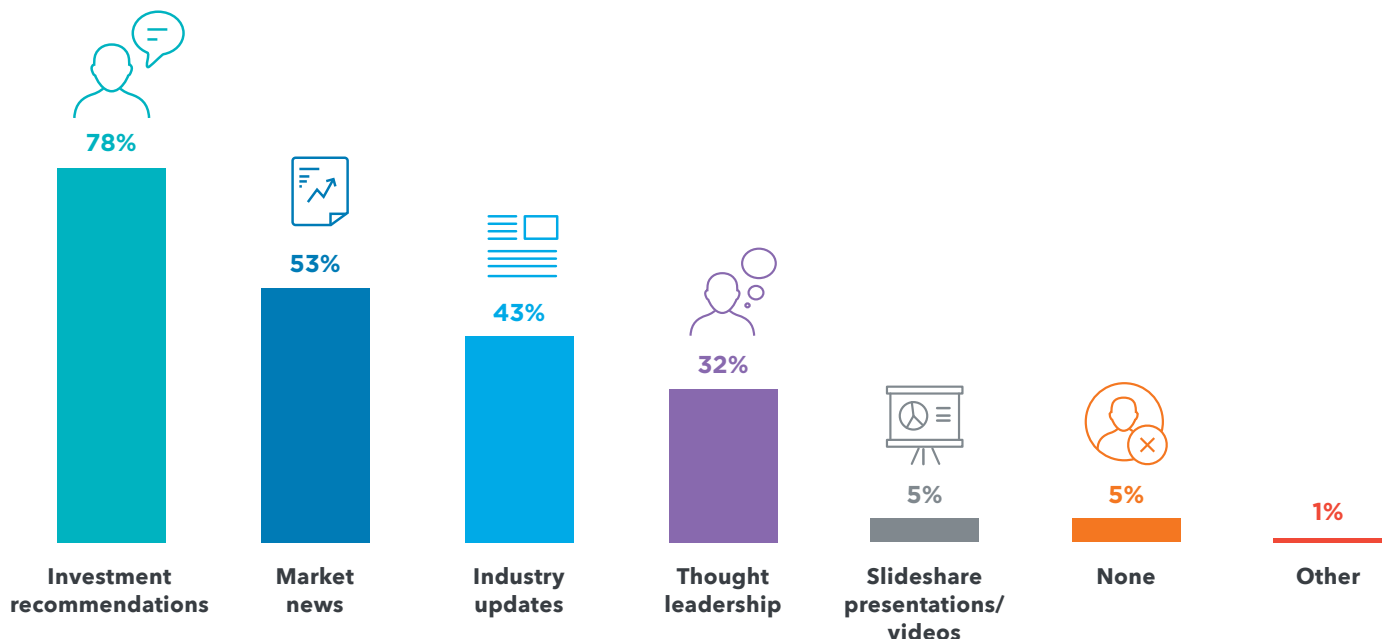
In contrast, the research shows that Generation X is much more apt to read financial news and can interpret the impact of the market on their investment portfolio. As a result, Generation X is less interested in updates from their advisors on broad market happenings.

Email was the preferred method of contact for such ongoing updates, trumping even in person meetings that were so popular among HNWI's in the

early phases of the customer journey. Millennials continue to show their demand for newer methods of delivery, such as mobile apps and social media. For those Millennials who said their contact preference had changed in the past year, over 70% said they wanted more electronic communications.

This finding is notable, demonstrating a continued move away from old media to instant information access. Ten years ago email communication was seen by most only a few times a day, whereas today email is in your pocket all the time. Furthermore, while the preference for social media and mobile were lower on an absolute basis, their growing importance with this emerging demographic further solidifies the idea that wealth managers must evolve alongside their clients.

### PREFERRED CONTENT RECEIVED FROM WEALTH MANAGER



Note: Based on 202 respondents.

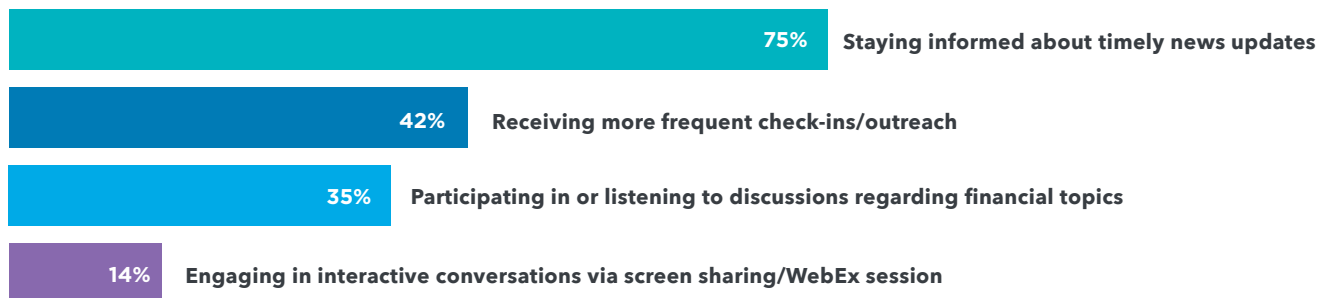


For those looking to social media, timely updates on market events are seen as the most valuable. Social media by definition is a real-time platform, and as such, receiving critical elements in your inbox or feed is a sensible way forward.

LinkedIn and Facebook were the most used platforms by HNWIs with regard to financial planning, with Generation X particularly reliant on LinkedIn. More frequent face-to-face and group discussions were also seen as valuable use cases, functions that social media, LinkedIn and Facebook in particular, were initially developed to foster.

Millennials in general expect real-time contact with people in their networks, both business and personal, and this is starting to carry over to their investing life.

## MOST VALUED SOCIAL MEDIA INTERACTIONS FROM WEALTH MANAGERS



Note: Based on 99 respondents.

Millennials in general expect real-time contact with people in their networks, both business and personal, and this is starting to carry over to their investing life.



# Smarter Engagement Strategies For Wealth Managers

## 1. Understand The Next Generation Wealth Management Customer Journey

Wealth managers must smartly and systematically engage their HNW clients based on the unique needs of each generation.

HNW Millennials control an increasingly large portion of the world's investable assets. Their divergent preferences must be accounted for more acutely as their generational preferences are often a bellwether for behaviors and trends coming in other age groups.

## 2. High Tech And High Touch

A complete solution will include both human touch and technology to supplement the advisor's intelligence and experience, deployed in a ratio that fits the individual investor.

## 3. Automate What You Can, To Spend More Time On High Value Conversations

If the foundation of a portfolio can be invested automatically using long-understood asset allocation strategies, then the advisor can spend more time on their clients' complex needs, using the evolving technology to communicate with their HNW investors in their preferred manner.

## 4. Real-Time Communications

While frequency of contact increases when markets become volatile, interest in daily communication from wealth managers is limited.

However, during uncertain economic times, Millennials more than other generations are increasingly looking for real-time information, signaling the start of a societal change in behavior.

Millennials in general expect real-time contact with people in their networks both business and personal, and this is starting to carry over to their investing life.

## 5. Build And Foster Peer Communities

HNW Millennials, Generation X and the wealthiest cohorts place great value in being able to connect and share insight with their peers. Consider setting up and curating private groups to facilitate this and use social networks to amplify in person events.

## 6. Leverage The Power Of Your Customer's Referral Networks

Personal connections and recommendations from family and friends are still the top ways HNWIs identify new managers. Given 86% of study participants said they would recommend their primary advisor to others, consider seeding content through customer's social networks and amplifying this with social selling tools.

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