DATA-FIRST THINKING

An LSEG Business

GETTING PERSONAL: HOW WEALTH FIRMS CAN ATTRACT AND RETAIN THE MODERN INVESTOR

REFINITIV®

FOREWORD

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The financial markets – and the world – have been turned upside down over the last two years. Retail investors at the same time have had to manage the anxiety that comes with uncertain times, a wave of innovative technology, fascinating new investment vehicles, global macro-trend changes and a volatile equity market in 2022.

Thankfully, our industry, with its core human touch, turned to technology to enable human connections that are central to delivering personal service. Face-to-face meetings and flying across the world to meet clients became a virtual affair. The most successful wealth managers personalised their products and services to give their clients confidence that the advice and technology at their disposal were created specifically for them. To deliver this means understanding not simply a client's risk tolerance and ideal retirement age, but also how they prefer to communicate, their values and beliefs when it comes to investing and the data they would like to access to monitor investment performance. While not all investors are suited for cryptocurrency or private market investing, understanding the dynamics of those markets and helping clients to make informed choices are critical.

The human touch is still incredibly valuable. Technology has proven it will not replace human wealth advisors, but instead make them more effective and leave clients more satisfied when deployed smartly. However, to really build client-centric solutions that attract and retain investors, wealth management firms need to understand what sets their investors apart and what similarities they share.

Our report is based on our survey of over 1,500 mass-affluent and high-net-worth investors across 13 countries. Our original hypothesis was that investor groups across demographics, such as gender, age and geographies, were different. In the end, the data tells a different story and the results are surprising: investors have more in common than we think. Our survey highlights where you should focus your efforts when building a sturdy foundation that can deliver value and benefit all investor groups.

KEY FINDINGS

Alternative assets

51%
of investors globally are familiar with sustainable investments

44%
of advisor-led investors are familiar with Environmental, Social and Governance (ESG) factors compared to 53% of self-directed investors

44%
of millennials are looking for more information on cryptocurrencies compared to only 12% of over-55s

42%
of investors list ‘positive performance’ as the main reason they are willing to consider ESG

32%
of millennials believe tokenised assets will have the biggest positive impact on financial markets, followed by 23% for non-fungible tokens (NFT)

Digital capabilities

72%
of millennials use mobile apps to access their account information, compared to 56% in the 35-54 age bracket

58%
of advisor-led investors and 62% of hybrid advisor and self-directed clients state ‘advisor recommendations’ as the most reliable source of information

46%
of investors say they access account information via a mobile app

38%
of millennials value advisors for investment information compared to 35% for social media

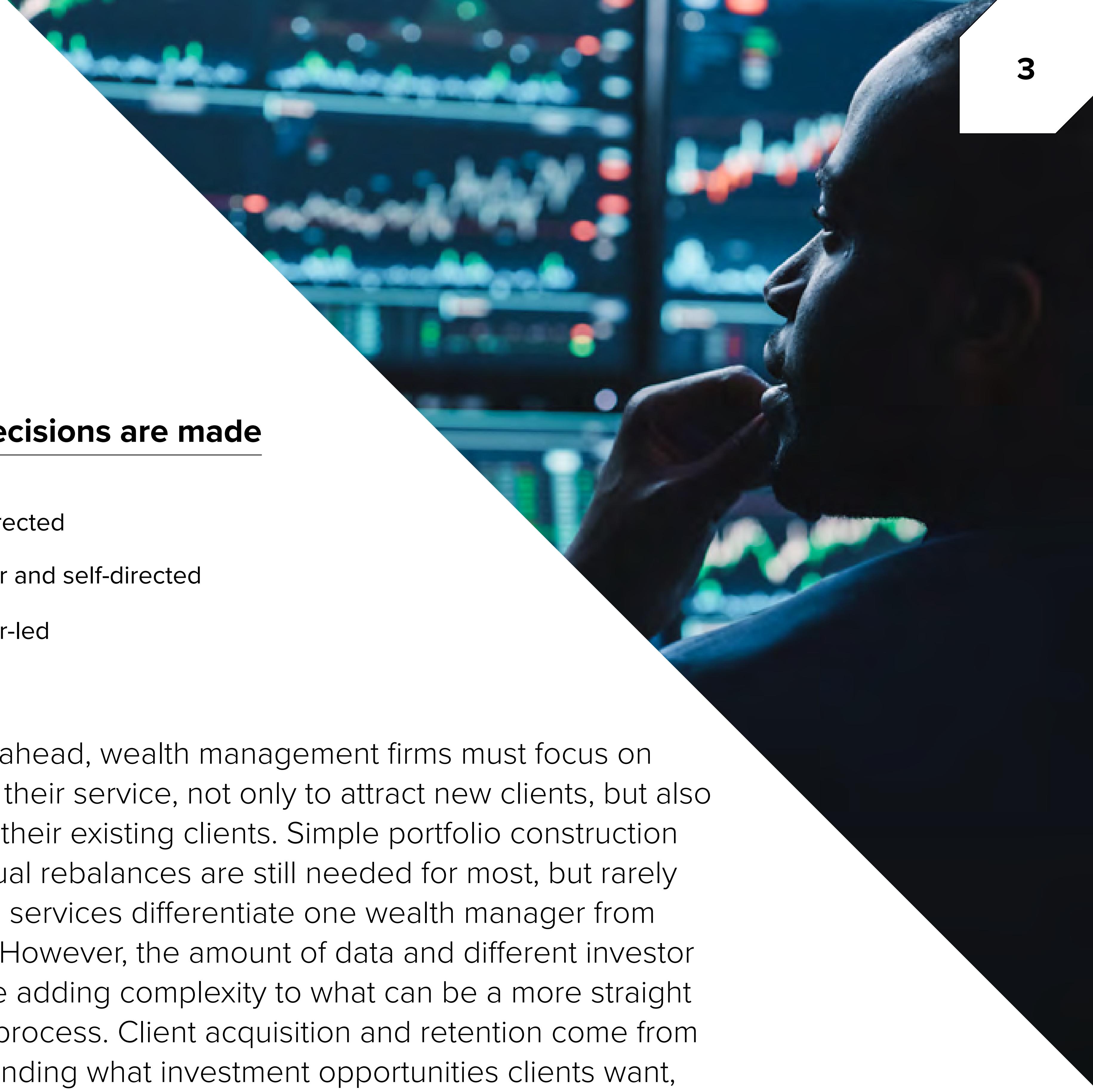
Personalisation

64%
of millennials and 51% in the 35-54 age bracket are willing to pay more for personalised investing products and services

57%
of investors preferred to communicate via mobile, followed closely by in-person meetings at 49% and email at 48%, showing the value of traditional communication methods

47%
of millennials say that technology will see financial advisors become more important in future

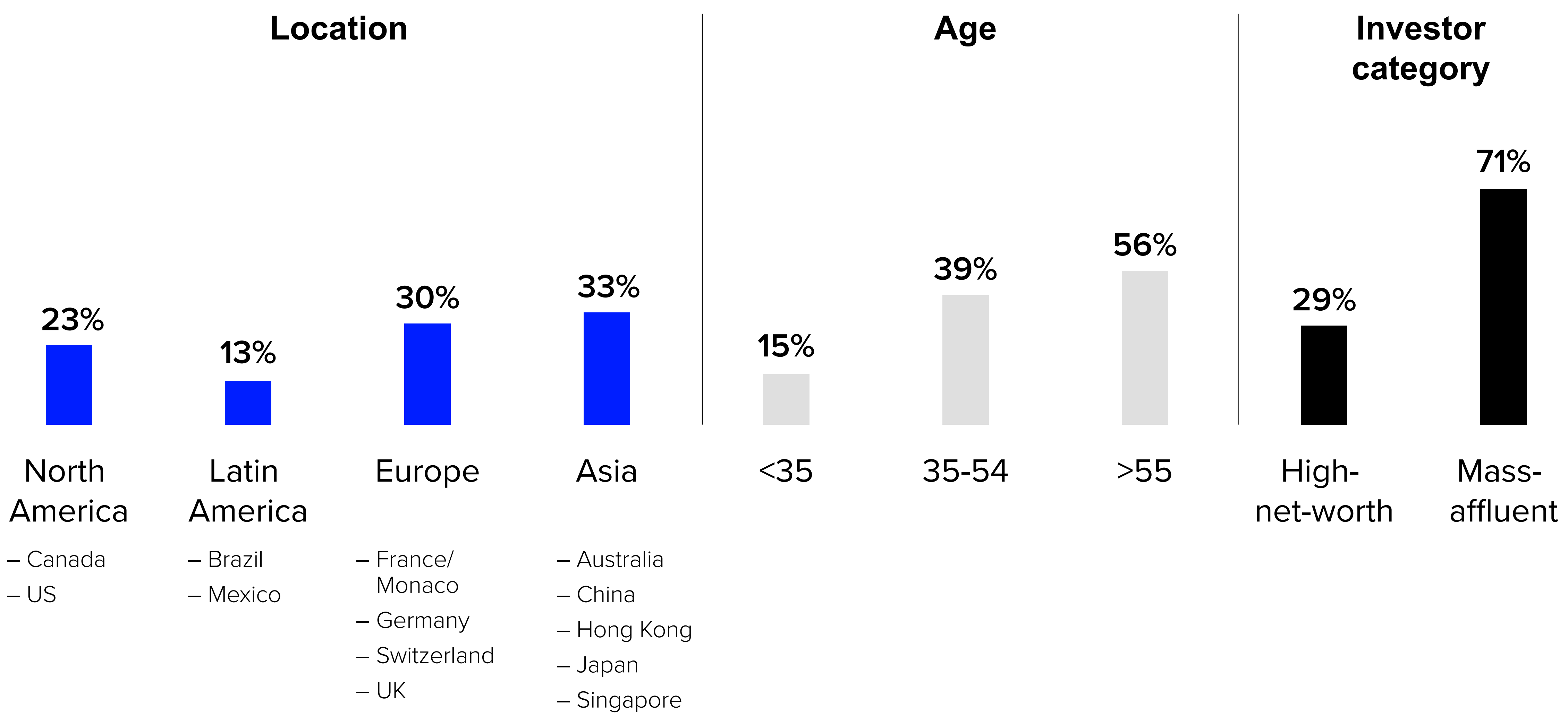
35%
of millennials and 34% in the 35-54 age bracket consider a wealth manager’s digital capabilities when choosing a provider, compared to only 16% of investors over 55



INTRODUCTION

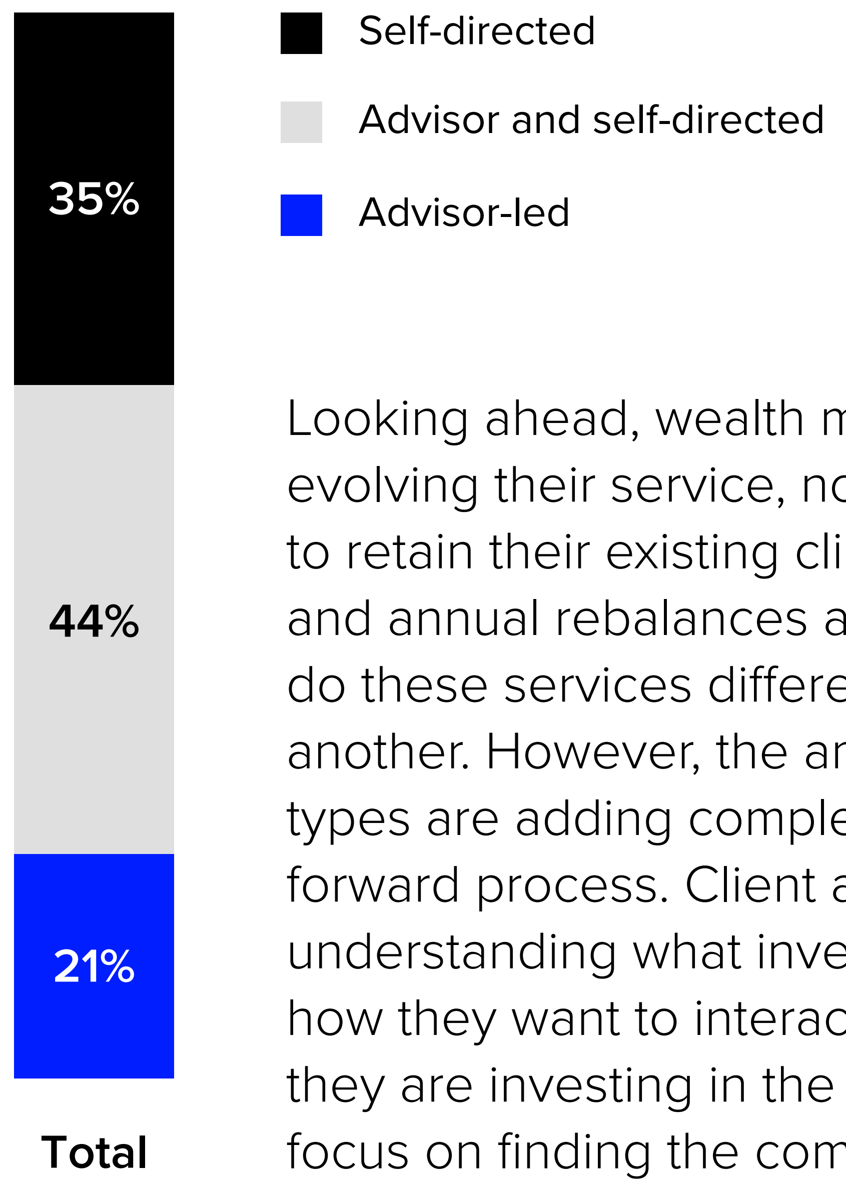
In October and November 2021, Coalition Greenwich conducted a survey of 1,526 retail investors around the world, to better understand their current relationships with financial institutions, their use and expectations for financial technology, their perceptions on alternative assets and how they would like their investing experience to be personalised.

Investor demographics



Our survey findings demonstrate an opportunity for wealth managers (WM) to provide investment advice, services, and technology to millions of retail investors around the world who currently manage their own money or only work with an advisor to handle some of their portfolio.

How investment decisions are made



Looking ahead, wealth management firms must focus on evolving their service, not only to attract new clients, but also to retain their existing clients. Simple portfolio construction and annual rebalances are still needed for most, but rarely do these services differentiate one wealth manager from another. However, the amount of data and different investor types are adding complexity to what can be a more straight forward process. Client acquisition and retention come from understanding what investment opportunities clients want, how they want to interact with those opportunities and why they are investing in the first place. The time has come to focus on finding the common considerations for all investors and ensuring the basics are met as we move forward in an industry undergoing so much change. Ensuring that the basics are met, paired with understanding, and implementing innovations in the market will help firms build a solid foundation for all investors, and drive loyalty.

WHY CONVENTIONAL INVESTMENTS MAY NOT BE GOOD ENOUGH

While macroeconomic forces certainly drive interest in some investments over others, our research shows that the retail appetite for investments outside of traditional stocks and bonds has grown and is here to stay. As such, wealth managers must, in the short term, understand these new investment vehicles, and in the long term, give their clients access to alternative investments as part of an overall asset allocation strategy. Today, the list of alternative investments is pages-long and keeps growing – including digital assets, real estate, cryptocurrencies and private credit to name a few. Wealth firms need to focus on the must-have alternative investments to ensure they satisfy most of their investors' needs.

The rise of ESG: aligning investor values with investments

ESG-linked investments have increasing appeal for retail investors around the world. When we asked which ESG factor is the most critical to inform their investment decisions, 32% of investors highlight 'environmental' as a key marker, but it is important to note that 31% of the respondents value each ESG factor equally.

Most critical ESG factor

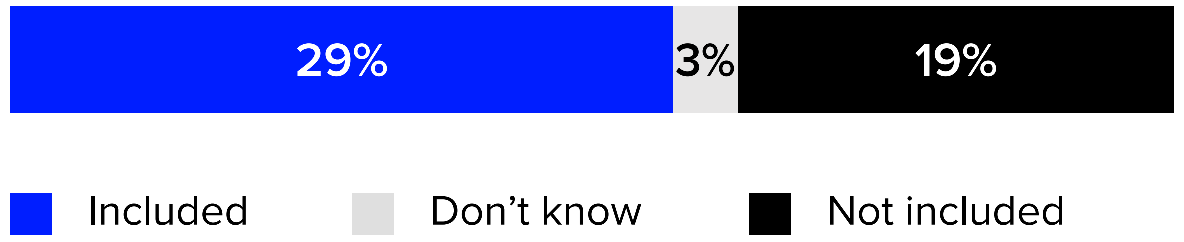
Environmental	32%
I value all three equally	31%
Governance	11%
Social	10%
I don't consider ESG when thinking about my investments	15%
Don't know	1%

Which ESG factor is the most critical for you when thinking about your investments?

Over half (51%) of investors that we surveyed globally are familiar with sustainable investment and 29% of those familiar have implemented it in their portfolios. Given the world's increased focus on environmental issues and social justice over the past few years, more investors are informed and interested in how their investment funds might impact corporate decision-making.

Familiarity with ESG factors

Inclusion in investments



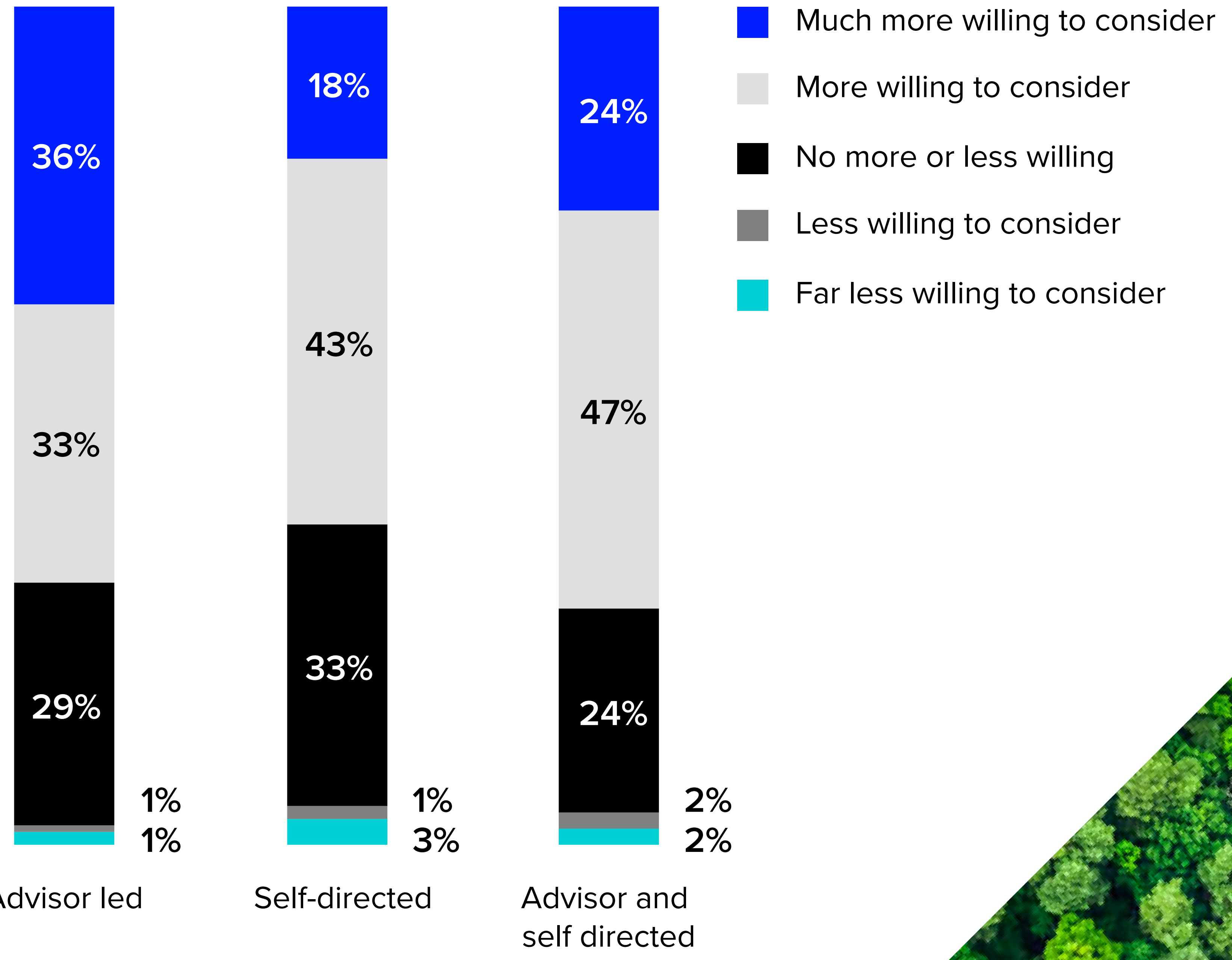
Are you familiar with ESG – environmental, social and governance – factors as they pertain to investing?

"I would like more access to green and sustainable development funds."

A mass-affluent investor, Hong Kong

It is clear there are ESG investing-related knowledge gaps, more so with those who are advisor-led. Only 44% of the advisor-led investor group are familiar with ESG factors compared to 53% of self-directed investors. However, when they are aware, advisor-led investors have a greater propensity to consider ESG factors in future investments.

Willingness to consider ESG Investments



To what extent has your view on ESG investing changed over the last 12 months?

Stats may not add up to 100 due to rounding when calculating.

As wealth managers are often the introducers for investors to access ESG investments, giving those clients concrete data, research and advice on how to proceed is critical. Some 42% of investors choose positive performance as the main reason they are willing to consider ESG-linked investing. This changing view on ESG will continue to drive demand, making it critical for wealth management firms to better understand ESG investments and offer clients the tools and education to evaluate these investments.

Why investors are more willing to invest in ESG

For what reasons are you more willing to consider ESG investments now?

Digital assets and cryptocurrencies: investment vehicles for innovation

Commission-free trading and cryptocurrency are the innovations considered the most impactful in financial markets. Advisor-led investors and investors that identify as self-directed are equally interested in cryptocurrencies. Millennials are particularly interested in cryptocurrencies, with 44% choosing crypto as the innovation with the biggest positive impact on financial markets, which is a significant contrast to the 18% for investors aged over 55.

Innovations that will have the biggest positive impact on the financial markets

		<35	35-54	>55
Commission free trading	32%	28%	35%	31%
Cryptocurrencies	29%	44%	35%	18%
Machine learning/artificial intelligence	26%	31%	31%	20%
Robo-advisors	26%	35%	30%	19%
ETFs	25%	35%	29%	20%
ESG investment vehicles	22%	24%	31%	15%
Distributed ledger technologies/blockchain	16%	21%	24%	7%
Tokenised assets	15%	32%	18%	7%
NFTs	12%	23%	15%	5%
Direct indexing	10%	10%	15%	6%
Other	1%	0%	0%	1%
Don't know/NA	23%	6%	13%	36%

Which innovations do you think will have the biggest positive impact on financial markets?

Cryptocurrencies represent a new but increasingly accepted asset class that includes a diverse set of investment vehicles, with Bitcoin being the most well-known. The incredible growth in value of many of these digital 'coins' has driven even financial novices to seek out more information and check with their financial advisors to see what, if anything, they are missing.

"I would really like to invest more in cryptocurrencies, but I currently don't have a lot of reliable information."

A mass-affluent investor, Brazil

Nevertheless, many financial advisors remain unable to offer these products to their clients and remain wary of suggesting such a volatile instrument as part of a long-term investing strategy. We expect this to change quickly in the coming years as demand continues to increase unabated and the expected regulatory oversight of the asset class should encourage more investors to jump in.

"I would like access to some exotic assets for long-term growth, which are not readily available for retail investors."

A mass-affluent investor, Singapore

Alternative investments: a marketplace full of potential

Beyond ESG and cryptocurrencies, our survey respondents cite interest in investments such as real estate (28%), private companies (equity and debt) (27%), hedge funds (17%), tokenised assets (13%) and NFTs (12%). Interest in both traditional asset classes and new assets (NFTs) have increased thanks to increased accessibility and transparency of investments that were once only available to professionals and the most tech-savvy.

Desired information in the future

		Advisor-led	Self-directed	Advisor and self-directed	Under 35	35-54	55 and over
Market sentiment data	29%	23%	32%	30%	34%	34%	24%
Real estate data	28%	25%	26%	30%	43%	33%	18%
Private companies data	27%	21%	29%	29%	35%	31%	22%
Index/ETF-specific data	27%	17%	30%	30%	35%	33%	20%
Cryprocurrency data	26%	20%	27%	28%	44%	35%	12%
Hedge fund data	17%	16%	16%	18%	24%	23%	10%
ESG data	16%	10%	18%	17%	20%	23%	9%
Tokenised asset data	13%	12%	10%	16%	26%	19%	3%
NFTs	12%	11%	11%	13%	25%	16%	4%
Art valuations	7%	8%	7%	7%	17%	10%	2%
Other	1%	0	1%	0%	0	0%	1%
None of these	17%	25%	14%	16%	3%	7%	30%
Don't know/NA	12%	18%	9%	11%	4%	8%	18%

Which of the following data/information are you more interested in and do you plan to use more in the future?

ENHANCING HUMAN INTERACTION THROUGH DIGITAL EXPERIENCE

Digital capabilities are an increasingly crucial factor for retail investors when selecting a new wealth provider, regardless of the investor's age. Video calls, chat features in a portfolio management app and research and news distributed via social media (and in the not-too-distant future, the metaverse) have replaced a culture of quarterly meetings in a conference room.

Social media: the screen is your stage

Our data shows that modern investors still value human advice. Even in the social media age, 58% of advisor-led clients and 62% of hybrid advisor and self-directed clients say that their advisor recommendations are the most reliable source of information.

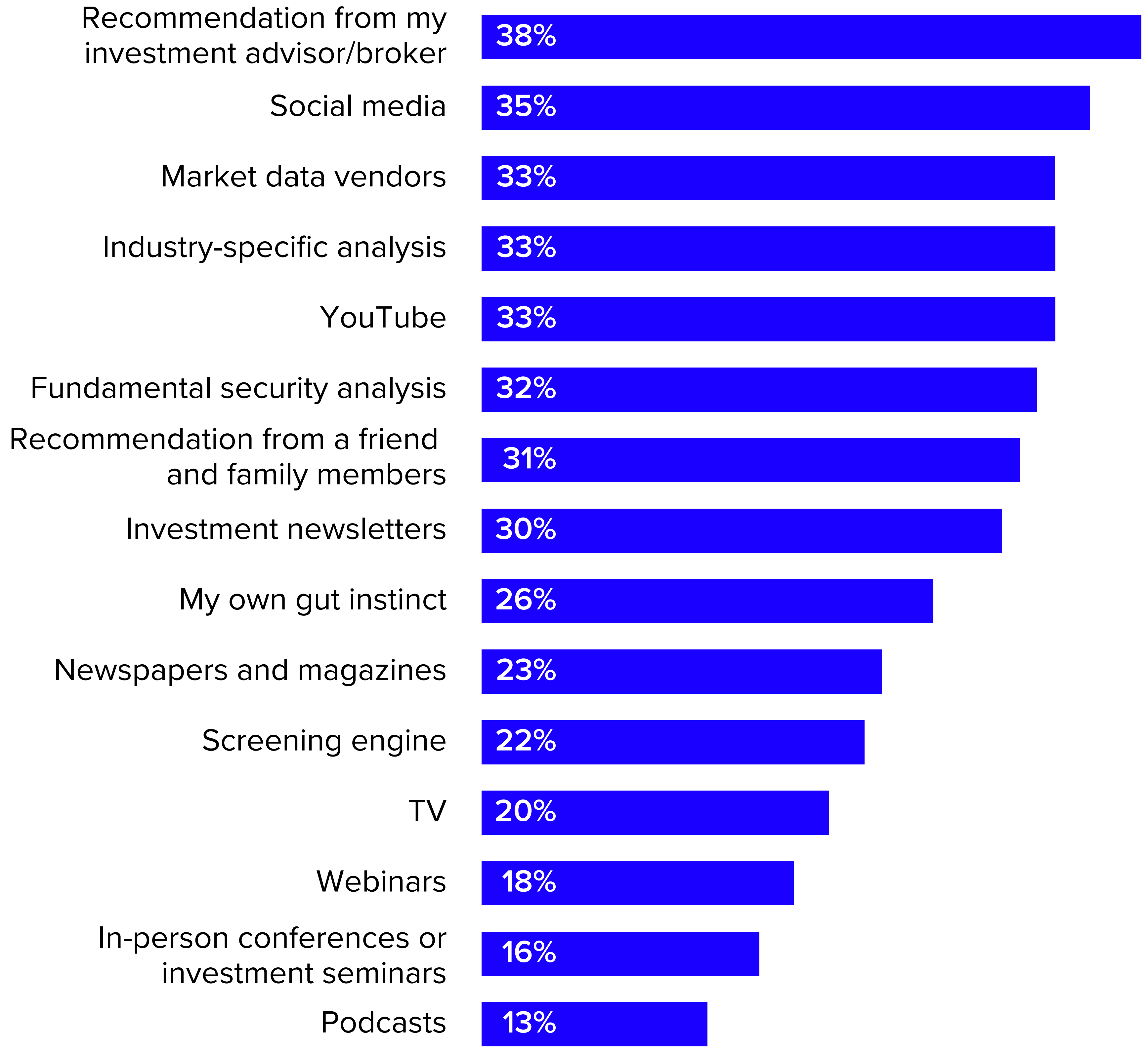
Most reliable sources of information

Source	Total	Advsor-led	Self-directed	Advisor and self-directed
Recommendation from my investment advisor/broker	47%	58%	22%	62%
Newspapers and magazines	35%	25%	40%	36%
Investment newsletters	33%	24%	33%	37%
My own gut instinct	31%	16%	40%	31%
Market data vendors	27%	18%	30%	29%
Industry-specific analysis	26%	15%	29%	29%
Recommendation from a friend	24%	18%	27%	25%
Fundamental security analysis	22%	14%	25%	23%
TV	18%	14%	23%	16%
Social media	16%	14%	15%	17%
YouTube	15%	11%	17%	16%
In-person conferences or investment	15%	16%	11%	18%
Screening engine	15%	11%	16%	16%
Webinars	13%	11%	12%	15%
Podcasts	17%	8%	7%	8%
Other	2%	2%	3%	2%
None of these	3%	7%	2%	1%
Don't know/NA	2%	3%	1%	1%

Which information sources do you rely on for investment ideas?

Looking at millennials, they see social media as one of the most reliable sources of investment advice (35%), ranking closely with advice from a human advisor (38%), again highlighting the importance of human touch, even to the most adept social media users.

Most reliable sources of information for millennials



Which information sources do you rely on for investment ideas?

Considering investors aged 55+, only 4% of this group say they use social media as an investment information source. While this might seem unsurprising to those more unfamiliar with finance-focused social media, the influence of online content creators and the information they distribute via social media has grown dramatically. Furthermore, *Coalition Greenwich research published at the end of 2021 found that nearly 40% of investors in North America said that their advisor's presence on social media was important to the overall relationship.

**Unique markets present unique opportunity for wealth managers, Coalition Greenwich, 2021.*

Social media has also proven to be a useful source of market sentiment information. Artificial intelligence-driven technology can now draw correlations between what people say about companies and markets on social media platforms and the performance of those companies and their stock in the real world.

Mobile: meeting investors where they are

Mobile financial apps were nice-to-haves a decade ago, used by a small few to check stock prices and read the news. However, in 2022, providing mobile access to portfolio information, real-time data, trading tools, tax documents and more is an absolute must. Nearly half (46%) of investors say they access account information via a mobile app.

But nearly three-quarters (72%) of millennials use mobile apps to access their account information more than any other channel and 21% of them also use a digital watch or other device. This is followed closely by 56% of those in the 35-54 age bracket.

Ways of accessing account information

		Advisor-led	Self-directed	Advisor and self-directed	Under 35	35-54	55 and over
Website via a PC	69%	63%	73%	69%	65%	68%	72%
Mobile app	46%	39%	45%	50%	72%	56%	29%
Website via mobile/tablet	42%	39%	40%	45%	56%	51%	30%
Paper statement	29%	36%	22%	32%	25%	24%	35%
Digital wearable device	10%	11%	9%	11%	21%	14%	3%
Other	1%	1%	1%	1%	0%	0%	2%

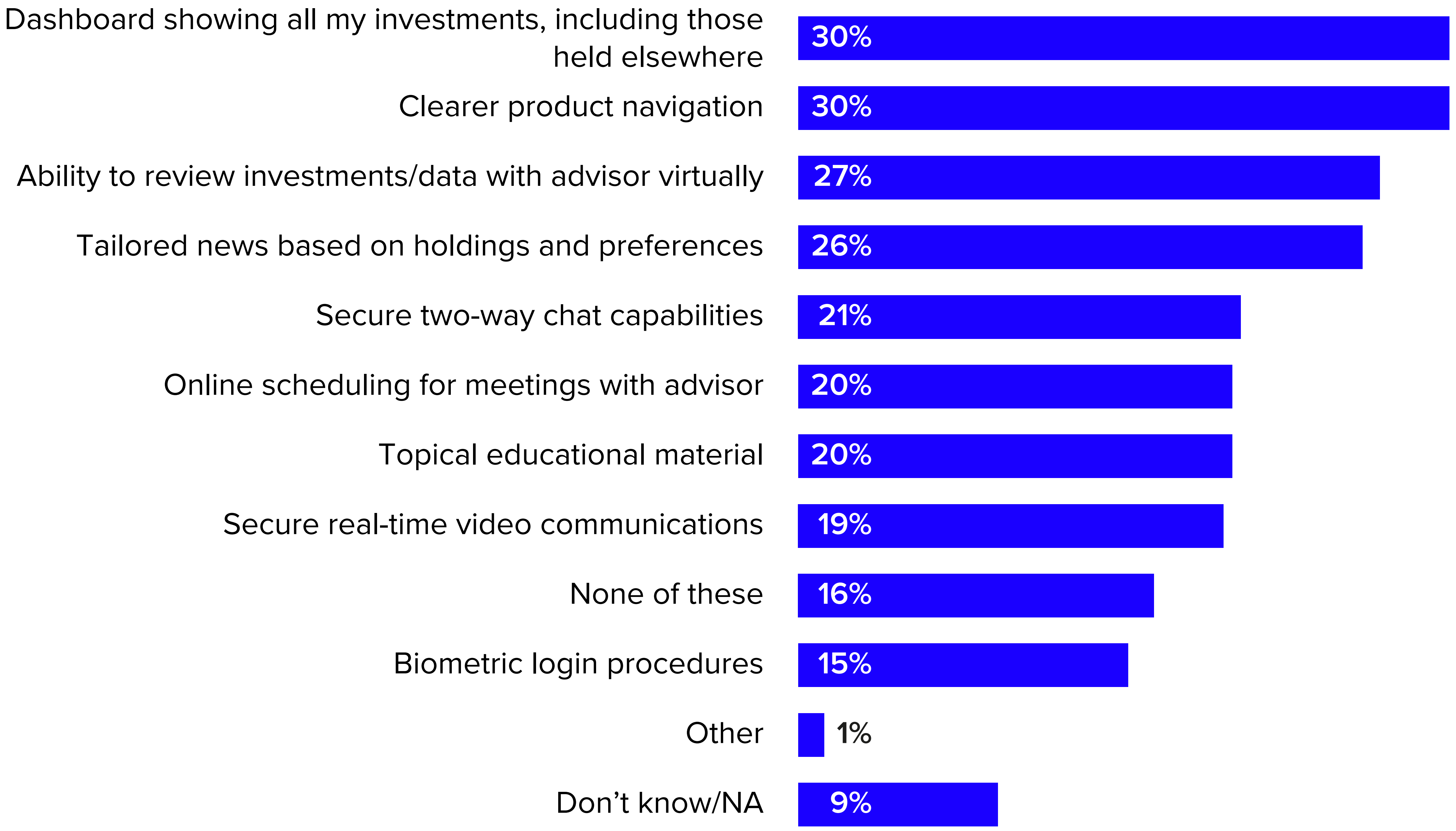
Through which channels do you access information regarding your investment accounts?

“Wealth advisors will have to become more technologically savvy than they are now.”

A mass-affluent investor, Canada

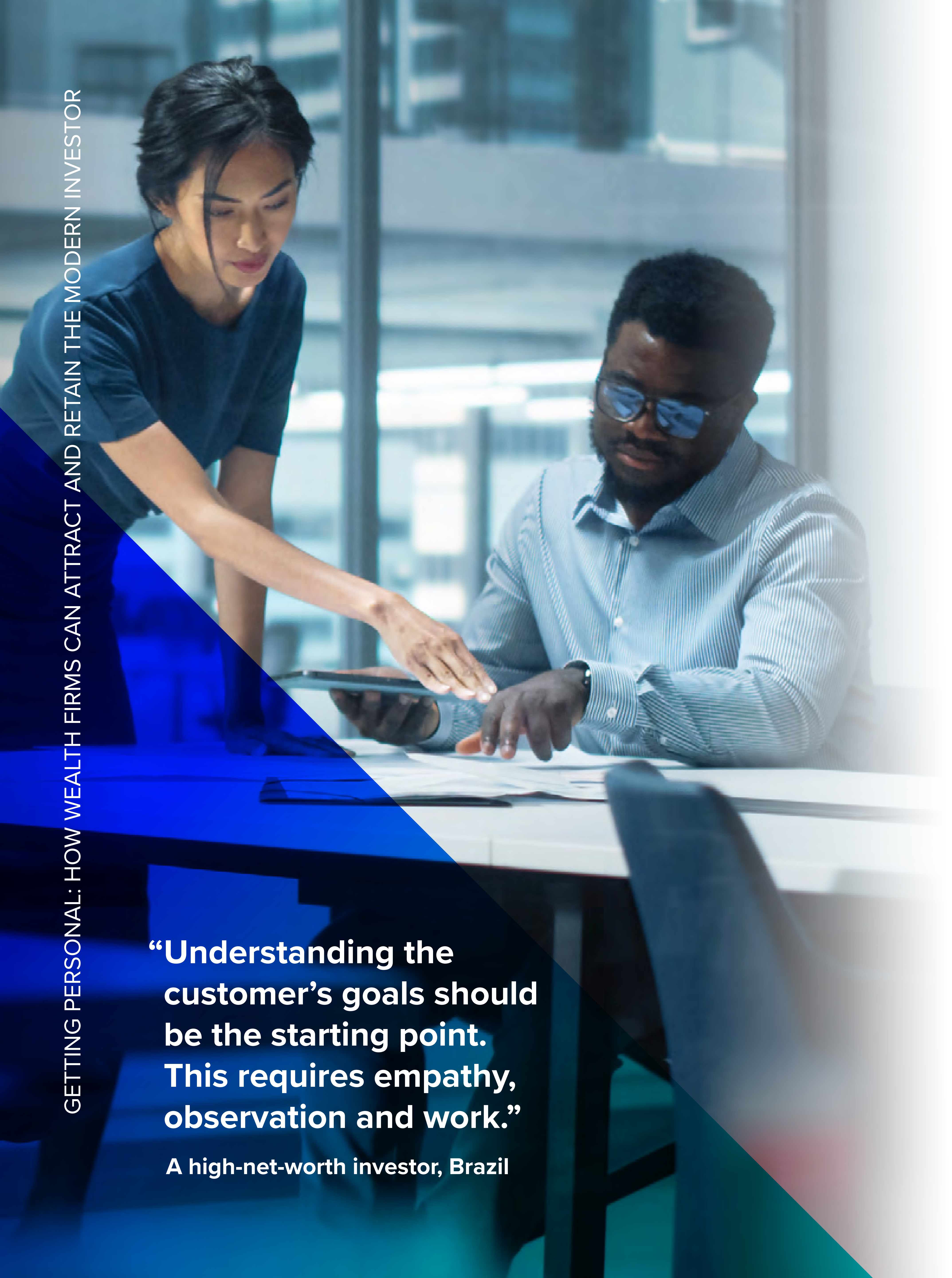
As part of our survey, we asked investors how they would like to see their investment platform improved and 30% say they would like to be able to see all their investments in one place (even those from other institutions). The same number (30%) say they would like easier access to the products and services they consume, while 27% would like tools to collaborate with their advisor directly, and 26% would like personalised news based on their investments and holdings. There is more interest in tools and platforms among the group of investors that have a hybrid approach, that is, making their own decisions and using an advisor.

How advisors can improve the investor platform experience



In which areas could your advisor(s) or investment platform make improvements to the platform experience offered?

These enhancements can certainly be delivered via a desktop experience and in many cases already are. However, the future of financial technology is through mobile touchscreen devices that now provide a better user experience than a traditional mouse and keyboard. Combining personalisation and accessibility that mobile offerings deliver can provide a huge boost to wealth management clients and asset acquisition going forward.



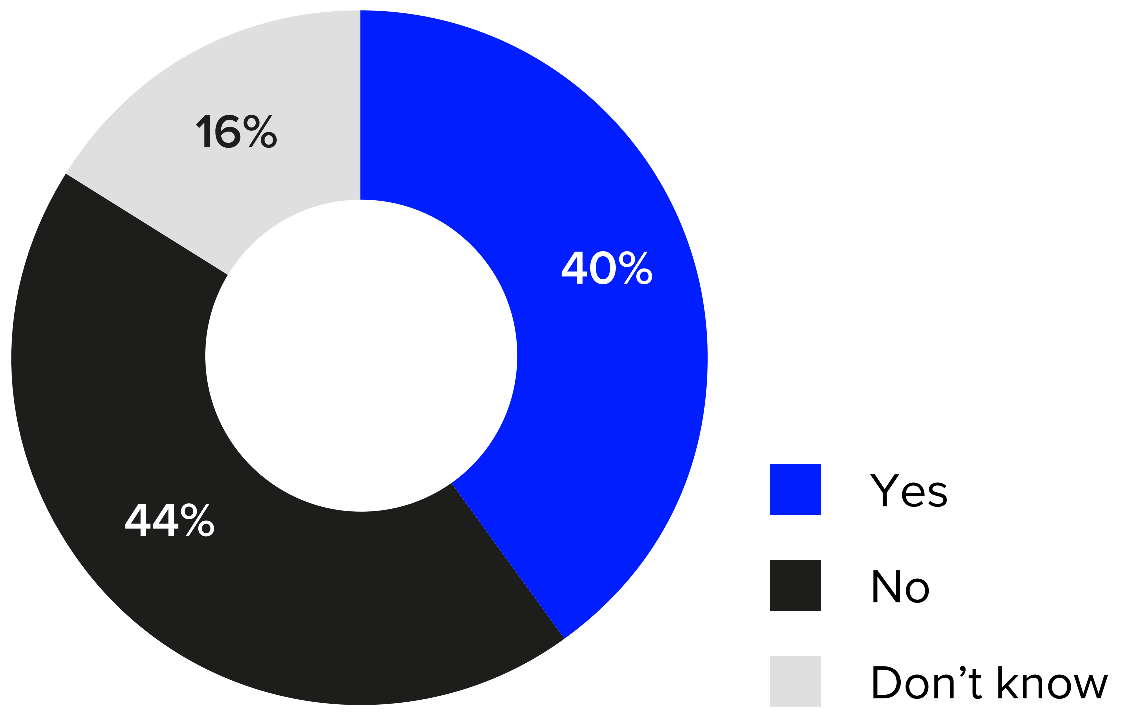
“Understanding the customer’s goals should be the starting point. This requires empathy, observation and work.”

A high-net-worth investor, Brazil

PROVIDING A PERSONAL EXPERIENCE

Not every client will care about ESG investing or the wealth manager’s social media presence. That’s why delivering the right information, at the right time, in the right place, requires a strong understanding of each client’s needs, combined with the right tools and expertise to meet them where they want to be. Personalisation is so important that 64% of millennials and 51% of investors aged 35-54 are willing to pay more for personalised investing products and services.

Willingness to pay more for personalised investing services and products



	North America	Europe	Asia Pacific	Latin America	Under 35	35-54	55 and over	Advisor-led	Self-directed	Advisor and self-directed
Yes	22%	33%	47%	70%	64%	51%	23%	41%	32%	46%
No	57%	51%	38%	17%	24%	36%	57%	40%	55%	36%
Don’t know	21%	16%	15%	13%	12%	13%	21%	19%	13%	17%

Would you be willing to pay more for personalised investing services and products?

Historically, providing a personalised service severely limited the number of clients any human wealth advisor could work with at a time. Technology has dramatically changed advisor services. Millennial and Gen X investors (those aged 54 and younger), for instance, consider a wealth manager's digital capabilities when choosing a professional to manage their investments (34% and 35%, respectively) much more often than those aged 55 and older (16%).

Considerations when choosing an advisor

		Under 35	35-54	55 and over
Fees/costs	59%	52%	55%	65%
Ability to achieve consistent returns regardless of market conditions	49%	41%	44%	57%
Ability to achieve high returns	49%	58%	52%	42%
Product/service breadth	37%	36%	42%	34%
Broad financial planning services	35%	33%	36%	34%
Recommended by someone I trust	34%	45%	35%	29%
Digital capabilities	26%	35%	34%	16%
Level of institutional support	24%	28%	26%	22%
Socially and environmentally responsible investment programmes	21%	27%	24%	16%
Other	2%	0%	1%	4%
Don't know/NA	3%	0%	2%	4%

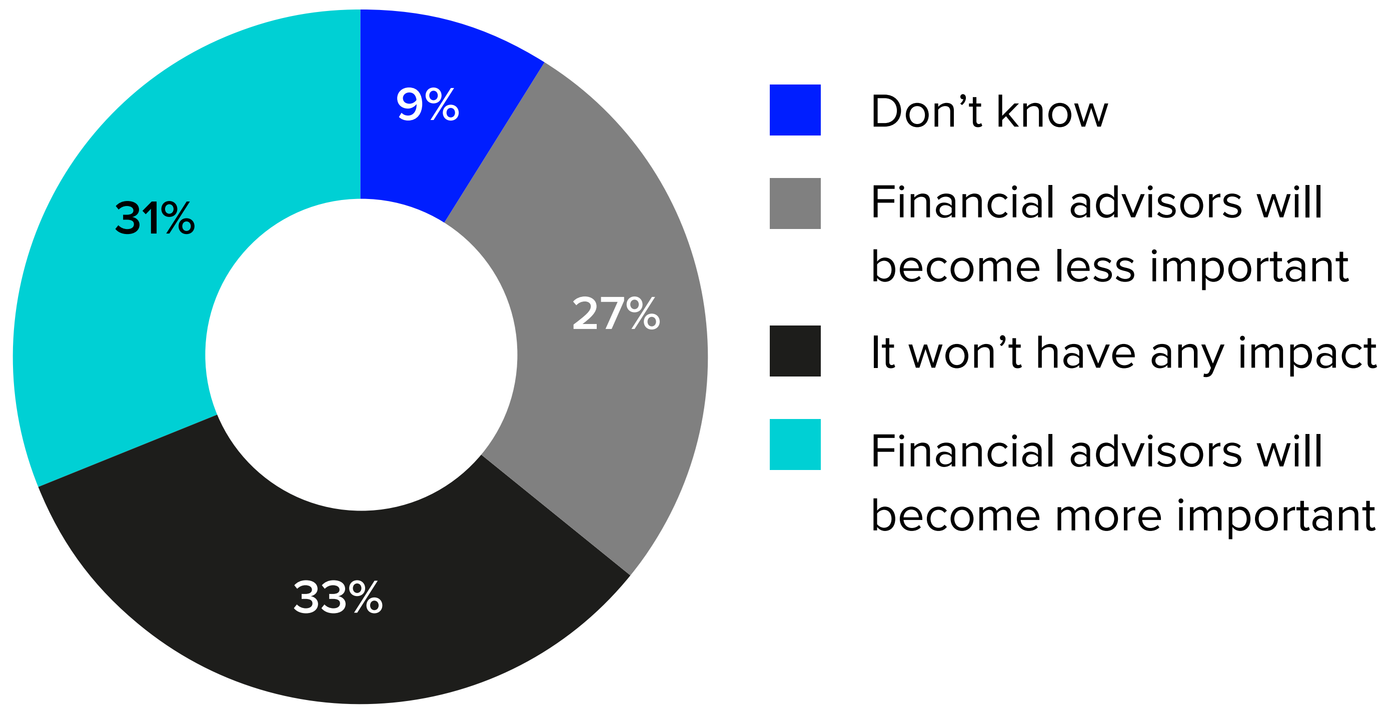
What are the most important factors or criteria you consider when choosing or switching advisors?

To that end, our findings further suggest that wealth advisors are here to stay, both despite and because investing in technology is becoming increasingly important to investors. Almost half (47%) of millennials say that technology will see financial advisors become more important going forward, with one-third (33%) choosing the opposite outcome.

"An advisor's understanding of clients' emotional needs can't be replaced with technology."

A high-net-worth investor, US

The impact of technology on the importance of wealth advisors



	North America	Europe	Asia Pacific	Latin America	Under 35	35-54	55 and over
More important	21%	23%	39%	46%	47%	36%	21%
No impact	43%	37%	31%	14%	17%	28%	43%
Less important	17%	32%	26%	36%	33%	31%	22%
Don't know	19%	8%	5%	4%	3%	5%	15%

How might technology impact the importance of financial advisors in the next two to three years?

Personalisation really comes into play here. Wealth managers cannot simply personalise based on age or wealth level either – investor preferences do not always line up with industry trends as we expect. Many investors in our study say they prefer to interact with their advisors using traditional methods, such as by phone (57%), in-person meetings (49%) and email (48%). Our research shows that these results hold true for all ages and regions around the world – another data point emphasising the continued importance of human advice for investors.

CONCLUSION

Our survey suggests many similarities that investors share and meeting those foundational needs will not only attract investors but also keep them engaged. While the key areas outlined in our research are critical to the modern investor and the future of wealth management, providing every customer with every innovation and investment type is not the path forward for wealth managers hoping to grow their client base. Instead, personalising each client experience through a combination of digital offerings and high-touch service will ensure existing clients stay engaged and prospective clients feel confident that their money and future will be well cared for over the long term. Keeping clients loyal is about meeting them where they are and continuing to personalise the services provided to them as they move along in their wealth journey.

Five steps to personalise your client experience

1. **Choose your alternatives:** Ensure you can meet the growing need for alternative investment data gaining popularity among investors, including cryptocurrencies, NFTs and tokenised assets.
2. **Get social:** Develop your social media presence to increase engagement and exposure of your service.
3. **Enhance mobile:** Enhance mobile access to your investors' portfolio, including real-time data, trading tools and tax documents, to increase collaboration and effectiveness.
4. **Keep it simple:** Build a single view of your client's investment portfolio, increasing efficiency and streamlining the client experience.
5. **Humans drive loyalty:** Leverage technology to enhance and improve the human touch, not replace it.

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Our solutions combine world-leading content with an intuitive workflow that lets you deliver personalised advice to every client to achieve greater financial wellness.

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