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2 minute guide

Wealth Management and winning the next generation

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how does the next generation get recruited?

Compeer surveys regularly key themes in the Wealth Management sector, often through interviews with end investors. Their most recent survey specifically focused on the next generation and their views of Wealth Management services.

Their research findings were gleaned from a representative sample of just over a thousand respondents based on wealth levels (affluent to high-net worth), age and geographic spread across the UK.

Following discussions with many players in the sector, it is understood that for many wealth management firms the average age of their client base is in excess of 60. By implication, the next generation must be a key target market for future asset growth, which promoted the question: "What factors should wealth managers understand if they are to successfully recruit the next generation of clients?"

first blush differences

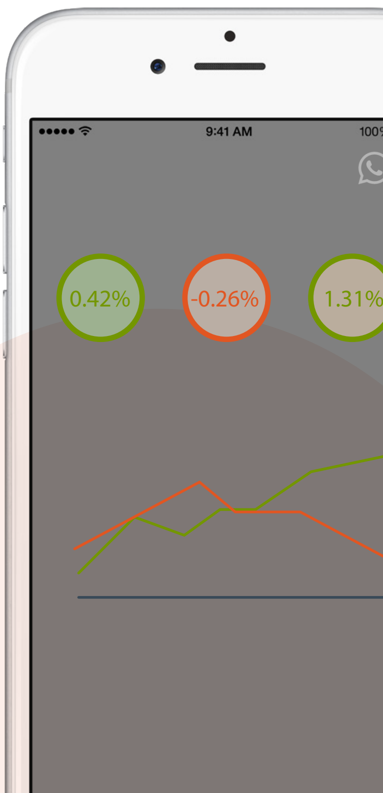
Some key differences were apparent immediately between the 2 age groups, i.e. 18-49 (the next generation) and 50+ (the existing primary client base), such as:

» A digital divide exists between the two age groups surveyed with the next generation far more demanding regarding the provision of mobile applications. A quarter of the next generation already use a mobile application to view their investment portfolio, with half of the remainder wanting their wealth manager to provide one. They expect an "app-rich" offering.

» There is no demand for social media interactions with the 50+ group. However, the next generation shows more openness to this communication method with 28% willing to communicate with their wealth manager via social media (as opposed to 4% for the 50+ group).

» The younger group are actively looking for advisory services on topics such as tax and pension planning as part of the wealth management package. There have been many changes and reforms recently and are looking to plan accordingly.

» Satisfaction levels for the next generation are far lower with more than 1 in 3 wanting significant improvements in client



communication and education, staff stability, bespoke offerings and greater access to relationship managers and advisers.

but there are important similarities

Despite these differences both groups are clear they want face to face manager contact. Almost two thirds of both investor groups chose face to face meetings as their preferred method of engagement with the majority wanting these meetings at least on a six monthly basis. The next generation therefore does not want to deal exclusively through digital channels and value remains in the traditional portfolio manager.

Robo-advice has a place but is unlikely to take over. It will not replace the direct personal contact, certainly for the next few years at least, but will supplement wealth management relationships as the fee/asset size mix allows. Investors seem keen on a Robo-admin service providing support rather than entirely replacing the traditional Wealth Management service. As asset holdings increase, particularly for the next generation, tax and pension advice becomes more important and digital agents cannot satisfy these requirements fully (at this stage).

There are many factors that determine what clients look at when choosing a Wealth

- Investment performance
- Brand and reputation of the Wealth Manage
- Level of fees

Manager and what they value most in the client-manager relationship. There is a strong correlation between the two age groups with the top three criteria being:

Investment performance and fees have always been at the top of the table in recent years. However, this year saw a surge in the rating of brand and reputation. This could be linked to a loss of trust in the Financial Services sector. Wealth clients are ever more wanting to deal with firms that they believe they can trust, as they want to be treated fairly and have their best interests kept at the centre of any management relationship.

so what action items should wealth managers take to win over the next generation?

Investment performance is important, perineal and a given. Clients are highly likely to leave without sufficiently robust investment performance over time.

Downward pressures on fees will not stop. Differentiation, trust and communication are important to protect margin and mandates. Digital functionality has to be offered and be feature rich.

There is a highly notable communication and marketing gap between wealth managers and the children of their clients, which represents a significant and lost opportunity.

Less than 25 per cent of the 18-49 group that do not invest with the same wealth managers as their parents have been contacted by the wealth management firm. In a sector that relies heavily on word of mouth marketing the opportunity cost from failing to communicate with the next generation is high.