What do investors really want from their financial pros?

1st Global conducted a research study that focused on the drivers behind face-to-face financial advice interactions of emerging affluent and affluent investors and the types of advisors they seek. So to whom do they turn, and what are they looking for?
METHODOLOGY

This study was facilitated by PopResearch and the 300 respondents were members of the Critical Mix U.S. Luxury Panel.

Respondents were required to have $150,000 of investable assets to be qualified to participate.

Gender
- 51% male
- 49% female

Age Range
- 61% 55 or older
- 17% 45–54
- 12% 34 or younger
- 10% 35–44

Annual Household Income
- 42% $100k–124k
- 25% $125k–149k
- 17% $150k–200k
- 16% $200k+
HOW ARE AMERICANS FEELING ABOUT THEIR MONEY TODAY, AND WHO WILL THEY TURN TO FOR ADVICE?

The economy is always moving forward, home prices are up and unemployment is at its lowest in decades, yet Americans still worry about topics like whether they’ve saved enough for retirement and how to predict how much they will need to set aside for future medical costs. According to an Ipsos study, more than half of households with greater than $250,000 in annual income said they either definitely agree or tend to agree that they are very worried about the economy.¹

Experienced, reassuring financial advisors will be needed to calm their angst, and the industry is already growing to meet that need. The U.S. Bureau of Labor Statistics projects that financial advisors are one of the 30 fastest-growing careers and expects a 30 percent employment increase in 2018.² However, competition for the best jobs and best investor clients will be fierce. A key discovery of this study provides insight as to who is poised to have the most meaningful relationships with clients:

Financial professionals with empathy, client-focus and tax advice are most poised to win.

Financial professionals with these attributes are most likely to garner the most profitable and loyal client bases: clients who show their appreciation of these relationships with in-person face time.

¹Ipsos Affluent Intelligence, The Affluent Outlook 2018: Affluents in the Age of Polarity
DESCRIBE A “TRUSTED ADVISOR”

“A professional who advises, not dictates. They look out for my best interest before their own.”

“One that wants to learn more about your life, family, goals, concerns, influences that are/are not in your control [preventing my success]”

“Someone who will talk to me about my financial well-being in language I can understand, that in view of my lack of information and knowledge will serve my best interests”

90% define a “trusted advisor” as someone who has their “best interests” in mind

Only 10% of comments focused on skills or knowledge
Emotional intelligence is an underrated yet critical attribute for a successful financial professional who gives advice to wealthy individuals.

In a well-executed 2013 study, Financial Planning magazine found that highly satisfied clients identified six key drivers of client satisfaction: hustle, avoiding surprises, emotional warmth, active communication, listening skills and client focus. Impressive pedigrees, certifications and breadth of offerings were not on the list.³

Therefore, any marketing or client acquisition strategy must build relationships on trust to ultimately triumph over ever-increasing digital interactions and information. This attribute may or may not be the ultimate way to attract wealthy clients, but it is the only way to retain them long-term.

Do affluent investors value face-to-face discussions?

The answer is a definite YES.

In our study 57 percent felt that it was very or extremely important to have a trusted professional meeting in person. Less than a quarter felt that it was slightly or not at all important.

³ Financial Planning, “How to Increase Client Satisfaction”
Top 2 Attributes Sought In Financial Advisors

1. Make it easy to understand
2. Keep taxes in mind

Our research indicates that advisors must be easy to talk to and possess tax knowledge about various tax-focused protective strategies that investors need; they were the most chosen factors from our study. With investors caring more about an advisor’s ability to answer their questions and less about managing volatility and interpreting market swings, it is imperative for financial professionals to take the time to translate industry jargon, provide clarity and go the extra step to teach clients about their options.

Clearly, emotional intelligence is a factor here as well. Investors want to be heard and known individually and take their time on important decisions that will affect them.
Most important **factors** when choosing a financial advisor

<table>
<thead>
<tr>
<th>Factor</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Tax knowledge</td>
<td>66%</td>
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<tr>
<td>Someone I can talk to and answer my questions</td>
<td>66%</td>
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<tr>
<td>Someone to help select the right investments</td>
<td>64%</td>
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<tr>
<td>Fees/Costs</td>
<td>62%</td>
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<tr>
<td>Potential for long-term relationship</td>
<td>50%</td>
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<tr>
<td>Managing volatility and swings in the market</td>
<td>48%</td>
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<tr>
<td>Serving as my fiduciary (someone who has the duty to act for my benefit)</td>
<td>42%</td>
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<tr>
<td>Someone to keep me from procrastinating on important decisions</td>
<td>24%</td>
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**Specialties** investors seek when choosing a financial advisor

<table>
<thead>
<tr>
<th>Specialty</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Tax burden reduction</td>
<td>45%</td>
</tr>
<tr>
<td>Estate tax planning</td>
<td>45%</td>
</tr>
<tr>
<td>Tax-optimized investing</td>
<td>58%</td>
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<tr>
<td>Income projection analysis</td>
<td>43%</td>
</tr>
<tr>
<td>Trust services</td>
<td>34%</td>
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<tr>
<td>Life insurance and analysis design</td>
<td>26%</td>
</tr>
<tr>
<td>Charitable planning</td>
<td>17%</td>
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<tr>
<td>Education savings</td>
<td>14%</td>
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</table>
56% of respondents would turn to a financial advisor to help them identify core beliefs and values on money.

53% of respondents currently work with a CPA or accountant and yet this study finds an ever present desire for more tax-aware advice.
WHO HAS THE ETHICAL STANDARDS, SKILLSET AND EXPERTISE TO HELP YOU REACH YOUR FINANCIAL GOALS?

The majority of our respondents would discuss investments and long-term financial aspirations with their CPA or accountant. The majority also agreed that CPAs have the ethical standards and skillset needed to serve their family’s financial needs, but clearly this represents a great educational opportunity for those who are unsure (30 percent).

The majority of our respondents agreed that CPAs have the ethical standards and skillset needed to serve their family’s financial needs.
75% of affluent respondents selected financial advisors to help them create a financial plan and ideal retirement goal setting.

76% selected an attorney for establishing a living will, trust, power of attorney or other estate planning documents.
WHO DO YOU CALL WHEN YOU NEED A PRO?

We asked investors to recognize professional certifications and licenses to see if they could associate them with financial advice. The most recognized were the CPA designation (47 percent) and the CFA designation (40 percent). More than a quarter of those surveyed couldn’t recognize any of the professional designations and associate them with financial advice.

While the CPA designation was the most recognized, many respondents don’t associate CPAs with investment advice — which is particularly interesting as various tax-orientated specialties were among the highest specialties sought in a financial advisor giving investment advice.

This seems to represent an incredible opportunity for multidisciplinary CPA firms that offer wealth management or other services combined with personalized tax advice. It’s untapped because many affluent families don’t understand that these services can be combined under one roof.
LOOK TO YOUR GEN X TAX BOOK OF BUSINESS TO FIND QUALIFIED CLIENTS
**CPAs** are uniquely positioned to mine the most profitable and wealthy relationships if they build strong ties with Gen X and even Gen Y.

**Why?**

Small business owners, a group strongly predicted to have wealth for the next 20 years, routinely turn to CPAs. Our study also shows the strong connection between tax and wealth management in this under 50 subset. 38 percent of all respondents surveyed currently employed the services of a CPA, and of those, more than half (56 percent) also employed the services of a financial advisor. Of those that didn’t have a CPA, there was even greater exclusionary effect, with the majority (72 percent) not having a financial advisor.

A major finding from this survey is that **64 percent of 31-35 year-old respondents who had a CPA also had an advisor**, and those **46-50 were similarly high at 67 percent**. Responses indicate that irrespective of age, **the tax book of business is a great place to find clients with at least $250,000 in assets**, disputing general misconceptions that younger generations aren’t seeking financial advice from professionals.

Individuals with CPAs were more likely to have confidence in the stock market, want to build wealth and understand the importance of taxes in their total financial plan. Finally, those with a CPA were 6 points more satisfied with their financial advisor and much less likely to be very dissatisfied with their financial advisor.

The strong correlation between having a CPA and a financial advisor indicates that clients who recognize a need for one also recognize a need for the other.

**Investors see the connection between tax and investment advice.** What if they could get both from the same source?
WE BELIEVE IN CPAs

Our business is to help CPA firms honor the important promises they have made to their clients by adopting and implementing essential wealth management capabilities.

1st Global was founded in 1992 by CPAs who believe that accounting, tax and estate planning firms are uniquely qualified to provide comprehensive wealth management services to their clients. 1st Global is a research and consulting partner that provides CPA, tax and estate planning firms with education, technology, business-building framework and client solutions that make these firms leaders in their professions through dedicated professional client relationships built around wealth management. About 400 firms have chosen to affiliate with 1st Global, making it one of the largest financial services partners for the tax, accounting and legal professions.