

The Future of Wealth Management.

The Challenges of Intergenerational Wealth Transfers and Changing Investor Expectations.

Today's speaker.



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Outline.



By the numbers.



Are you prepared to service clients across generations?



Adapt (or else).



By the numbers.

Money in motion



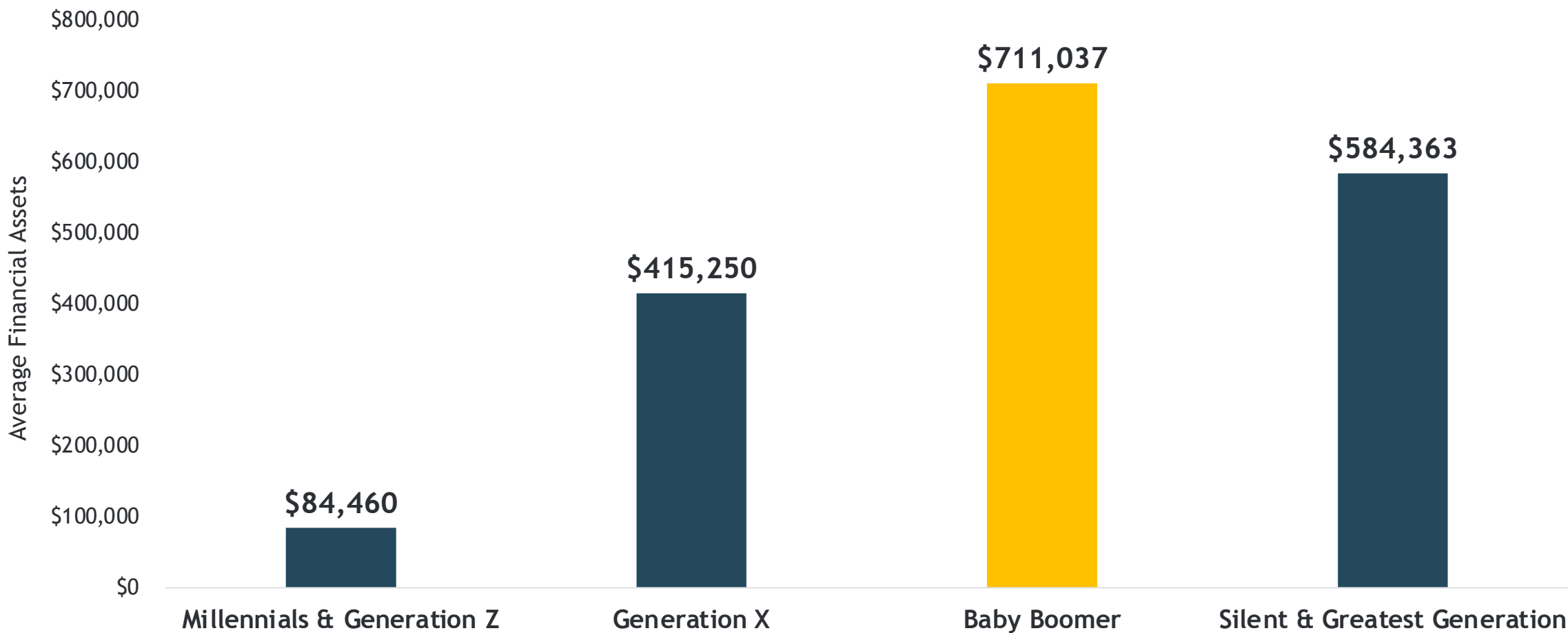
These are generational groups represented across the US population.

	Gen Z	Millennials	Gen X	Baby Boomer	Silent Generation
	1997 - 2012	1981 - 1996	1965 - 1980	1946 - 1964	1928 - 1945
Birth years					
Approximate percentage of U.S. population	22.7%	24.5%	21.9%	23.6%	7.3%
Approximate share of U.S. wealth ¹	0.9%	7.8%	21.7%	54.4%	15.2%
U.S. population (in millions)	67.8	73.2	50.2	70.4	21.7
Influential events (late childhood to early adulthood)	Digital Age COVID-19 Pandemic	School shootings 9/11 Great Recession	Berlin Wall dot-com bubble Y2K	Watergate Civil Rights movement 1987 market crash	Korean War Cold War Space race



Source: Institutional Insights: It's Time to Change Your Mind about Young Investors, Fidelity Institutional (2024), SEI.
1: Data for this statistic was sourced from the Federal Reserve Board, U.S. Census Bureau, and SEI estimates.

Baby Boomers are the wealthiest demographic, on average.







Source: ‘U.S. Retail Investor Advice Relationships 2023’, Cerulli (2023).



Despite differences in wealth, across age groups, people want advice¹.

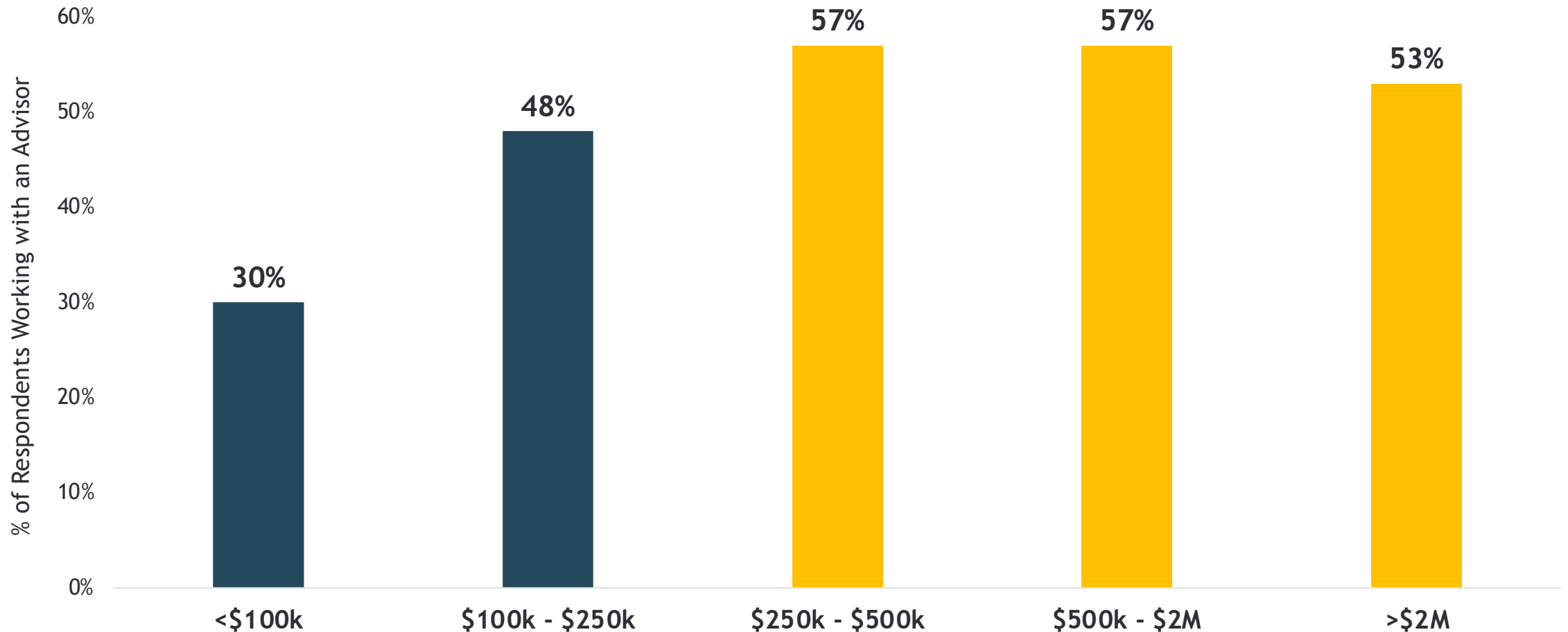
Plan participants were asked to select the top-two resources they would seek out before making a change to their finances.

Resource	Generation				All Respondents
	Generation Z 	Millennial 	Generation X 	Baby Boomer 	
Financial advisor	68%	51%	53%	69%	57%
Friend, family member, or colleague	71%	50%	46%	34%	48%
Online articles and/or PDFs	41%	40%	45%	43%	42%
Online videos	11%	25%	25%	16%	22%
Seminar or class	4%	11%	15%	25%	14%
Books	5%	7%	7%	9%	7%
Podcasts	1%	8%	7%	2%	6%
Blog posts	0%	8%	3%	1%	4%

Source: 'The Cerulli Edge: U.S. Retirement Edition', Cerulli Associates, September 2023.

1: Cerulli Analyst Note: Respondents were asked to select the top-two resources they would seek out before making a change to their finances.

That said, it's primarily wealthier households that pay for advice.



Source: 'The Cerulli Edge: U.S. Retirement Edition', Cerulli Associates, September 2023.

1: Cerulli Analyst Note: Respondents were asked, "Do you work with a financial advisor to plan for retirement and/or manage your retirement assets?"

Multi-generational wealth transfer = money in motion (for a long time).



Cerulli projects
more than \$84 T in
wealth transfers
through 2045



is projected to be
transferred
to heirs



is projected to be
donated to charities



is projected to be
transferred from
households in the Baby
Boomer generation

Source: Cerulli, U.S. High-Net-Worth and Ultra-High-Net-Worth Markets 2021, January 20, 2022

Houston, we have a serious problem(opportunity).

70%



Source: Cerulli Associates, Aging Boomers Bring Intergenerational Planning to the Forefront, July 19, 2021;
Blair Duquesnay, “Women Shall Inherit The Power Of The Purse”, Financial Advisor Magazine, fa-mag.com

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Given these trends, the future of advice is...

...uncertain.

Given increases in life expectancy and improved medical outcomes, Boomers may live longer and retain their wealth longer than anticipated.

17.0
years

Life expectancy @ 65
(Men)

18.4
years

Life expectancy @ 65

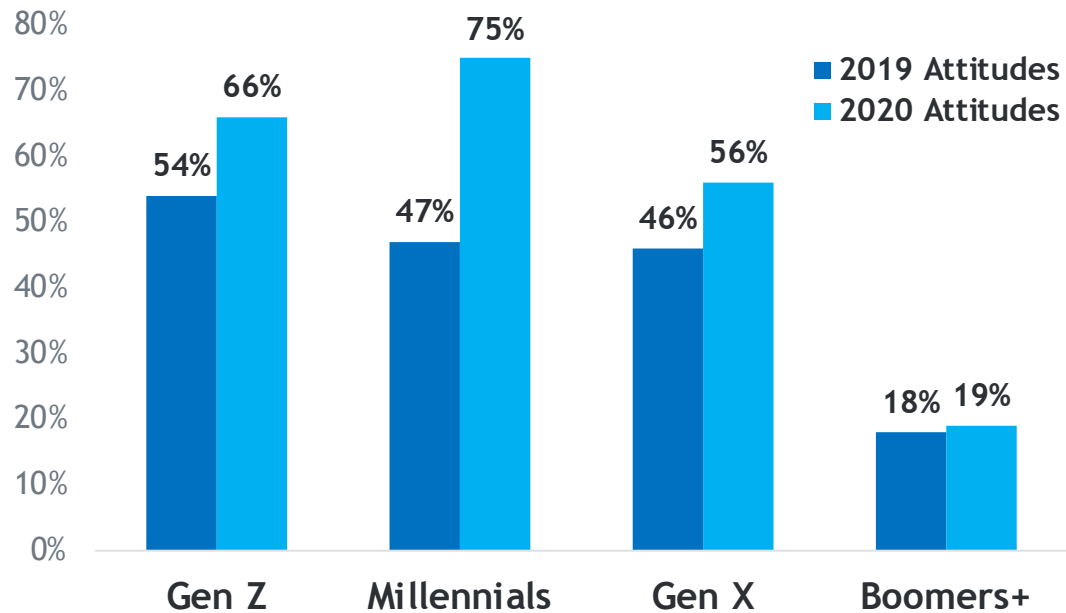
19.7
years

Life expectancy @ 65
(Women)

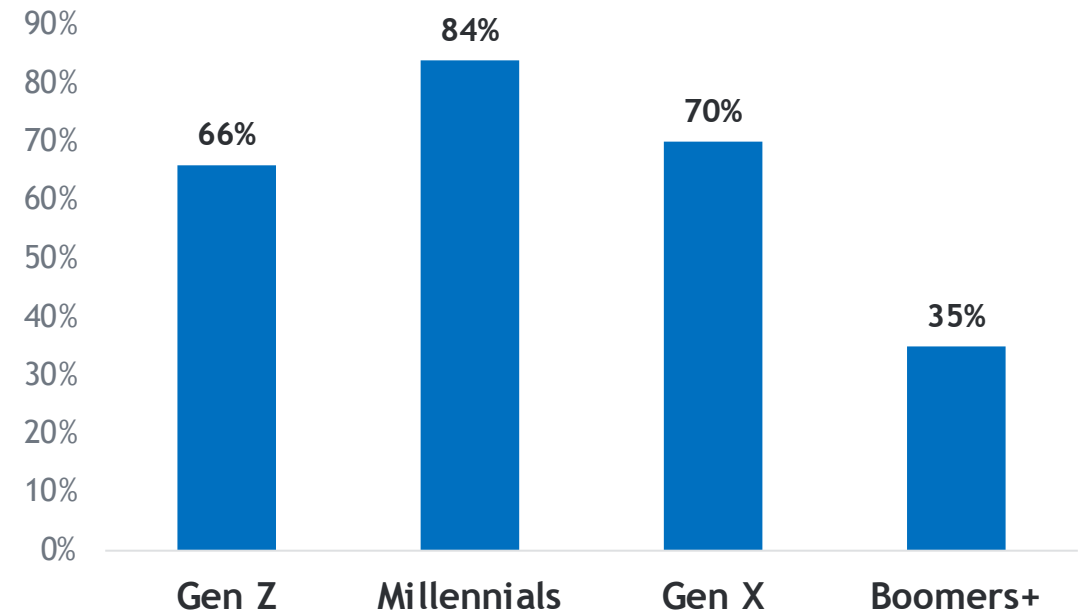
Source: 'National Vital Statistics Reports: United States Life Tables, 2021', U.S. Center for Disease Control (2023); America Counts Staff, "By 2030, All Baby Boomers Will Be Age 65 or Older", U.S. Census Bureau, Census.gov

...digitally enabled.

“I would switch financial services organizations for a better mobile banking app.”



“I am comfortable receiving financial advice via artificial intelligence (AI).”



Source: ‘BAI Banking Outlook Special Report: Banking Attitudes, Generation-by-Generation’, Bank Administration Institute and BAI Center (2021)

...personal.

85%

of GenYZ investors would like some form of behavioral coaching from their advisor.

4 in 10

GenYZ investors view a personalized financial plan as the key value of an advisor.

55%

of GenYZ investors want to align their investments with their values more than they want to maximize return.

~7 in 10

GenYZ investors would like an advisor who provides customized communications based on their needs.

Source: Institutional Insights: It's Time to Change Your Mind about Young Investors, Fidelity Institutional (2024).





Are you prepared to service multiple generations?

Many advisors don't
feel ready for this
wave of change.



Many advisors don't feel prepared to serve multiple generations.

Haven't truly differentiated themselves or their businesses meaningfully

Don't segment their clients other than by account size

Are too caught up with today to plan for the future

Don't have a strategy to attract millennial clients

Aren't thinking about how client habits and preferences have changed, or how their services should adapt

Source: FPA/SEI Online Survey on Innovation, August 2019; n=436 Financial Planners



A deeper look.

Advisors have held long-standing relationships with the Silent Generation and Baby Boomers.

Practices have been built around their needs and goals.

Advisor business model.¹

- 48% describe themselves as generalists who work with anyone who meets their minimum account size
- Only 24% currently segment their clients and prospects by niche

Too caught up in the here and now.¹

- 55% don't have a business plan in place yet—planning is difficult to fit in
- 18% don't believe that a plan is necessary
- 42% keep meaning to, but haven't gotten around to it

Why not Millennials.²

- There are more of them.
- And they earn more. Millennials now earn more than young adult households did at nearly any time in the past 50 years

¹ FPA/SEI Online Survey on Innovation, August 2019; n=436 Financial Planners

² Pew Research Center, FactTank, Millennials projected to overtake Baby Boomers as America's largest generation, Richard Fry, March 1, 2018, and Pew Research Center, FactTank, Young adult households are earning more than most older Americans did at the same age, Richard Fry, December 11, 2018

Redefining the business model to span generations.

Millennials suggest they will stay with their advisor if they offer assistance with monthly cash flow management, technology and cybersecurity.

Technology will be a top theme moving forward – coupled with a human touch – making hybrid platforms key in the future.

Services advisors plan to offer within the next five+ years.

Health insurance planning (e.g., Medicare, supplemental)	48%
Digital asset management (e.g., passwords, social media)	37%
Financial cybersecurity training	36%
Discretionary trust administration and management	33%
Robo-like investment platform	31%
Socially Responsible Investing (SRI)/Environmental, Social and Governance investing (ESG)	26%
Mental health capacity assessment (e.g., Dementia, Alzheimer's)	24%



Adapt (or else).

Develop a
strategy that
unlocks
opportunity.

Your firm must focus on these three things to remain viable.

1. **Make money meaningful** - adopting a goals-based approach focuses everyone on what matters.
2. **Segment, then serve** - clearly define your offer and service model to engage household members.
3. **Deploy technology, scale personalization** - digitally-enabled, personalized services are essential.

1. Make money meaningful.

Make financial conversations real for your clients.

It starts with their goals.

It's important to understand as much as possible about your client.

- What are their lifestyle needs?
- How will they provide for a surviving spouse?
- Do they want to provide for other family members?
- Who will inherit their assets and when?
- Should their children share equally in their inheritance?
- Should assets be placed in trust?
- Do they want to focus on philanthropy?
- Who will make decisions to carry out their wishes?

Financial plans should be directly aligned with what you learn.



Personalized behavioral coaching can help clients to remain invested.

**Coaching is
the key.**

Help combat your
clients' potential
for emotional
decision-making.

- Behavioral coaching goes beyond portfolio management:
 - Educate clients about emotional biases
 - Proactively talk to your clients about behavioral biases
 - Refrain from changing course when markets are volatile
 - Reframe your client experience around holistic engagement
 - Emphasize probability of plan success vs. performance
- Coaching efforts can be targeted more efficiently by understanding which areas of psychology affect clients

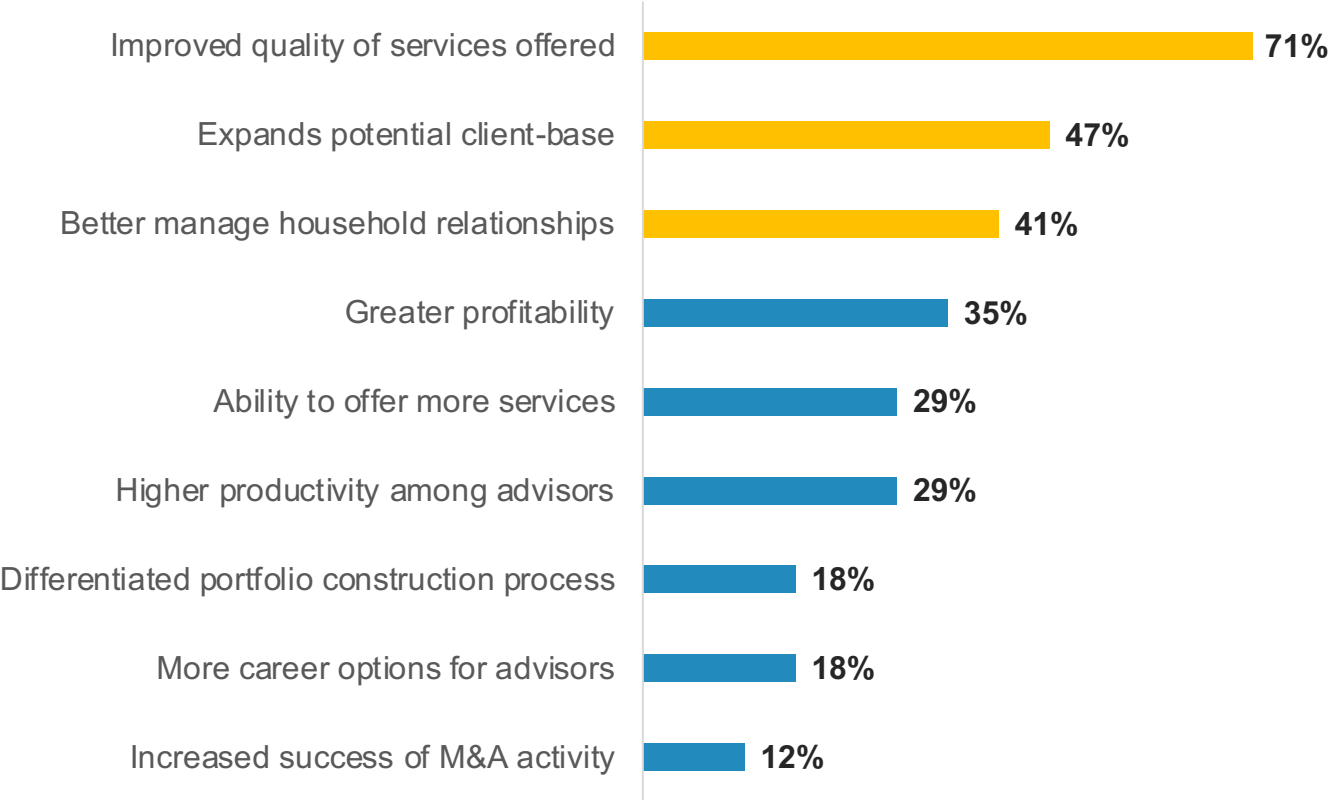
Source: Morningstar Magazine, Stop Teaching, Start Coaching. The limitations of the advisor-as educator role., Sarah Newcomb, April/May 2018;
http://www.nxtbook.com/nxtbooks/morningstar/magazine_20180405/index.php#/36

2. Segment, then serve.

Align resources to drive profitable growth.

Build options
for smaller
accounts.

Serve small
accounts while
deepening client
relationships.



Source: Private Banks and Bank Trust Companies: Benefits of the Firm's Segmentation Strategy, Cerulli Associates (2023)

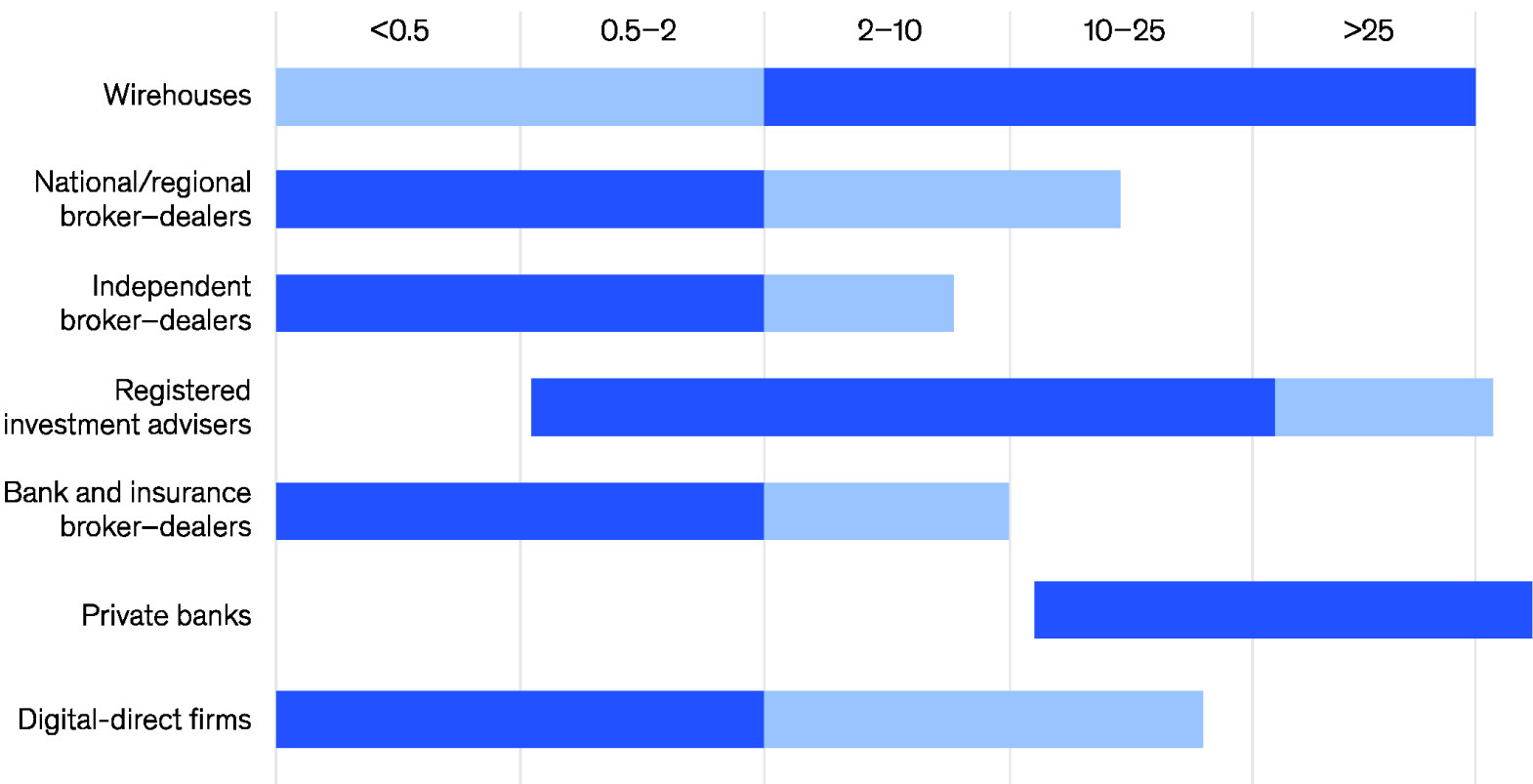


The traditional dividing lines are eroding, so client experience will be key.

Investable assets, 2017–21, \$ million

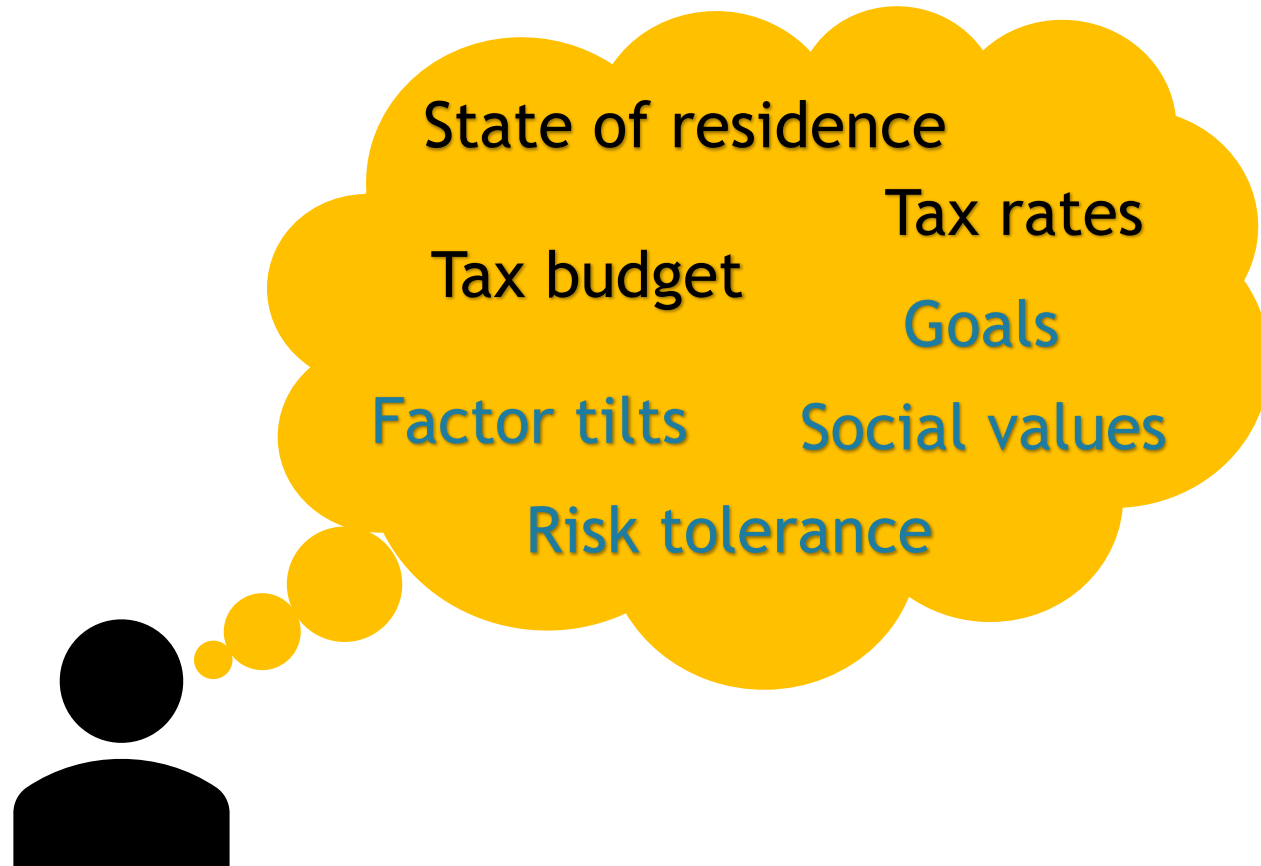
Illustrative; exact client focus depends on individual firm

● Historical focus ● New and recent focus



Source: McKinsey Wealth Management Survey

We learn a lot about investors on their journey from prospect to client.



Global

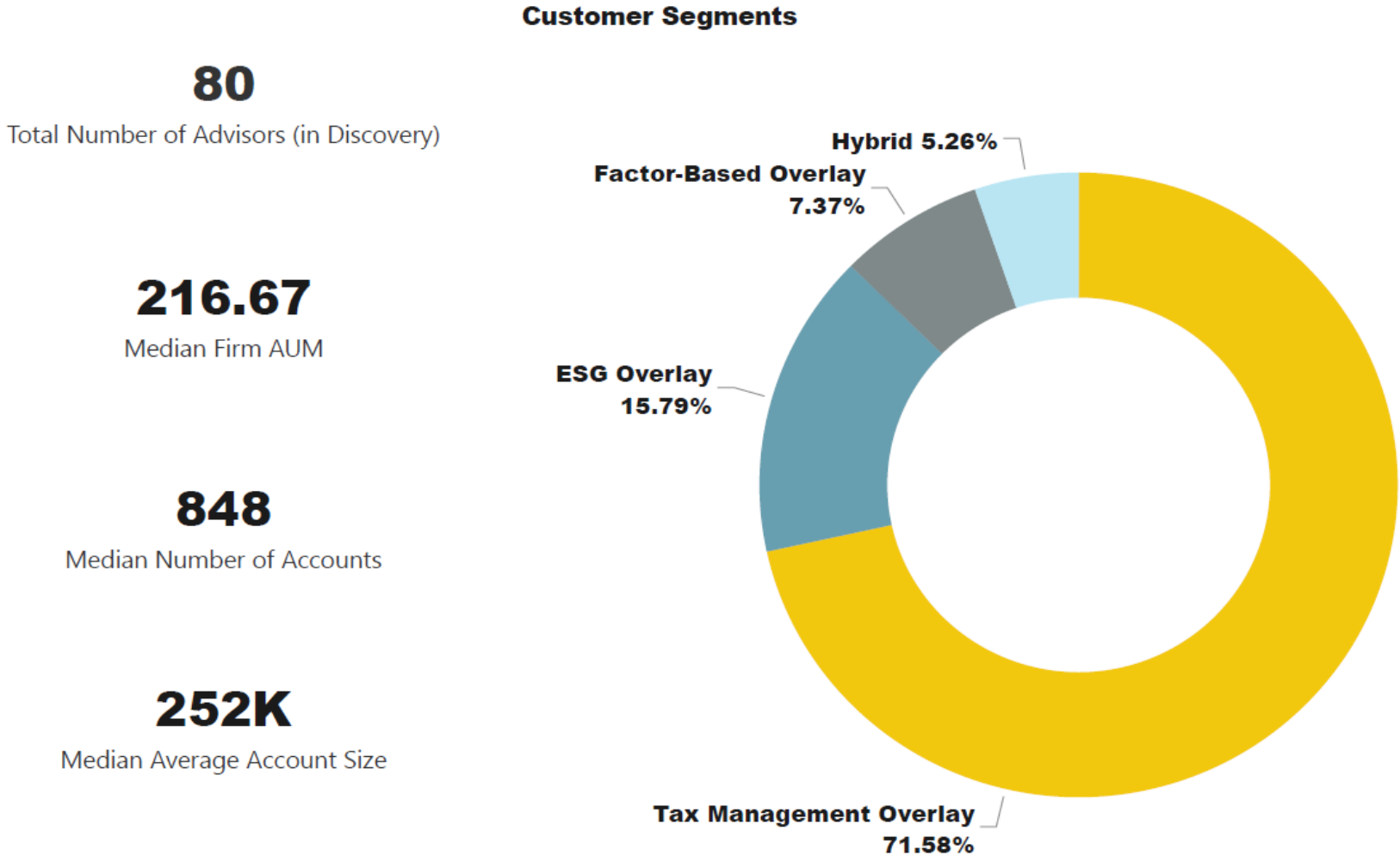


Account/UMA-Specific



Strategy-specific

Advisors we surveyed indicated these client personalization interests.














Source: SEI Direct Indexing Survey 2020, N = 95, and Discovery Data

3. Deploy technology, scale personalization.

Personalized client experiences can create stickier client relationships.

Deliver durable value.

Clients care about taxes, so use that to demonstrate value annually.

Investor Tax Alpha	Portfolio Planning	Tax Planning	
		Efficient Gifting Strategies	
		Conversion Strategies	
	Portfolio Setup	UMH & Asset Location	
		Tax Managed Portfolio Design	
		Scaled Custom Portfolios	
	Portfolio Management	Tax Loss Harvesting	
		Holding Period Management	
		Tax Lot Coordination	
		Tax Smart Rebalancing & Withdrawals	
		Portfolio Transition Management	

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Investing involves risk, including possible loss of principal. Bonds and bond funds will decrease in value as interest rates rise.

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