
præmium

Capturing the intergenerational wealth transfer opportunity

How managed accounts can help you engage with the next generation





Introduction

The intergenerational wealth transfer is upon us, and though it provides a great reason for investors to seek quality advice and a fantastic opportunity for financial advisers to grow their client base, it is not an opportunity to take for granted. Gen Y is fast becoming the core target market for the advice industry, and this generation has drastically different needs and expectations to their predecessors. Those businesses that prepare for and adapt to these changing expectations not only set themselves up for future growth, but can add considerable value to their business.

In this booklet we will look at:

- The intergenerational wealth transfer opportunity
- The reality check – why some advisers are missing out
- The evolution of consumer demands
- A review of the client engagement model
- How managed accounts can improve client engagement and business efficiency
- Steps to take to prepare your business for the wealth transfer opportunity.

About Praemium

Since 2001 Praemium has been empowering our clients to create greater value for their business and to deliver an exceptional wealth management experience to investors.

Our aim is to deliver integrated solutions that help transform financial advice businesses through the provision of a scalable and efficient managed account platform and to streamline the financial advice process through our proprietary technology. We support our clients by providing the most effective, reliable and relevant wealth management ecosystem globally.

Headquartered in Melbourne with 9 offices across the world, Praemium manages or administers over \$110 billion worth of investments on behalf of more than 800 firms.

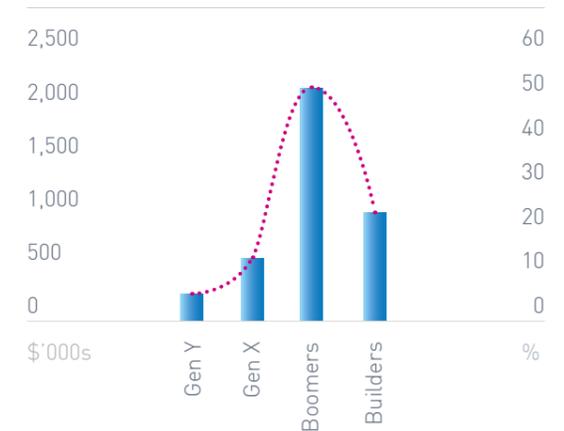
For more information, visit www.praemium.com.au

The opportunity

The \$3 trillion wealth transfer

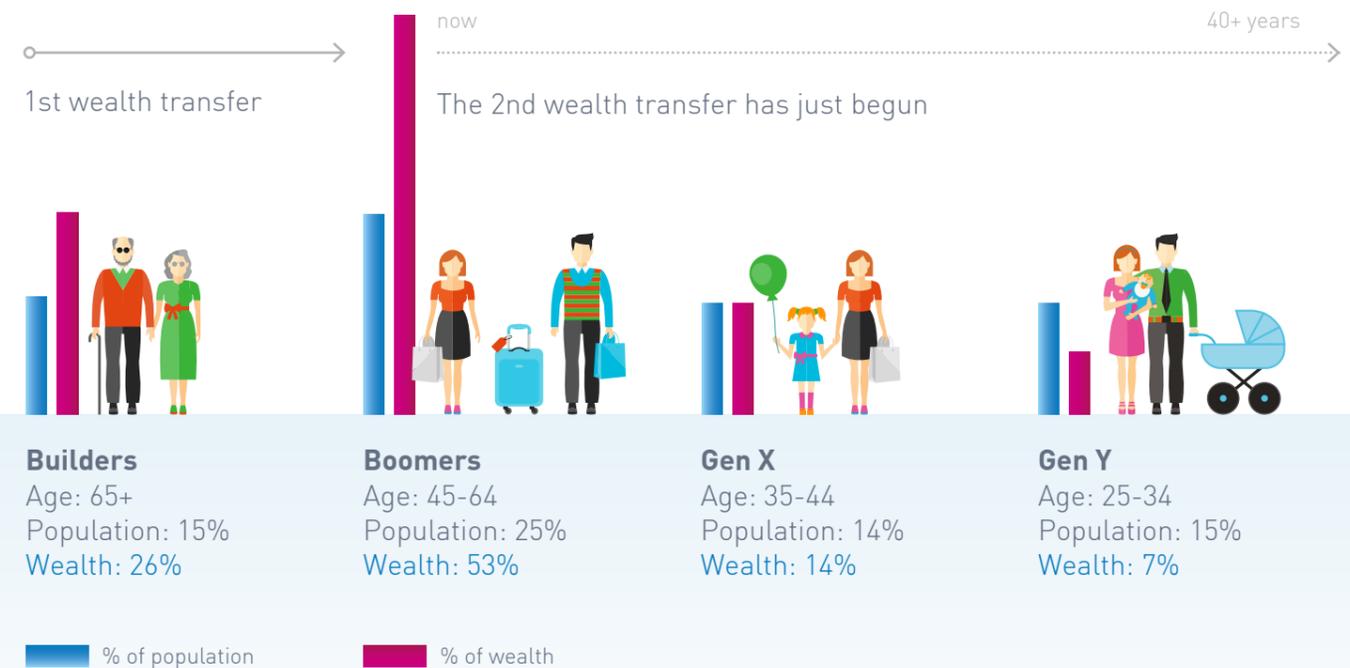
Australia, and indeed the larger western world, is in the midst of the transition of wealth to the Baby Boomers. However, Baby Boomers account for 25% of the population yet they own 53% of the nation's private wealth. This means a second and even larger wealth transfer has just begun, from the boomers to the Gens X and Y – and is set to continue and accelerate for the next 40 years.

Generational wealth in Australia



“

Over the next two decades we are going to see the biggest intergenerational wealth transfer in history.”



The reality check

Advisers are missing out

With this massive opportunity looming and trillions of dollars on the cusp of being transferred, the future couldn't be brighter for the financial planning industry, right? Well, not quite. There are some significant challenges to overcome.



70%

of total wealth in circulation is held by **non-advised adults**¹

86%

of non-advised individuals have **concerns about their finances**²

36%

have **unmet financial advice needs**²

Trust in financial services remains at an all-time low.

In Australia:

80%

do not currently use or intend to use a financial planner.

The main movement in the industry is moving from one adviser to another.²

90%+

of adult children **change their adviser once they receive their inheritance**³

1.5 mil

Australians on average annually intend to conduct a financial activity **without the help of an adviser.**¹

41%

are turning to **family and friends** for information on financial planning.¹



In order to tap into this \$3 trillion opportunity, advisers not only have to **earn the trust of this audience**, they also need to **convince them of the value and importance of financial advice.**

¹<https://fpa.com.au/news/global-survey-finds-trust-the-biggest-barrier-for-receiving-professional-financial-advice>

²Investment Trends Client Report 2015 ³www.fa-mag.com/news/almost-all-heirs-leave-parents-advisor-firm

Loyalty is tenuous

Today's consumer is not one for life-long loyalty. A single bad customer experience could cause them to switch and never come back.

47%

of customers would take their business to a competitor within a day of experiencing poor service

68%

of customers who make the switch will **never return**

80%

of lost customers say they feel the company **could have done something to retain them**

Baby boomers, Gen X and Gen Y all value price and value when making purchases.

43.5%

of Gen Ys **use social media** to promote a brand

40%

of Gen Xers will **stick with brands they like**

97%

of customers say they're more likely to be loyal to a company that implements their feedback

Source: <https://www.mycustomer.com/experience/loyalty/are-consumers-really-less-loyal-lets-look-at-the-evidence>



So how can advisers turn the tide?

If you understand what clients value, including the level of detail  and personalisation they are looking for, and then build it into your client engagement model,  you will be better able to build enduring trust and long-lasting relationships and to attract new clients. 

Great expectations

The evolution of consumer demands

Everyone knows retail megaliths like Apple, Amazon and Google have changed the face of retail, but what doesn't get mentioned is how technologies used by these corporations have had a flow-on effect to just about every other industry.

The financial services industry has been slower to catch on, relying on customer inertia and the strengths of client relationships to maintain the status quo. But as one generation gives way to the next, the comfort zone of the old is ceding supremacy to the demands of the new.

Your clients now have access to more information than any previous generation in history and have become accustomed to instant answers and solutions, preferring to resolve issues themselves than have face-to-face or telephone contact.



97%

prefer to use an **online knowledge base**
(Source: Zendesk)



75%

prefer to solve their customer service issue **on their own**
(Source: Aspect)



40%

of consumers **prefer self-service** over human contact.
(Source: The Self Service Economy)

Social media and smart technology changing the face of consumers

The advent of smart technology and social media has forced businesses to adapt. Customers now have a greater voice if they are unhappy with a company's products or services. Posting a tweet or commenting on a company's social media page can often get a quicker response than the traditional customer service channels. **Customers are demanding more; more information, better service and more engaged relationships with organisations.**



90%

of the world's population **have a mobile phone** – a larger percentage than those who have a toilet!¹



70%

of Australians have a **Facebook account** – and it's not just Gen Y and X – 76% of silver surfers have a Facebook account too!¹

3hrs 49mins

is the average time per day Australians **spend on computers** and 1 hr 12 mins on smart phones²



¹Gartner ²Australia Digital Media Nation McCrindle Research

Giving clients more of what they want

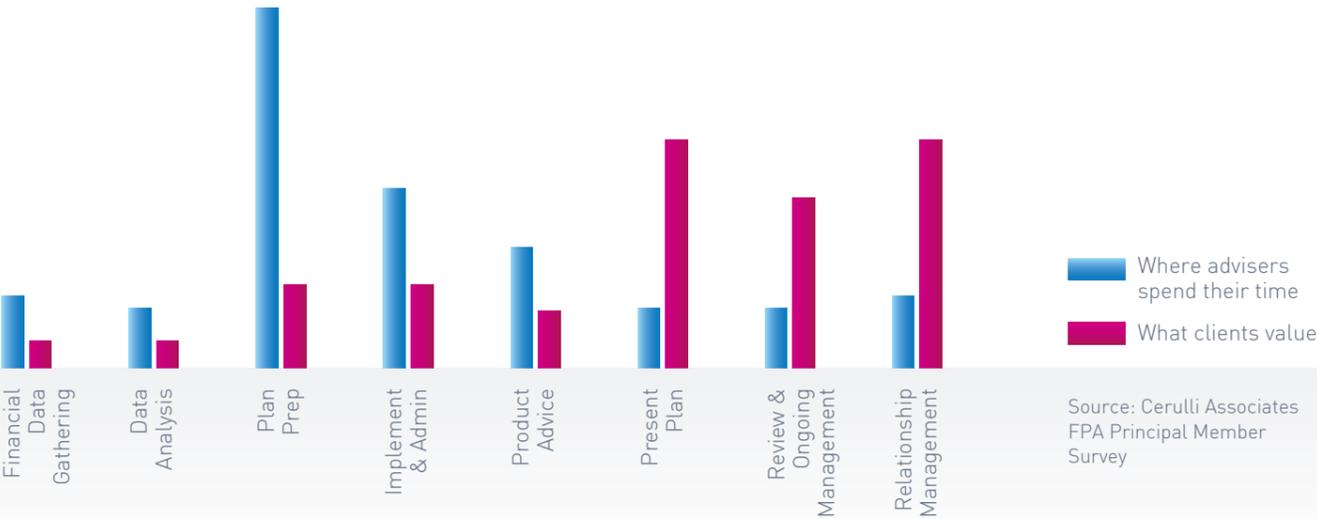
Clients are changing the way they consume almost every product or service, they are more engaged with brands and service providers and most business are adapting.

However, the client engagement model for financial advisers has advanced very little over the past decade, with investors often experiencing the same service they've always received from their financial planner.

Research shows that advisers spend most of their time on the preparation of the financial plan, administration and implementation and product advice. What clients value however, is relationship management, presentation of the financial plan and ongoing service which is focused on identifying their goals and making plans to meet them. The best thing you can do for your clients and your business is to find ways to do less of what clients don't value and more of what they do. It sounds obvious, but simple is not always easy.



Where advisers spend their time vs what clients value



28% of advisers **reviewed top clients** quarterly

44% of advisers **meet their top clients** quarterly

38% of planners **meet with lower tier clients** on request

Source: <http://www.moneymanagement.com.au/features/harnessing-technology-efficiency>

What clients value

- Personalised experience
- Identification of goals and needs
- Plans to achieve their goals
- SOA presentation
- Transparency of information
- Regular reviews of their progress to plan
- Ongoing access to information
- Relationship management



Adviser tasks that clients do not see or value

- Strategy research and review
- SOA preparation
- Placing investments
- Monitoring investments
- Report preparation
- Tax statement preparation
- Practice management
- Portfolio rebalancing
- Administration
- Portfolio Management
- ROAs for portfolio changes



Part 1:

Demonstrating value with managed accounts

FSR and the GFC have had a significant impact on the regulatory and financial landscape and placed substantial administration and time burdens on advisers. If your time allocation isn't what it could be, managed accounts are an immediate solution.

Managed accounts are more than a replacement for managed funds, it's the technology that provides the ability to transform your business model from within and make you more attractive to potential clients.

- Technology improves business efficiencies, streamlines administration and compliance processes
- Reporting and portfolio management are outsourced, automated, transparent and accurate (with your branding)
- No need to consult with the client when models change
- No need to rebalance portfolios to keep them in line with their risk profiles
- Customised investment model menus allow tailored client investments
- Advanced rebalancing and corporate actions technology means portfolios are always accurate



Bridging the gap

Managed accounts offer investors an investment plan tailored to their risk profile and goals, managed by professional model managers. **The administration burden on advisers is significantly reduced** and frees up the adviser's time to focus on more strategic value-add services that enhance the client relationship. The advice discussion moves from portfolio construction, which clients do not generally value, to setting goals and making plans to meet them. This helps clients feel more engaged in their wealth management. **Managed accounts technology now automates so many of the normal day-to-day processes that there need be no barrier to entry** for younger clients or clients with fewer service needs.

How managed accounts help

What clients value

✓ Personalised experience

Identification of goals and needs

Plans to achieve their goals

✓ SOA presentation

✓ Transparency of information

✓ Regular reviews of their progress to plan

✓ Ongoing access to information

✓ Relationship management

Adviser tasks that clients do not see or value

Strategy research and review

SOA preparation

✓ Placing investments

✓ Monitoring investments

✓ Report preparation

✓ Tax statement preparation

✓ Practice management

✓ Portfolio rebalancing

✓ Administration

✓ Portfolio Management

✓ ROAs for portfolio changes

Part 2:

Engaging with clients in the way they want

Managed Accounts on their own are an investment solution with benefits to both the adviser and investor. Combine Managed Accounts with investor-focused technology and it can help you transform your business and create exceptional wealth management experiences for your clients.

With the right technology, connecting with this generation while preparing for the next is well within reach. A transformational investment platform that focuses on what clients' value, whilst creating efficiencies in your business, can help you match or exceed the customer experiences clients are having in other aspects of their lives, so you can grow your business and keep the assets you already have as they are transferred to the next generation.

Customers expect an omni-channel experience

In 2018 clients expect a multi-channel approach that provides an integrated experience across all devices. A customer wants a seamless experience across desktop, tablet, phone and in person. In fact, companies with a well-defined omni-channel customer experience strategy achieve a 91% higher year-on-year increase in customer retention compared with those without.* It's the customer, not the business, that decides which medium works best.



*Source: <https://www.emarsys.com/en-au/blog/multi-channel-marketing-omnichannel>

50% 

of HNWs believe it's **important for their adviser to have a digital offering**
(Source: Deloitte)

Developing a digital offering

Consider all client interactions and how you can utilise technology to enhance them. Communication and engagement is not just limited to face-to-face meetings, there may be a place for social media and alternative digital platforms (like video conferences, webinars and investor portals) when engaging with your clients and prospective clients.

Digitally savvy advisers who **embrace social and digital channels** to connect with their clients outperform their peers by

200% ↑

80% of "social" advisers gained new clients with an **average asset gain attributed to social media use of**

\$4.9m 

Source: The Putnam Social Adviser Survey
July 2016 for 1018 US based advisers



An investor portal that provides 24/7 access to investment information on any device and tailored personalised reporting will significantly enhance the client engagement experience.



Bringing it together

With today's sophisticated investment platforms, you can engage with current and future clients in ways that are meaningful to them and that inspire trust, and equally importantly, loyalty. A client fully engaged with their wealth management is more likely to talk positively of their financial planning experience and recommend their financial planner, leading to increased referrals for your business.



The three-step plan to increasing client engagement

1

Use managed accounts

Increase business efficiency, better manage your time and engage clients more meaningfully. By outsourcing to a managed account provider you can create tailored portfolios managed by investment professionals that meet the investment goals of each of your clients.

2

Make it easy

Online applications and digital acceptance mean you don't even have to be in the same place to sign up a new client. If you are completely digital, you can sign up clients without ever meeting them face-to-face which may be just what clients of the self-serve generation prefer.

3

Develop a digital offering

With a full suite of digital tools, your clients can choose how they want to be serviced. Video conferences, online presentations and webinars and a sophisticated investor portal give clients the information they need and the delivery they want.

The Praemium SMA solution

Praemium offers a truly transformational investment platform that is flexible and agile enough to evolve with the changing dynamics of a financial advice business and that allows you to focus on meeting the needs of this generation and the next.

Our managed accounts offering provides you with the broadest choice of professionally managed model portfolios in the market. You can choose from a wide range of ETFs, XTBs and managed funds, and blend these with model portfolios to create your own tailored strategies. Your clients' portfolios can be personalised further with holding locks and substitutions. And, there is no minimum investment so you can manage all your clients in one place.

Our sophisticated adviser-friendly Report Publisher brings together the intrinsic benefits of our managed account platform into a comprehensive range of investor reports to meet both simple and more complex requirements. This is complemented by a client-friendly Investor Portal that provides an intuitive omni-channel experience that is both informative and engaging. When combined with the Praemium platform's ability to report managed accounts (SMA) holdings with other non-custodial investments, creating a relevant tailored client experience for each generation becomes a reality.



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