



2021

INVESTOR REPORT

by Julie Littlechild



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Research conducted by Absolute Engagement.**

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Evolution of the Exceptional Advisor

In March 2020, as Investments & Wealth Institute and Absolute Engagement prepared to conduct the annual investor study, the significance of the timing was not yet clear. With the benefit of hindsight, the significance of the timing is clear. The results told the story of declining loyalty, reduced self-confidence, and shifting needs and values. Fast forward about 12 months, and the timing is equally significant, providing a snapshot of how client needs, expectations, interests, and preferences changed within a relatively brief period.

The ongoing investor data gathered over several years support the Exceptional Advisor Model. In many ways, the fundamentals of an exceptional experience have not changed. However, the study is a reminder that exceptional advisors must respond to the changing needs, priorities, and values of their clients and that those very things can shift during periods of extreme uncertainty, such as the coronavirus pandemic. Sometimes those changes are temporary, but the data is clear that many are more permanent.

The data is a reminder that:

- We cannot assume things will go back to normal.
- We cannot assume what clients need now and if or how that has changed.
- We cannot assume that clients want the same experience that was delivered prior to March 2020.

Among the highlights of the research are the following:

- Overall, clients are satisfied with their advisory relationship; however, loyalty is being tested.
- The most significant client concerns have less to do with the level of service being provided and more to do with their own level of self-confidence about their financial future. They are concerned about personal or family health, market uncertainty, helping their children make good financial decisions, job security for their children, and caring for elderly parents.

All Survey Respondents:

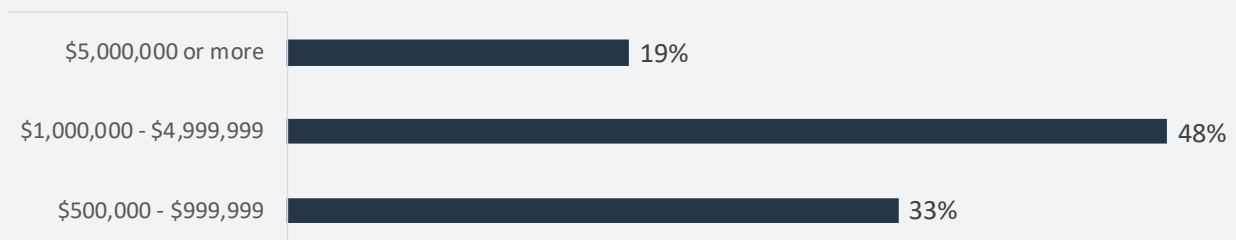
- Worked with a financial advisor
 - Made/contributed to financial decisions
 - Met investable assets criteria (\$500,000)
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- The pandemic is changing how we think about the future. A minority of respondents indicated they had been negatively impacted financially by the pandemic, but two-thirds of respondents indicated that they have changed how they think about the future.
 - The client experience needs to evolve
 - Advisors will need to invest more time in client reviews, with a quarter of clients looking for more contact going forward.
 - Almost as many respondents prefer in-person reviews as prefer virtual reviews or have no preference.
 - Respondents are clear that the quality of a virtual review can be as high as in-person (and sometimes higher).
 - Personalization will become more important in the future to respond to the wide range of client needs and interests.
 - The foundation of the exceptional experience has not changed.
 - Respondents continue to rate trust, expertise, and ethics among the most important attributes of the advisory relationship.
 - Multiple, voluntary designations continue to be important to demonstrate expertise and stand out in a crowded marketplace.

Methodology

To support advisors defining and evolving an exceptional client experience, Investments & Wealth Institute and Absolute Engagement gathered input from 750 high-net-worth (HNW) investors. Data was gathered via online surveys during April and May 2021. Profile information for respondents can be found in Appendix One.

The study focuses on understanding the needs and concerns of HNW investors. The sample, based on total investable assets, breaks down as follows.

Q: Please tell us which best describes your current total investable assets.

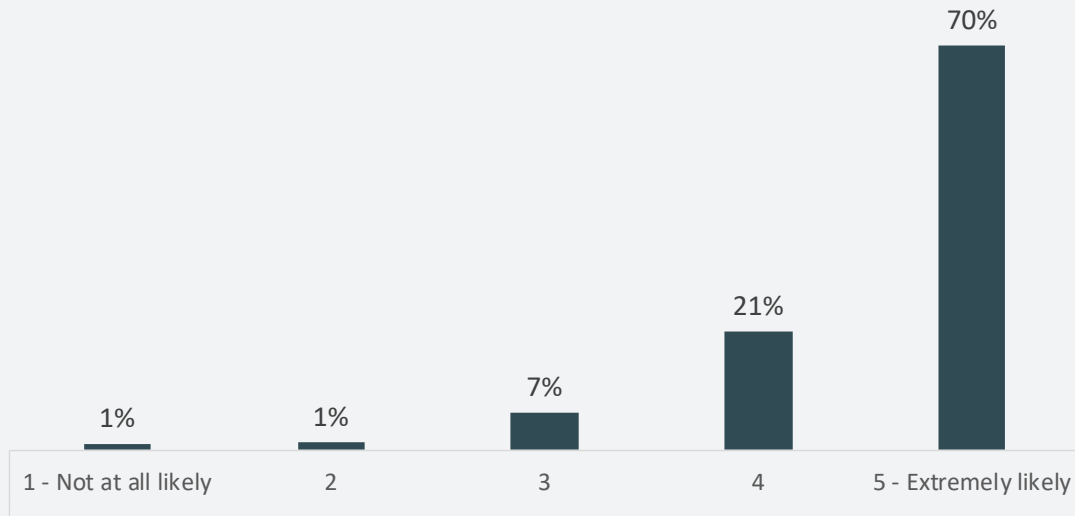


Setting the Stage

In 2021, clients continued to report strong relationships with their advisors. Both satisfaction and Net Promoter Score¹ were relatively unchanged from 2020.

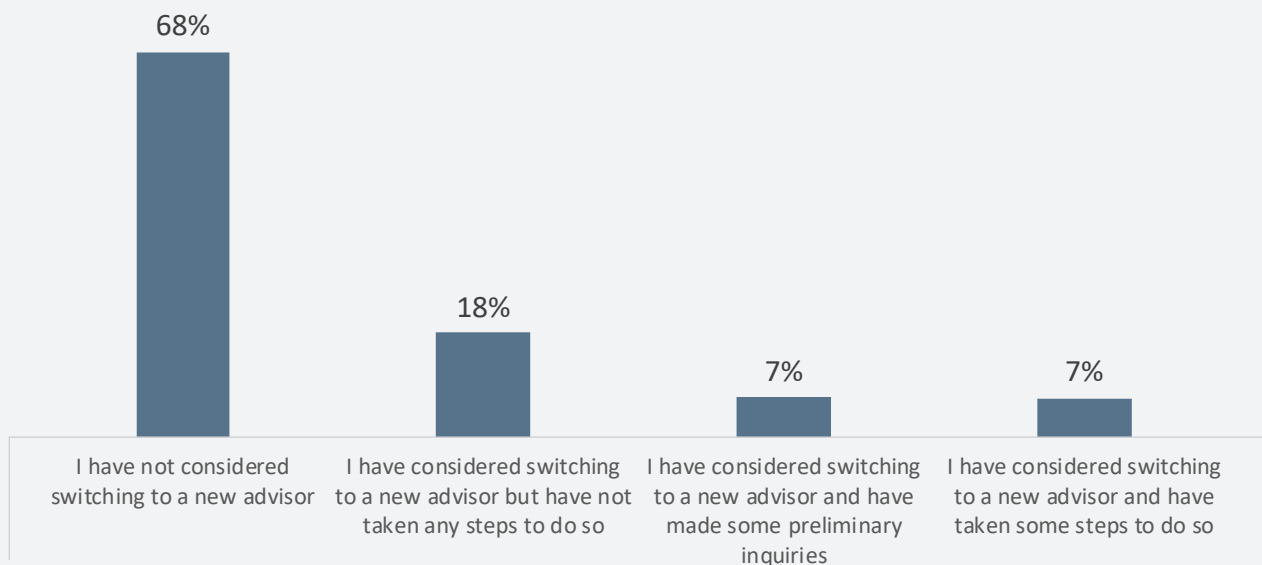
- 92 percent of clients are somewhat satisfied (25 percent) or very satisfied (67 percent)
- Net Promoter Score is 46, with 59 percent reporting as Promoters and 13 percent as Detractors

Q: How likely are you to continue to use your financial advisor to manage your financial plan or portfolio in the next 12-24 months?



Although overall loyalty is high, with 91 percent of clients saying they are somewhat or very likely to continue working with their advisor, about one-third of clients say they have considered making a change. This is a one percent increase over 2020 and an 11 percent increase over 2019.

Q: Thinking about your primary advisor, which best describes your desire to stay with him or her, or not?



¹Net Promoter Score asks how likely an investor is to recommend his/her advisor to a friend or family member in the next 12 months. A Promoter scores a 9 or 10. A Detractor scores from 0 to 6.

To understand what is driving the softness in loyalty, the research examined satisfaction gaps in different aspects of the relationship between advisors and their clients. Satisfaction gaps are identified by comparing the importance of a particular statement to satisfaction on the same statement. A negative gap appears when satisfaction is lower than importance. The table below shows the statements with the largest satisfaction gaps.

Q: How important are the following to you?

Statement	Very Important	Completely Agree	Gap
I feel financially secure.	78%	56%	-22%
My advisor puts the needs of me and my family first when making recommendations regarding our plan or portfolio.	79%	61%	-18%
I am confident that I will reach my financial goals.	72%	56%	-16%
I feel in control when it comes to reaching my financial goals.	70%	56%	-14%
I receive good value for the fees I pay my advisor.	71%	58%	-13%
I am satisfied with my long-term investment performance/returns	76%	63%	-13%

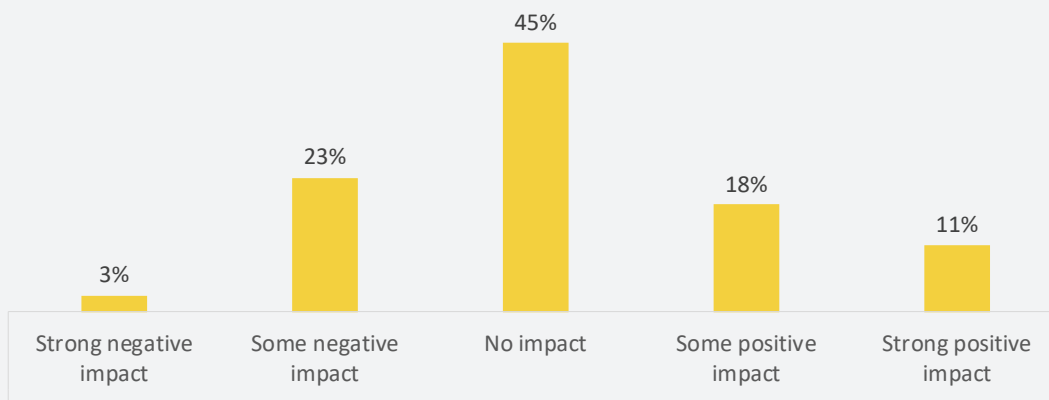
The data highlights something important and which was first reported in 2020. The most significant gaps relate to how clients are feeling about their financial future and are less about the service being provided. Absolute Engagement refers to this as “client self-confidence” and created an index to measure this with clients.

Although market uncertainty has not been as significant as initially expected going into the pandemic, respondents still feel a sense of vulnerability. It is important to note that client self-confidence is positively connected to higher satisfaction and loyalty.

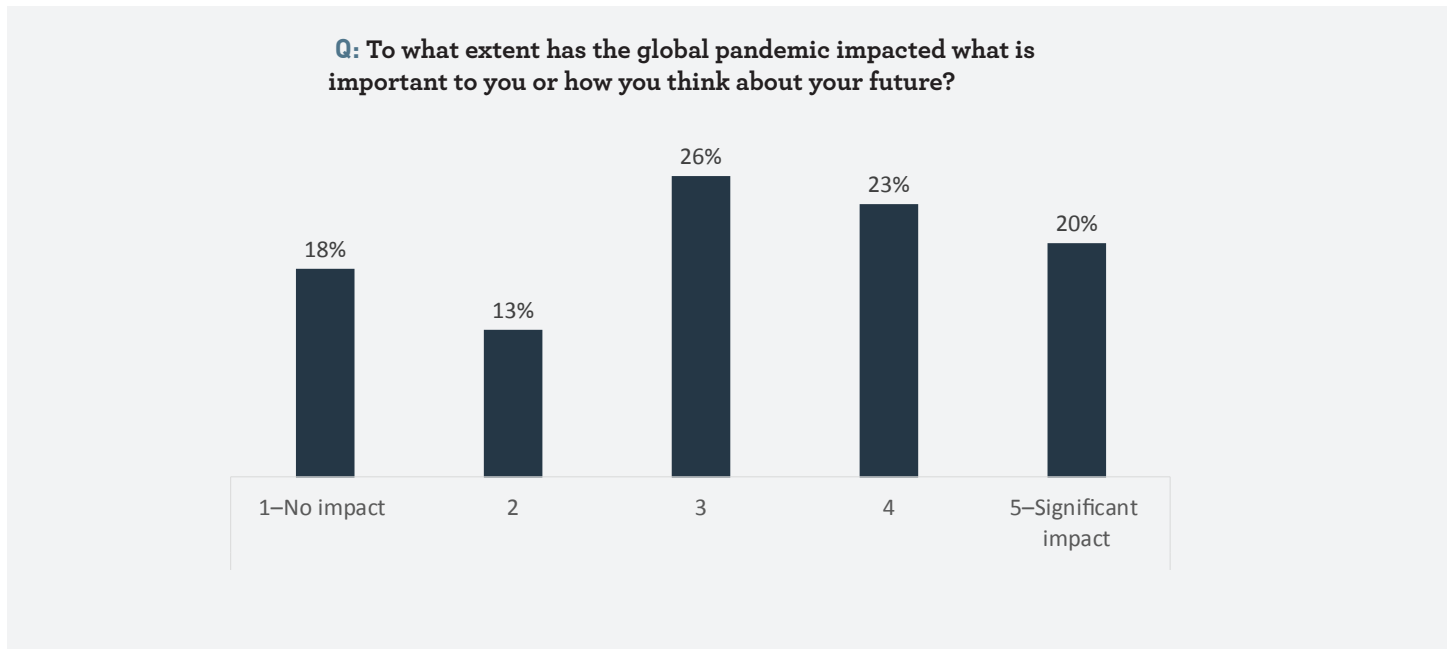
The Financial Impact of the Pandemic on Clients

Fifty-five percent of HNW respondents report some financial impact from the global pandemic and are equally split as to whether the impact was positive or negative.

Q: How has the global pandemic impacted you financially?



Respondents were more likely to report that the pandemic had impacted their financial futures in ways that are not purely financial. Two-thirds of respondents indicate that they have changed how they think about the future.



And although more than three-quarters of respondents indicated that there would be some change, there was little consistency in defining those changes. Spending less and updating their financial plan were the top two choices among those making a change.

Q: How, if at all, has the global pandemic changed how you are preparing for your financial future? Please select all that apply.

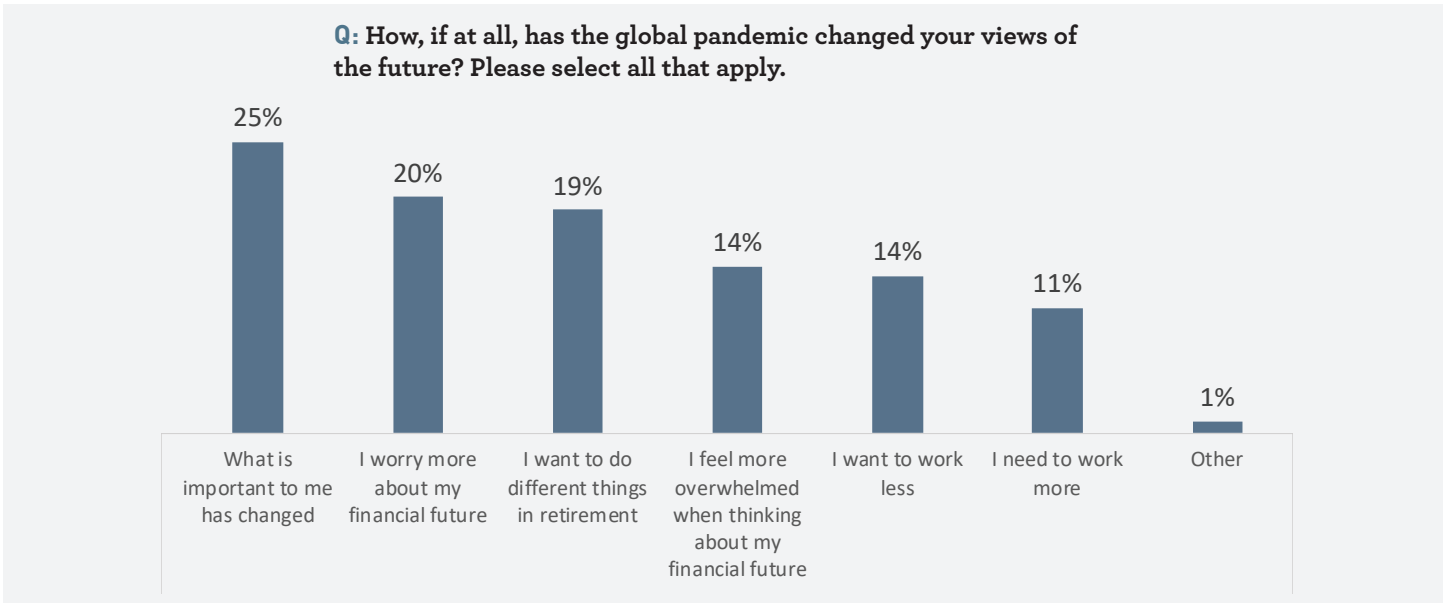
Spend less, overall	27%
Update my financial plan	24%
Update my will	22%
Spend more money on things we want/experiences	21%
Update my estate plan	18%
Give more to charity	14%
Review my beneficiaries	14%
Set different goals for my financial future	14%
Increase the amount of insurance I have in place	12%
Relocate to a different area	9%

Among the small percentage of respondents who indicated they would move to another area, their reasons were more likely to be lifestyle (62 percent) or being closer to family (59 percent) than tax savings (45 percent). Younger respondents were more likely to say they will set different goals for their financial future and give more to charity. Respondents who were closer to retirement were more likely to say they would reduce their spending.

The Real Impact of the Global Pandemic on Clients

When examining data, we often look for significant shifts in one direction or another. When it comes to client mindset, for example, we might look to see if a majority of clients describe what they have experienced in a certain way.

Sometimes, however, the most important finding is simply that change is happening; the specifics of that change are as different as the people participating in the study. That is the case when we examine the very human issue of responding to a global pandemic. Sixty-two percent of respondents said their behaviors or feelings had changed, with one-quarter of those indicating a shift in what they considered important.



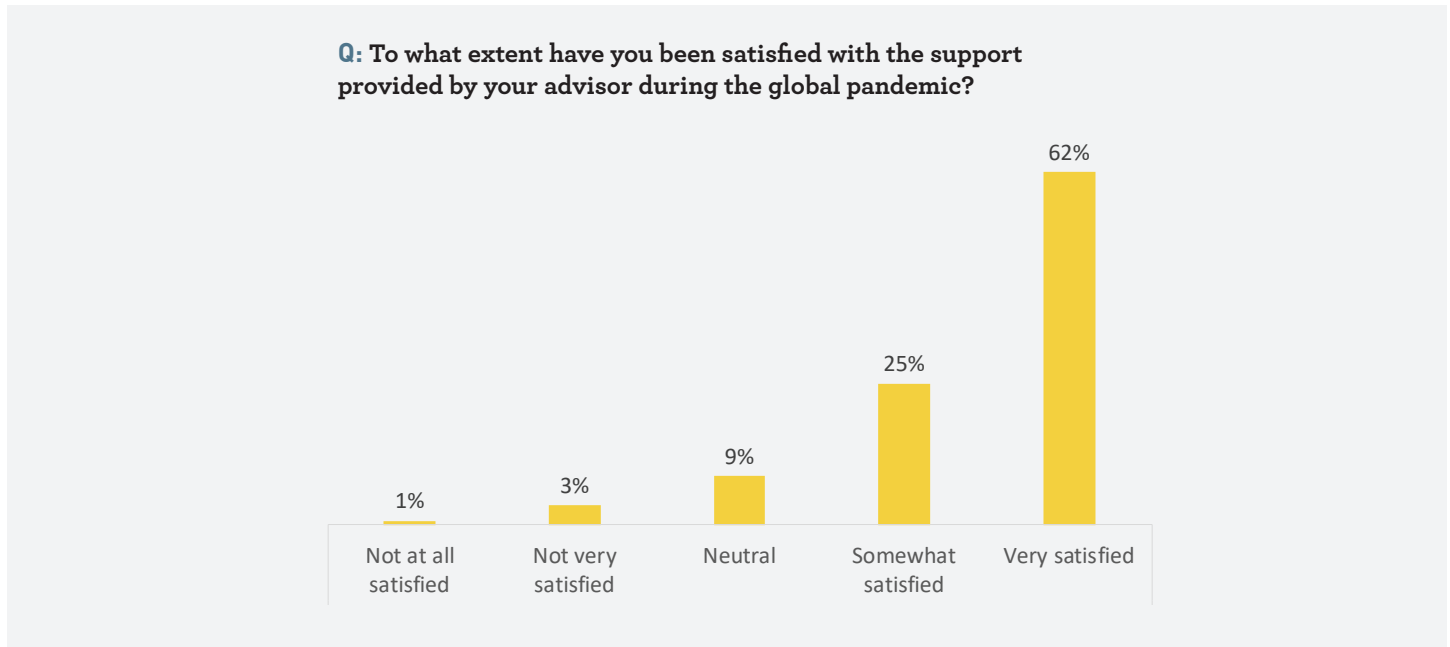
When we focus on client concerns, we see a similar story—a relatively high level of concern across a range of issues. Personal and family health top the list, followed by the impact of market turbulence or uncertainty. Further, many respondents indicated that those concerns had increased as a result of the pandemic. Forty percent of respondents said they were more concerned about health, and 30 percent said they were more concerned about market turbulence.

Q: How would you rate your level of concern with each of the following right now?	Somewhat concerned	Very concerned	Total
Personal or family health	37%	35%	72%
Market uncertainty/turbulence	40%	28%	68%
Helping your children make good financial decisions	34%	29%	63%
Job security for my children	32%	31%	63%
Caring for elderly parents	30%	32%	62%
Managing personal or financial stress	30%	23%	53%
Ensuring my partner/spouse is taken care of should I pass away first	28%	30%	58%
The value of my portfolio	28%	30%	58%
Ability to sell my business	25%	29%	54%
Having enough money to retire comfortably	24%	29%	53%
Personal job security	22%	26%	48%
Having enough time to spend with my family	24%	23%	47%
Ability to retire when I had planned	19%	23%	42%
The quality of education my children are receiving	17%	20%	37%

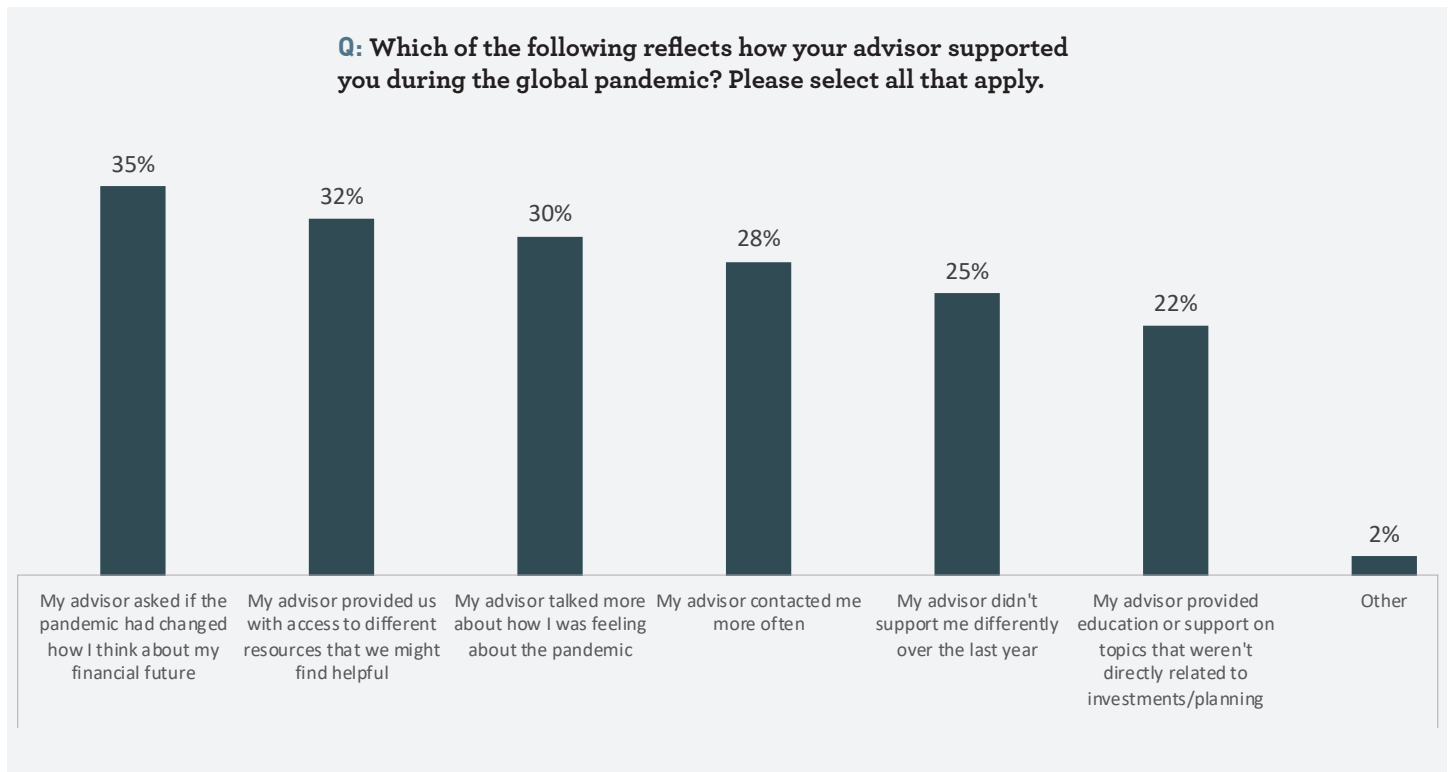
When viewed through the lens of age, an interesting pattern emerges. The youngest segment (younger than age 45) worried more about all the topics that were examined, and the level of concern declined with age across all topics.

Advisor Report Card

Overall, clients are happy with the support they received from their advisor during the pandemic, with nearly 90 percent saying they were somewhat or very satisfied.



There was little consistency, however, in describing the support received. Of particular note is that only 35 percent of respondents reported that their advisor asked how the pandemic would impact their financial future.



Across the board, respondents who were engaged were more likely to indicate their advisor has provided additional support through the pandemic—the most significant gap related to increased contact. Forty-three percent of engaged clients indicated their advisor contacted them more often during the pandemic, dropping to 22 percent among those who are not engaged.

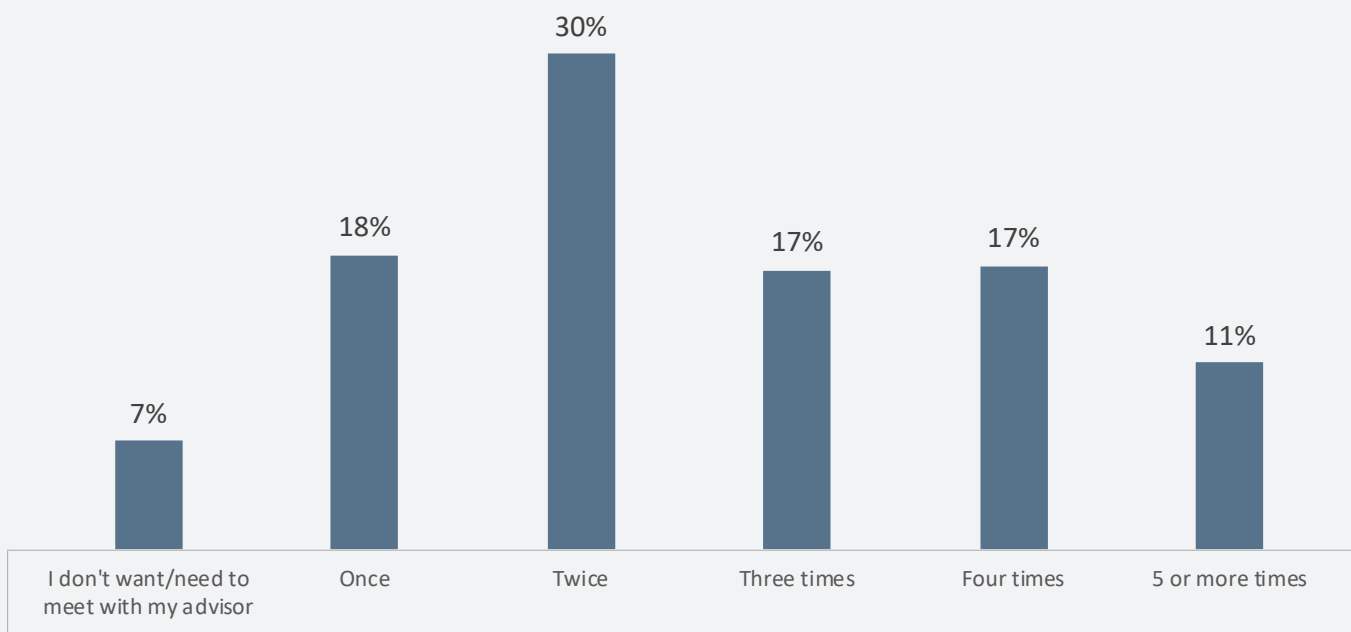
The Evolution of Exceptional

It is clear the client experience will need to change to reflect changing expectations. Although many changes were forced upon the industry, some of those changes will endure if advisors respond to changing preferences. Rather than assuming we are going back to the way things were, advisors would do well to reevaluate their client experience.

Frequency of Reviews

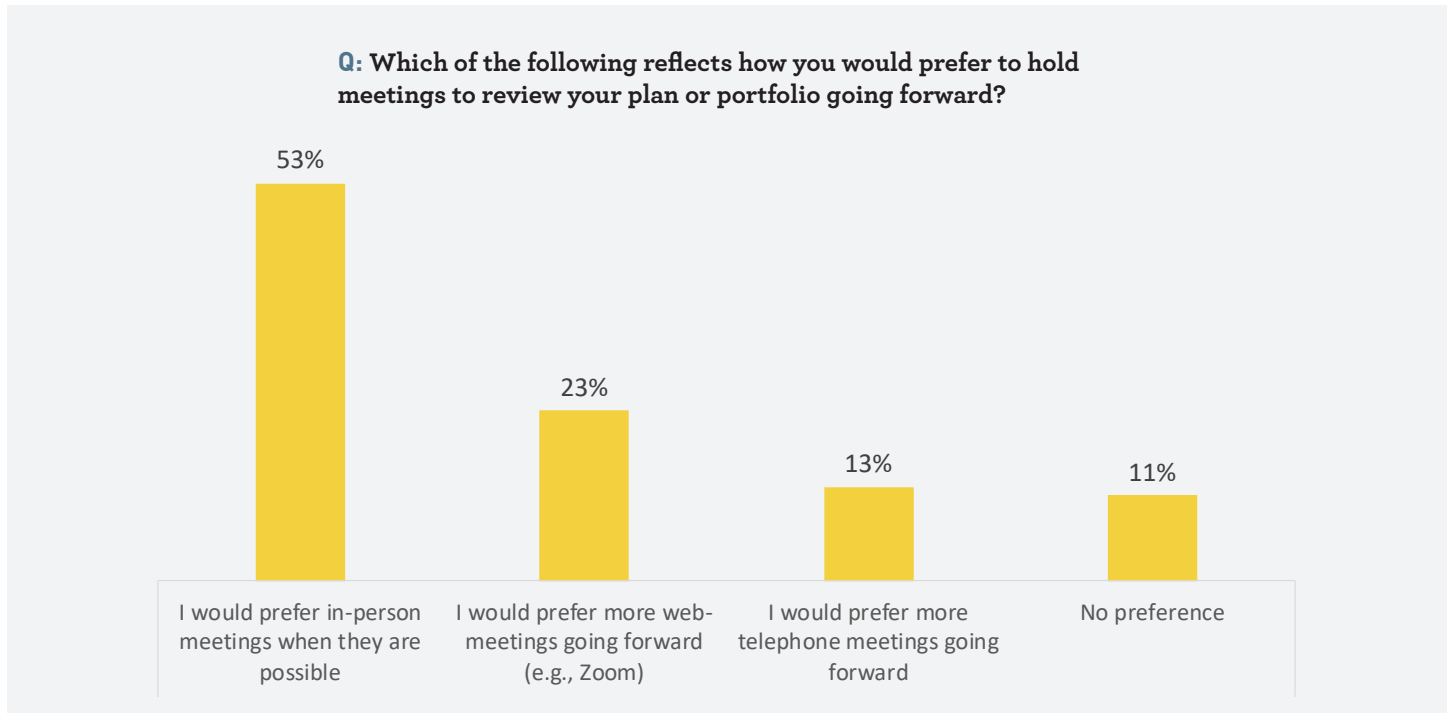
Going forward, HNW respondents said they would like to meet with their advisor, on average, 2.5 times per year. Expectations are strongly influenced by both age and wealth, with younger clients and wealthier clients looking for more frequent reviews. For one-quarter of respondents, the number of reviews they expect in the future is higher than they would have wanted in the past. This means, of course, that advisors will need to increase the amount of time they invest in client reviews.

Q: How often would you like to meet with your advisor in the next 12 months to discuss your plan or portfolio?



Form of Reviews

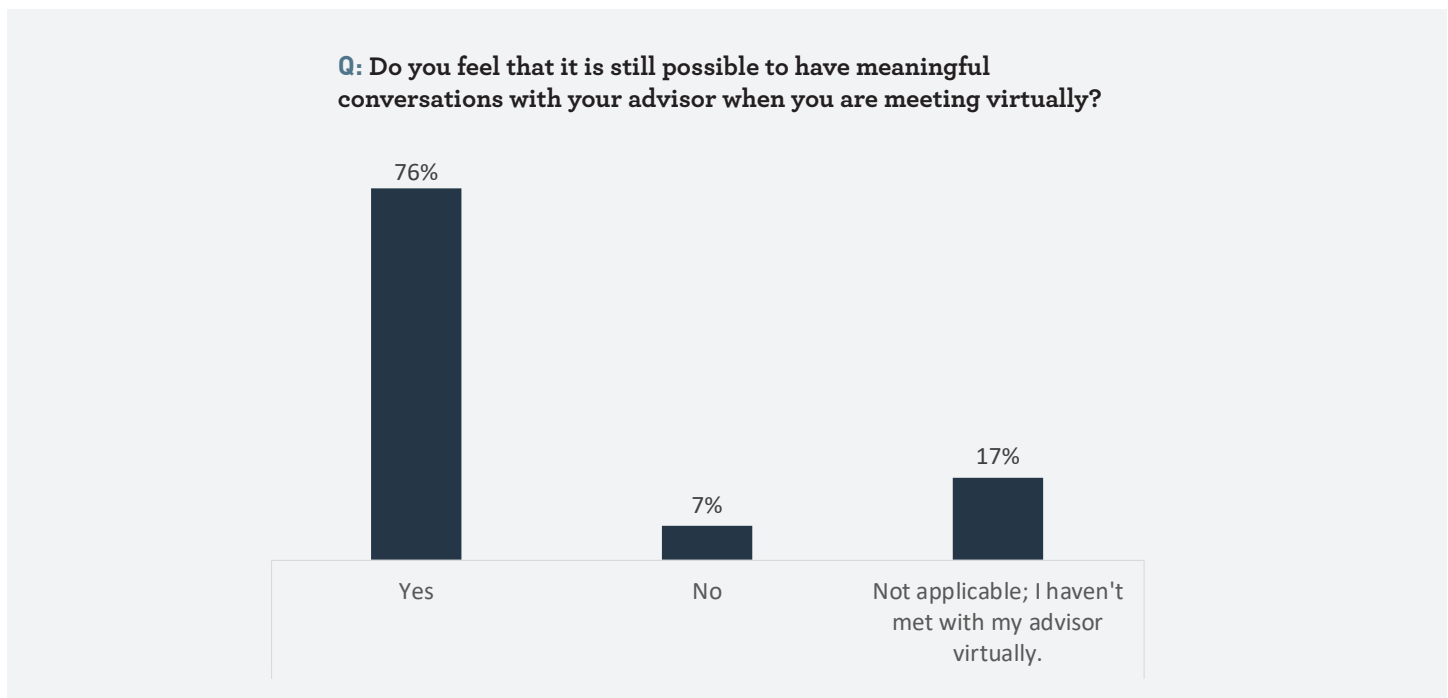
As the coronavirus pandemic took hold, advisors had no choice but to shift to virtual meetings. The question, of course, is this: Are we going back? The data is clear that we are not and that a hybrid solution will be required. Just more than one-half (53 percent) of respondents said they want to go back to in-person reviews, leaving almost as many with a preference for online meetings or no preference at all.



Preferences regarding in-person reviews do not vary dramatically by age; however, the youngest client segment (younger than age 45) is more likely to prefer virtual reviews, whereas older clients are more likely to say they have no preference.

The Quality of Virtual Relationships

Anecdotally, advisors have expressed concerns about their ability to connect deeply with clients virtually. Clients do not appear to share the same concerns. A significant majority of respondents said it was possible to have meaningful conversations virtually.

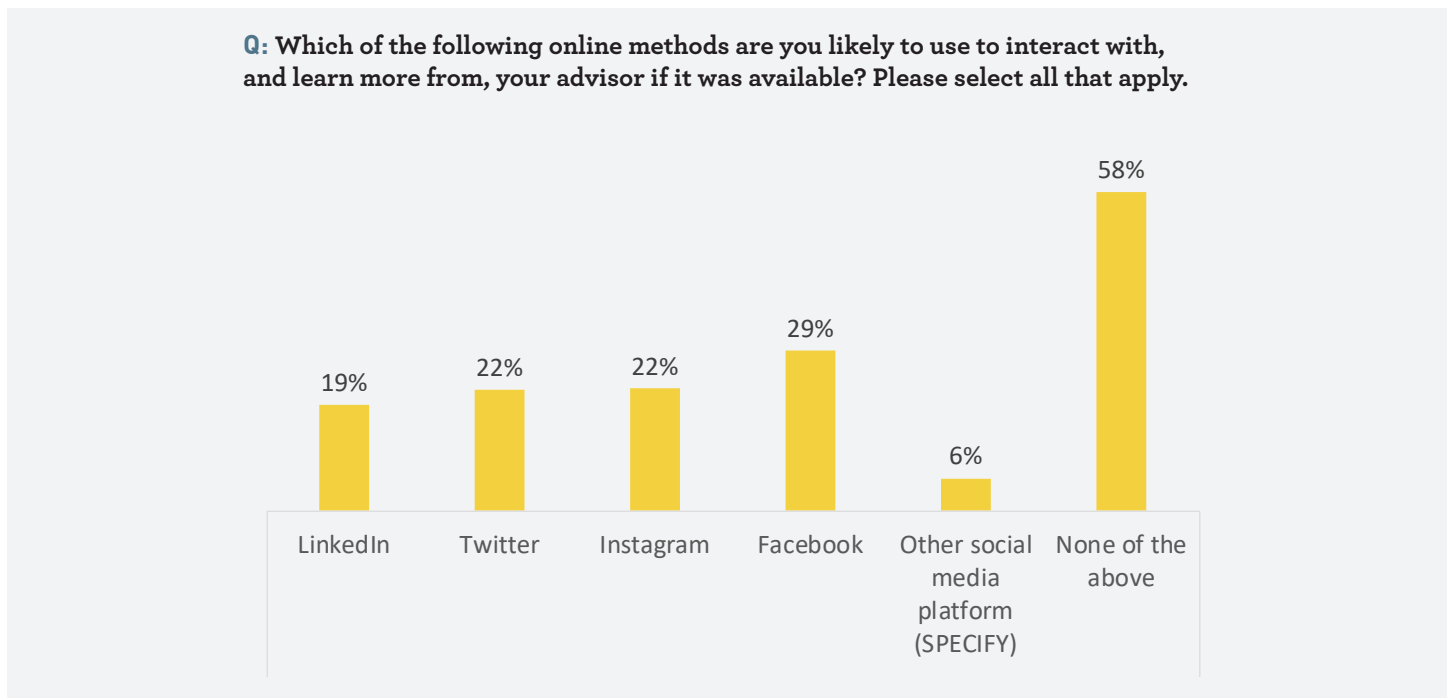


More specifically, a majority of respondents said the quality of virtual reviews is either the same (54 percent) or even better (19 percent). Of note, a small percentage of clients (6 percent) reported that they have always met virtually with their advisor.



Social connections

The data shows that 42 percent of respondents are likely to interact with their advisor via social media if that was available. According to Absolute Engagement, this number has been increasing based on its ongoing research conducted on behalf of advisors.



Male respondents were more likely to indicate that they would connect with their advisor on social media (53 percent) compared to female respondents (30 percent). Age also plays an important role, which is something to consider as advisors look to provide an exceptional experience to their younger clients. Eighty-eight percent of respondents younger than age 45 selected one or more forms of social media, dropping to 14 percent for those age 65 or older.

Client Communications

Respondents indicated an interest in learning about different topics from their advisor, with 85 percent selecting at least one subject. Of interest, however, is the general lack of agreement on which topics are of interest. The top two choices were “changes to tax legislation as a result of a new administration” and “keeping personal data safe,” selected by one-third of respondents. This highlights the need for personalization in communications in order to focus on the right topics.

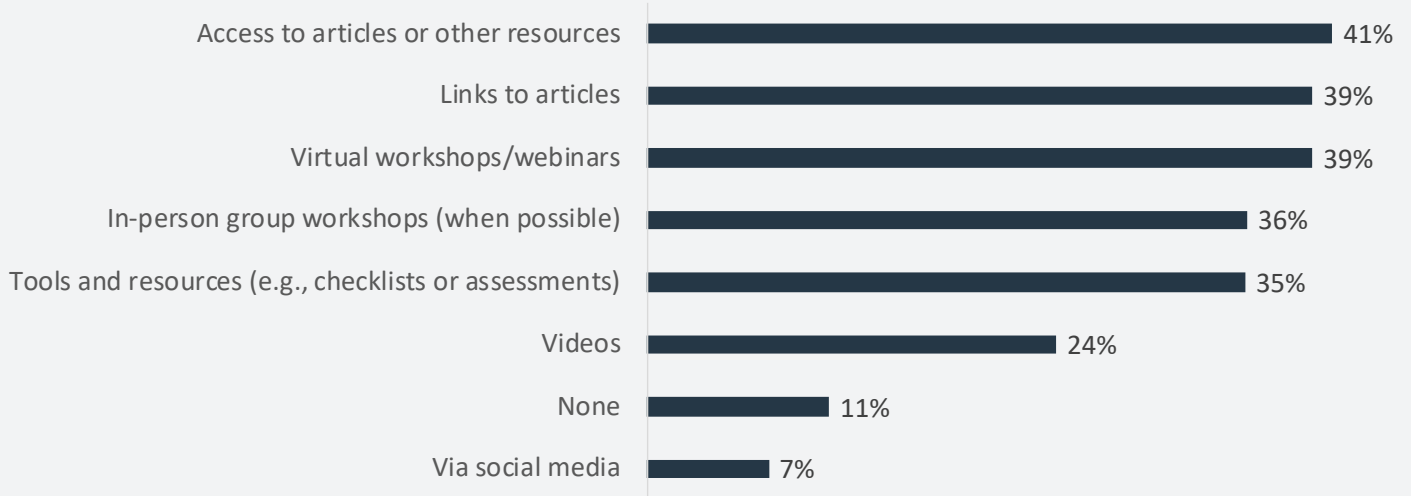
Q: Which of the following topics would you be interested in learning about? Please select all that apply.	
Changes to tax legislation as a result of a new administration	33%
Keeping your personal data safe	33%
Health and wellness	27%
General education on investments or the markets	26%
Leaving a financial legacy for your children	25%
Creating a meaningful vision for the next phase of your life (e.g., in retirement)	23%
Helping your children make better financial decisions	21%
Communicating with your spouse/partner effectively about money	15%
Opportunities and challenges associated with moving to another state/country	15%
Communicating about money with your children	15%
Finding volunteer opportunities	15%
Leaving a financial legacy for a charity	13%
Caring for aging parents	12%
Thinking about second careers	12%
Developing a plan to transfer your business to a successor	9%

Although many of these topics have always been of interest, respondents were most likely to say that their level of interest in the following issues had increased since the start of the pandemic.

- Changes to tax legislation as a result of a new administration
- Health and wellness

And although the topics of interest for respondents had changed, so too had their preferences about how educational content is delivered. Respondents were most likely to choose formats that could best be described as “accessible on-demand,” such as access to articles or other resources.

Q: Content and educational information can be delivered in many ways. Please select your top three preferences for receiving educational content from your advisor.



The Foundation of Exceptional

There is no doubt that much has changed when it comes to delivering an exceptional experience. That said, much has remained consistent. Simply stated, the expectations of HNW investors have changed less when it comes to the core characteristics of their advisor and more when it comes to how service is delivered. Characteristics such as trust, expertise, and ethics are still critical.

Q: How important are the following to you? (Percentage rating ‘very important’)

Statement	Rating “very important”
My financial advisor is trustworthy.	86%
My advisor is knowledgeable.	85%
My advisor has high ethical standards.	83%
My advisor puts the needs of my family and I first when making recommendations regarding our plan or portfolio.	79%
I feel financially secure.	78%

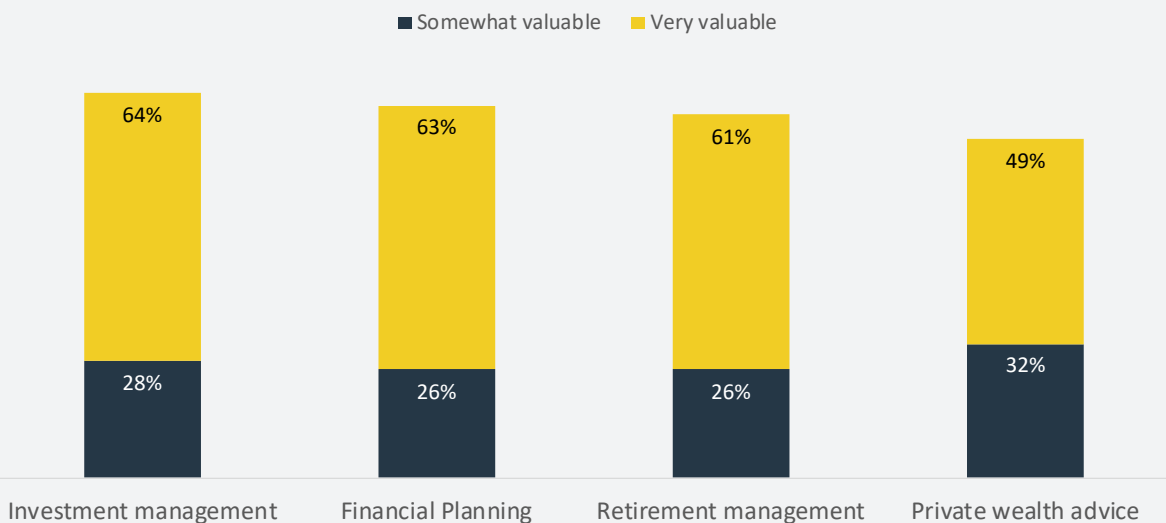
These characteristics have always created the foundation of the Exceptional Advisor Model.



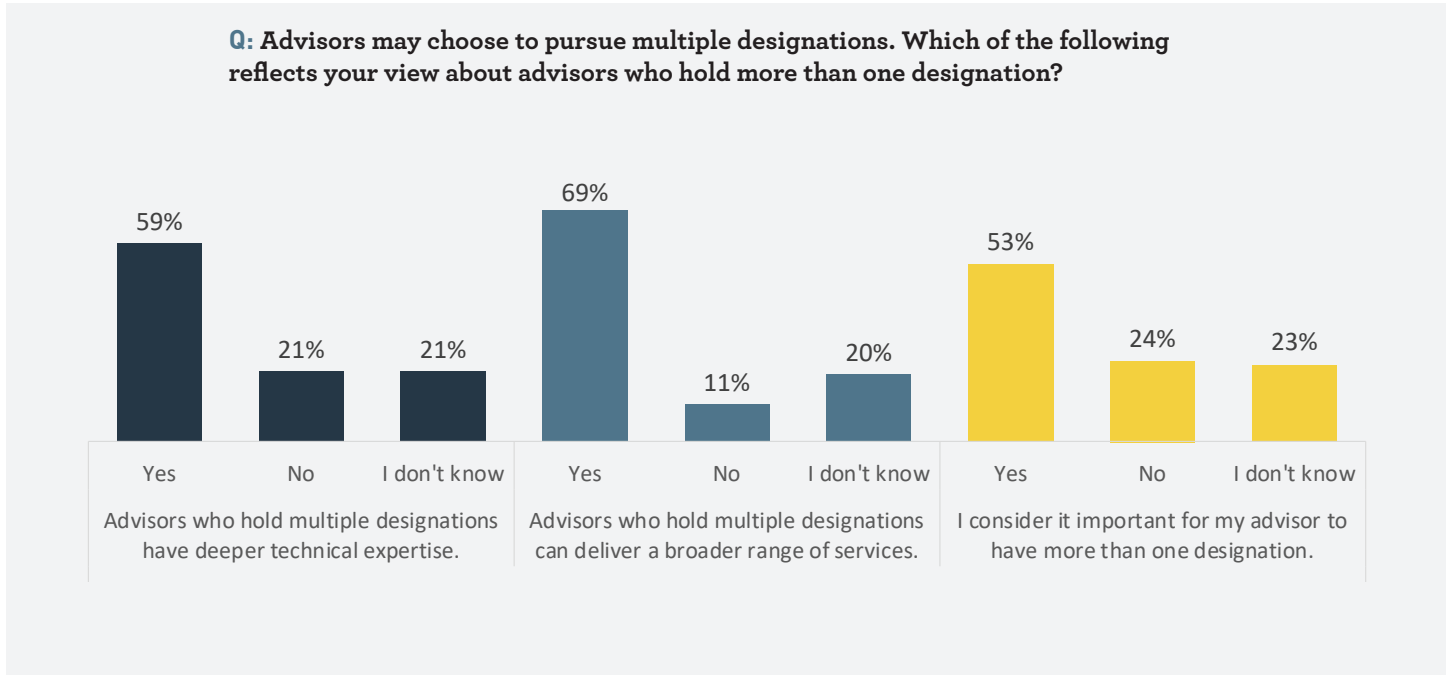
A Focus on Advanced Capabilities

HNW investors value voluntary certifications as a demonstration of expertise. More than 90 percent say they value voluntary certifications in investment management.

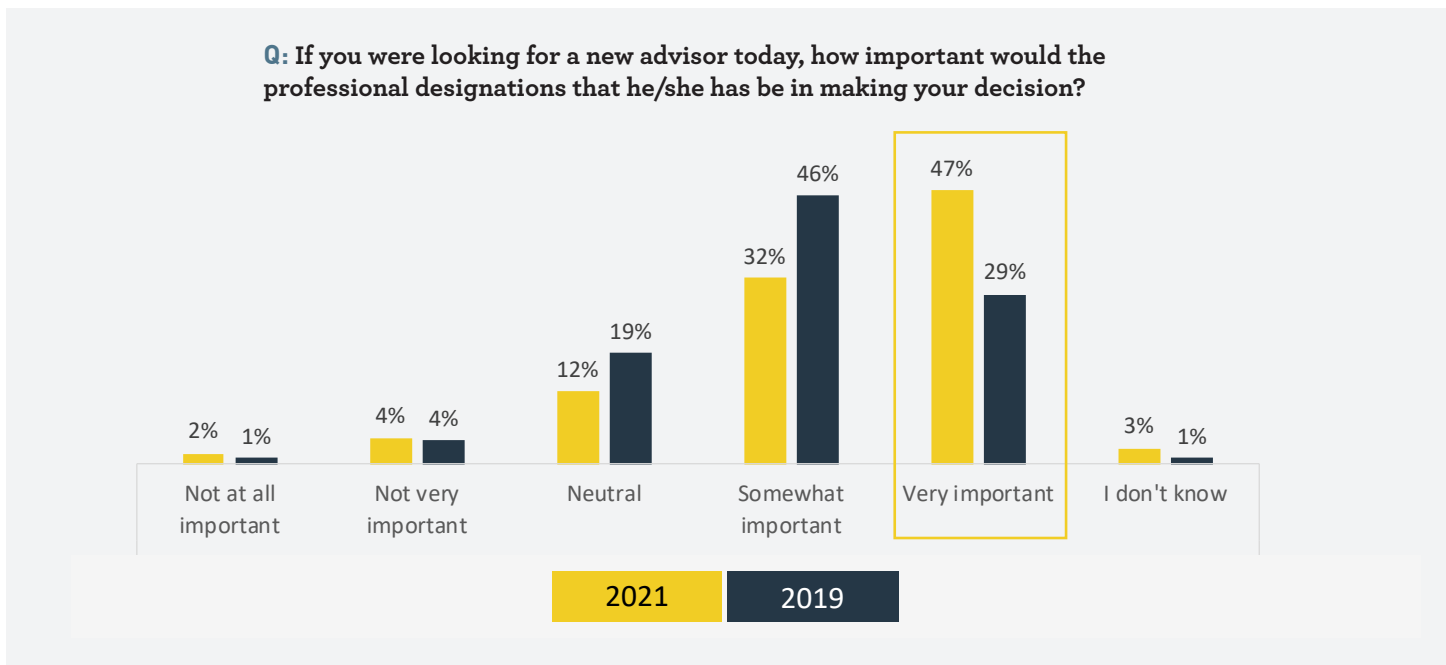
Q: It would be valuable to me to know that my advisor, or his or her team members, has voluntary certifications related to the following areas of expertise



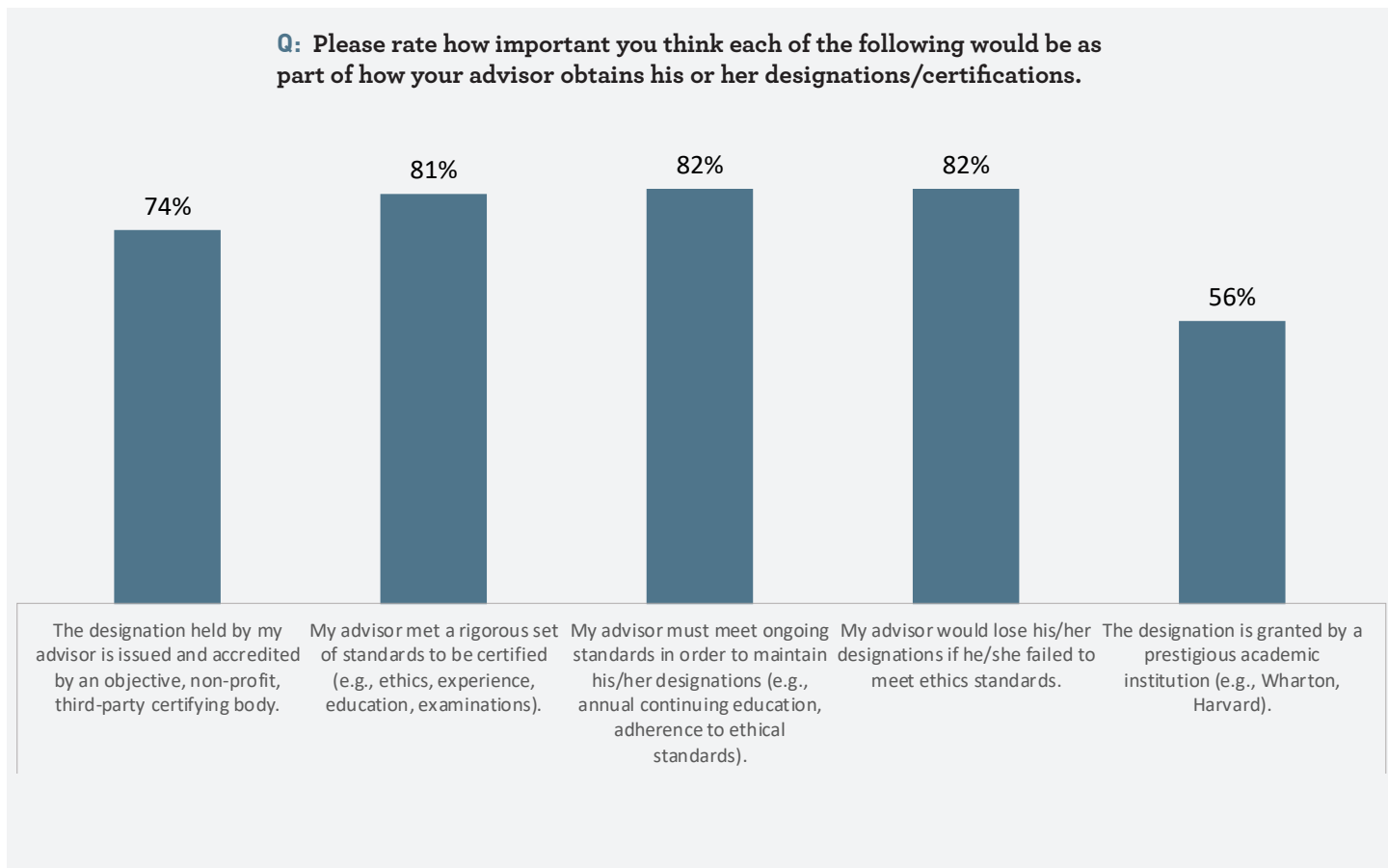
The data highlights that HNW investors also value multiple designations, with nearly 70 percent indicating that this allows advisors to deliver a broader range of services and nearly 60 percent indicating that this is a demonstration of greater technical expertise. More than one-half of respondents indicated it is important for an advisor to have more than one designation.



As a result, HNW investors use designations as a way to vet potential advisors. Nearly 80 percent of respondents said professional designations would be somewhat or very important in helping make a decision if they were looking for a new advisor today. Notably, the importance of credentials to clients has grown significantly, particularly in the last two years. Compared to 2019, there was a 62 percent increase in the percentage of clients who listed the value of designations as “very important” if searching for a new advisor today.



Although HNW respondents consider designations an important way for their advisors to demonstrate technical expertise, they also consider what is involved in achieving those designations. Of particular importance would be knowing their advisor would lose his/her credentials if he/she failed to meet ethics standards, the need for ongoing education to maintain designations, and a clear and rigorous set of standards to be certified.



What is clear is that once advisors have invested the time and effort to achieve one or more designations, investors understand the value as both a way to demonstrate technical expertise (79 percent) and set the advisor apart (73 percent)

Q: To what extent do you agree or disagree with the following statements?

The designations held by my advisor are an important way to demonstrate technical expertise.		The designations held by my advisor set him/her apart from other advisors.	
Completely disagree	1%	Completely disagree	1%
Somewhat disagree	2%	Somewhat disagree	4%
Neutral	14%	Neutral	17%
Somewhat agree	36%	Somewhat agree	31%
Completely agree	43%	Completely agree	42%

Conclusion

The 2021 HNW investor study shines a light on the great work that advisors are doing in supporting their clients, and how that support will need to change and evolve. Advisors can take pleasure in the fact that satisfaction is high, and clients feel supported. At the same time, it is critical to acknowledge that the client experience will need to evolve because clients have changed. Their expectations have changed. Their preferences have changed. And in some cases, their concerns and aspirations have changed.

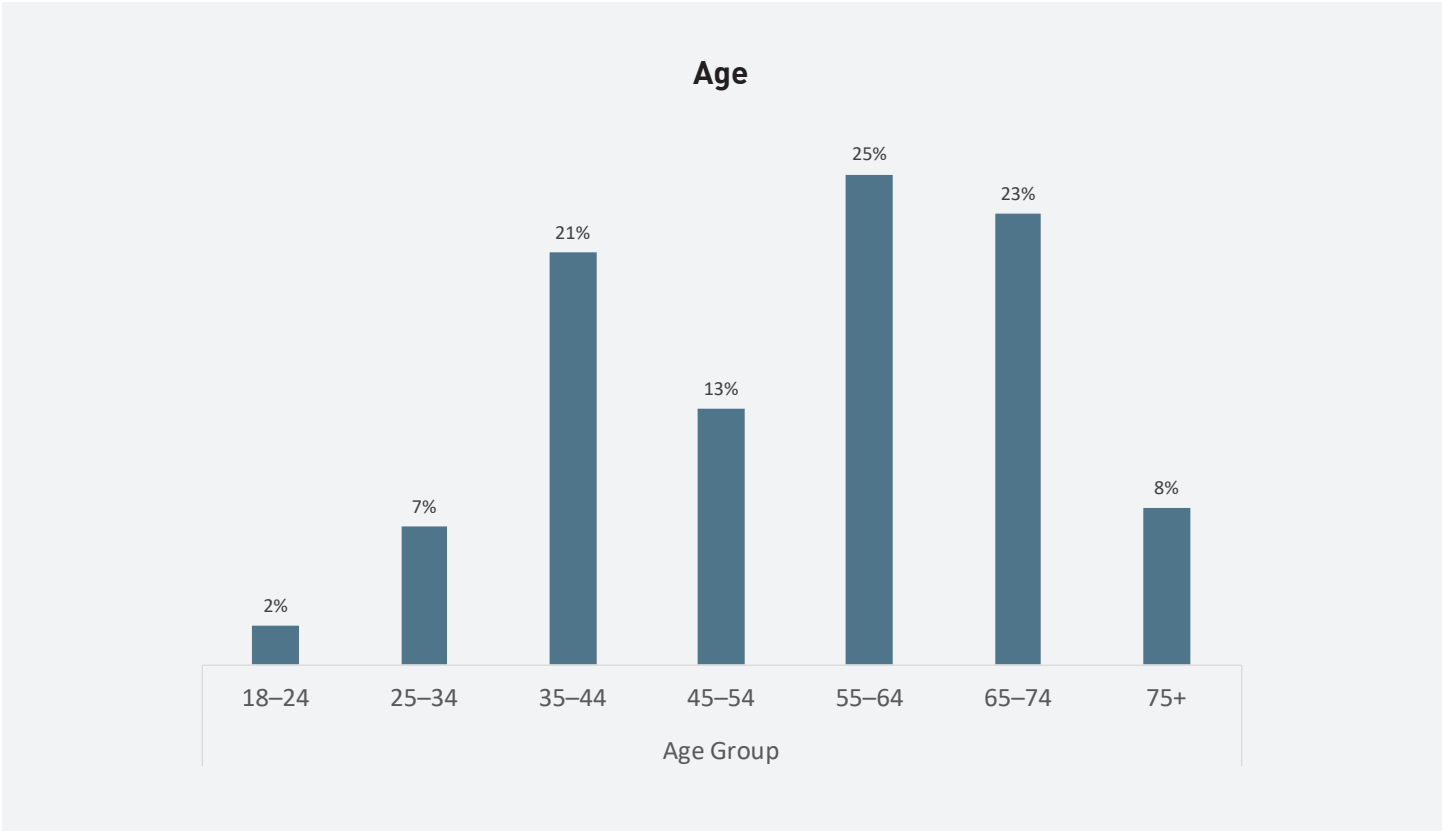
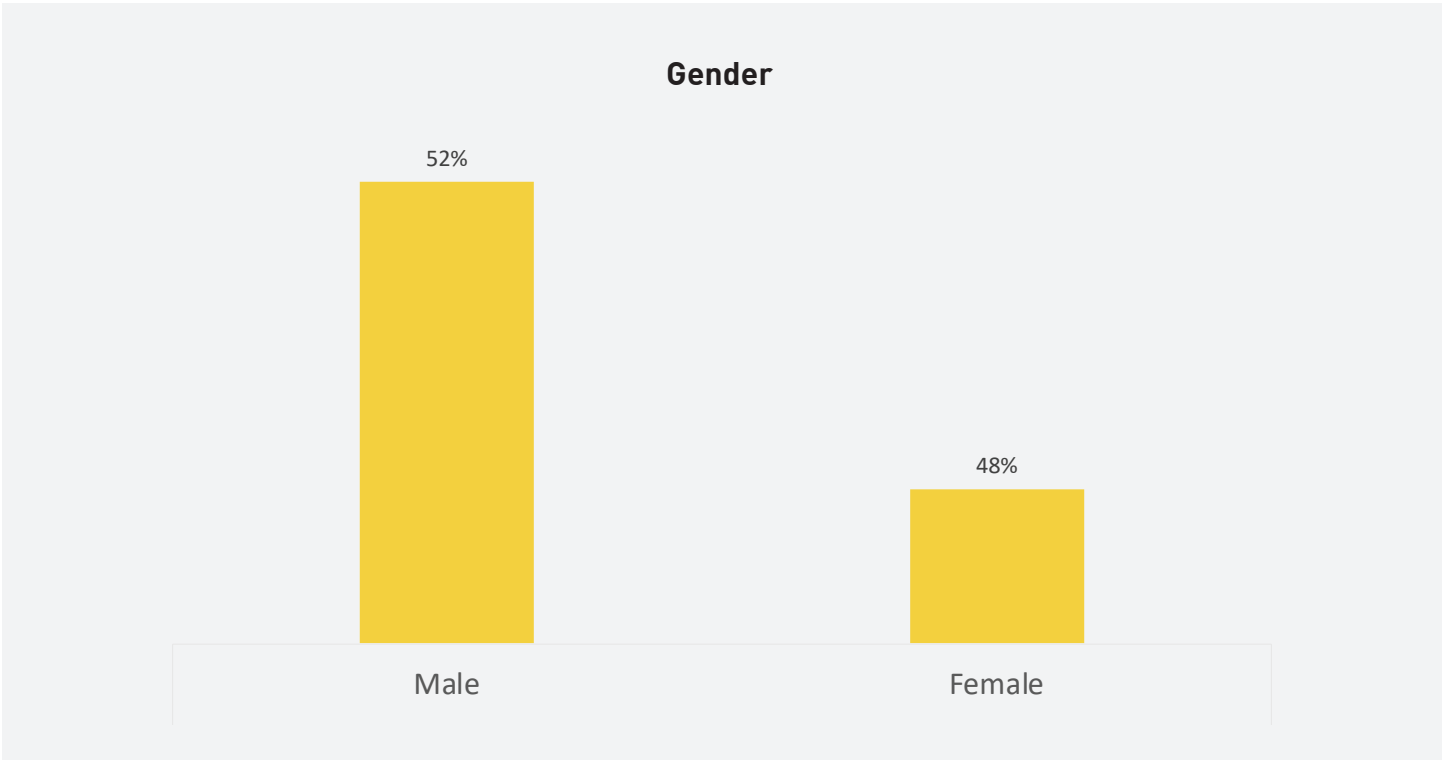
The good news is that these insights light the path toward a refined client experience that is responsive to how clients are feeling and what they need right now. The changes that were thrust upon advisors during the pandemic may not have been voluntary, but many are here to stay. Clients have been taught how to engage differently, and they seem to prefer many of those changes.

At the same time, as we focus on change, we can take comfort in the fact that the foundational elements of the client–advisor relationship are consistent. Clients are still looking for a trusted advisor who demonstrates high ethical standards, puts clients’ needs first, and demonstrates strong technical expertise. These fundamentals still form the foundation of the Exceptional Advisor Model. The year 2021 has simply reminded us that the way in which advisors deliver on their core value needs to be informed by the current environment. 🟡

Julie Littlechild is the founder and chief executive officer of Absolute Engagement, a firm that conducts on-going industry research and helps advisors design and deliver client communications (and an overall client experience) that reflects what is most important to their clients. Contact her at jlittlechild@absoluteengagement.com.

For more research from the Institute, visit: <https://iwicentral.org/ResearchLibrary>

Appendix: Respondent Profile





HIGHTOWER

About Hightower Advisors

Hightower is a wealth management firm that provides investment, financial and retirement planning services to individuals, foundations and family offices, as well as 401(k) consulting and cash management to corporations. Hightower’s capital solutions, operational support services, size and scale empower its vibrant community of independent-minded wealth advisors to grow their businesses and help their clients achieve their vision of “well-th rebalanced.” Based in Chicago with advisors across the U.S., the firm operates as a registered investment advisor (RIA). Learn more about Hightower’s collaborative business model at www.hightoweradvisors.com.

ABSOLUTE ENGAGEMENT

About Absolute Engagement

Absolute Engagement is an organization that prides itself on being an expert in elevating the client experience and helping advisors drive practice growth. Founder and Chief Executive Officer Julie Littlechild is a recognized expert on the drivers of client engagement and a popular speaker on how client experience is being disrupted and how to leverage those trends to drive referrals. Ms. Littlechild has presented at numerous Institute events, both in-person and online. She has worked with and studied successful financial advisors and their clients for more than 25 years. Previously, Ms. Littlechild launched and ran one of the industry’s leading research firms, focused on client engagement. She is the author of a popular blog, the co-host of the *Becoming Referable* podcast, and the author of *The Pursuit of Absolute Engagement*. For more information, visit www.absoluteengagement.com.



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TOEWS

About Toews

Toews Asset Management is an SEC-registered investment advisor founded in 1994. Most investors hope to avoid losses and realize growth. Toews builds portfolios that primarily seek to reduce risk of loss in crisis environments, as well as attempt to participate in market gains. Our process is not based on subjective or predictive methodology. It has used a heavily researched and price-reactive algorithm since 1996 that provides a signal for investment exit and re-entry points. For more information, visit www.toewscorp.com.