

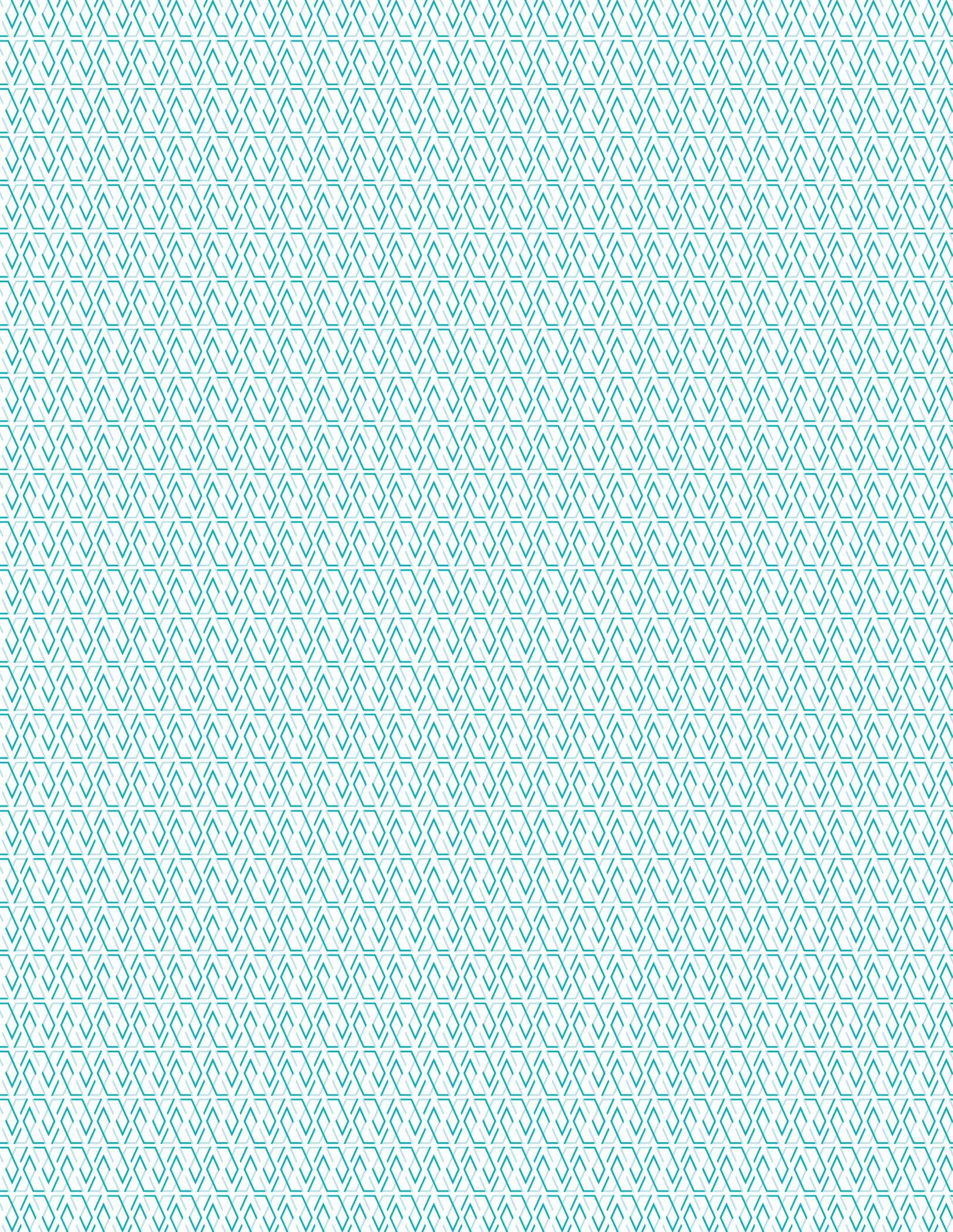


MEEDER PRIVATE WEALTH

Building Your Business for Affluent Investors



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The Key to Financial Advisors' Growth

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Advisors often find that their businesses become much more profitable, effective and efficient when they stop trying to work with a large roster of non-affluent investors and start serving a relatively small number of high-net-worth clients.

Unfortunately, capturing the affluent opportunity is not nearly as easy as recognizing that the opportunity exists. High-net-worth (HNW) investors have high expectations of their financial professionals. They demand that advisors add significant value to their lives, and they are more than willing to look elsewhere if they feel they are not getting it.

That means you need to take a multi-stage approach to winning affluent clients, meeting and exceeding their needs, and ensuring they stick with you instead of switching to an advisor down the street.

To attract the affluent, you have to demonstrate to HNW investors that you understand them—their key concerns, goals and needs—and that you have the expertise and resources to help them achieve all that is important to them.

To serve the affluent, you have to execute on your pledge to help them maximize their success across their full range of needs, and throughout all phases of their investment lifecycle—from accumulation to preservation to distribution. That means going beyond just investment management to offer a comprehensive and customized approach that expertly addresses their advanced wealth planning concerns and opportunities.

To retain the affluent—and generate new affluent client referrals—you have to build deep client-focused relationships and deliver a superior client experience consistently, over time, so that you become seen by your clients as their go-to advisor. You also must build relationships with the children and grandchildren of your existing clients to help ensure you retain assets that will eventually be transferred to heirs.

This report explores how to accomplish all three of these key action steps that will empower you to build a highly successful practice focused on the affluent.

The Affluent Opportunity

In general, the affluent/high net worth market consists of three distinct groups:

MASS AFFLUENT
those with a
household net worth of
\$100,000–\$1 MILLION
(excluding primary residence)

MILLIONAIRE INVESTORS
those with a
household net worth of
\$1–\$5 MILLION
(excluding primary residence)

ULTRA HIGH NET WORTH
those with a
household net worth of
\$5–\$25 MILLION
(excluding primary residence)

The opportunities to serve the affluent are as significant and powerful as they've ever been.

- » In 2019, a record 6.7% of U.S. households (8.4 million) had investible assets of \$1 million or more—up from 5.8% two years earlier.¹
- » The number of Americans with a net worth of between \$1 million and \$5 million hit 11 million at the end of 2019. The impact of the pandemic thus far has pushed that number down only slightly, to 10.5 million at the end of March, 2020. Meanwhile, the ultra-HNW market grew to 1.5 million people by the end of 2019.²

The affluent market is not only large, it is also significantly underserved: Just 60% of HNW investors work with a financial advisor.³ That gives you an enormous number of potential affluent clients to pursue and tap into, particularly if you can show them how you can add value to their financial lives.

In addition, there are significant opportunities among HNW investors who already work with one or more advisors. The reason: Many of those investors are unsatisfied with their existing advisor relationships—and they may be willing to look elsewhere for advisors who can meet their needs.

It is hardly surprising, then, that one-third of wealth management clients in one study had switched advisors within the past three years—or that one-third said they intend to fire their current advisor within the next three years.⁴

Finally, there are opportunities among your own existing client base. Thanks to the equity markets' largely uninterrupted rise since 2009, it is likely that some or many of your clients have joined the ranks of the affluent. To retain them—and to ensure that they are not among the 56% of unhappy clients—you may need to rethink your approach to serving them, as well as whether you are delivering what they truly want and need as HNW investors.

In the next section, we will examine some of those key wants and needs.

Know the Affluent

As you are surely aware, the affluent are often very different in important ways from other clients with more modest wealth. To effectively serve, attract and retain the affluent, you have to understand the affluent—their concerns, challenges and goals as well as their expectations from financial advisors. Only after you are armed with that crucial information can you begin to offer a client experience that will truly resonate with these highly desirable clients.

The affluent share a number of key issues they face and care about—both high-level and micro-level—when it comes to their financial lives.

1. SOPHISTICATED FINANCIAL PLANNING

2. INFORMATION AND GUIDANCE

3. ACTIVE GROWTH OF ASSETS

4. UNIQUE PORTFOLIO CONCENTRATION AND LIQUIDITY RISKS

5. TAX CONTROL

6. INCOME GENERATION

7. FAMILY AND LEGACY

8. VALUES-BASED INVESTMENTS

Create a comprehensive, customized service model.

Clearly, the affluent have a diverse and unique range of concerns, goals, interests, and challenges to address. The way you structure your service offering and client experience will largely determine how successful you ultimately are at attracting, serving, and retaining HNW clients.

Your advice model must be multi-dimensional and aligned with the key issues the affluent care about, so it can bring the highest value to the lives of wealthy clients based on their needs and preferences.

To deliver the value that the affluent expect and demand, your service model's foundation should consist of two key components:

Comprehensive, coordinated planning.

Investing is the affluent's #1 topic of interest when they meet with you—and they expect you to provide them with advanced investment solutions.

Customized solutions.

Given the unique and complex issues that affluent investors often face, it is not surprising that many would find pre-packaged, off-the-shelf solutions to be lacking in important ways.

Your ability to deliver customized products, services and benchmarks that are tailored around affluent clients' specific preferences will further separate your practice from the vast majority of advisors who provide a more one-size-fits-all approach to the client experience.

SEGMENT AND SCALE UP

All that said, there can be significant challenges to delivering comprehensive planning to an affluent client base. For example:

- » Your service model needs to satisfy client demands for a high level of individual customization and personalization, often in complex areas such as risk management, income generation and tax mitigation.
- » It also must simultaneously deliver a consistent and replicable client experience in order for your business to scale up and grow—as well as stay on the right side of compliance.

Clearly, the need to be both customized and consistent is a tall order. Two strategies to consider here are segmenting and focusing on a niche.

SEGMENT

One strategy for putting it all together is to segment your client base and provide each segment with a service experience that both meets their preferences and enables you to deliver that experience effectively, efficiently and profitably. That, in turn, will allow you to scale your business and bring on new clients without stressing your service model and bringing it to the breaking point.

FOCUS ON A NICHE

Another strategy for scaling up and delivering customized solutions consistently and profitably is to focus on a niche market within the HNW space.

When you identify and target one group of HNW clients with similar characteristics and needs—a niche—you are better able to build a single service model that is streamlined and consistent, yet easily adapted to meet the custom needs of specific clients in that niche. That, in turn, helps you scale while delivering extremely personalized solutions.

It is important to recognize that “the affluent” is not a niche—it is too broad of a definition. Picking a niche market means narrowing your focus on a group of investors within the bigger affluent space.

SEEK OUT ALLIANCES

Advisors who can deliver comprehensive, customized solutions to the affluent will put themselves in the best possible position to grow their practices in the years ahead.

The challenge is that few financial advisors personally possess the level of expertise needed to address the full range of affluent clients’ concerns. You simply cannot expect to become and remain an expert in everything from advanced tax planning laws and estate planning to asset protection and stock option strategies. Even if you are the smartest and hardest-working advisor on the planet, you do not have the time to address all of those areas yourself.

Your team should consist of professionals and organizations that are necessary to address the specific issues faced by the affluent clients you choose to serve. In nearly all cases, that means building alliances with professionals such as CPAs, Attorneys, Insurance professionals, and Investment management firms.

Together, these resources can help you address the vast majority of the goals, needs and concerns your affluent clients have—such as retirement income strategies, tax mitigation, concentrated stock management, risk reduction, customized investments, trusts and other key areas.

TAKE THE NEXT STEP

Affluent investors expect a lot from their financial advisors. Their many, and often complex, financial concerns drive them to actively seek out the highest-quality information, guidance and solutions that will empower them to achieve their most important goals.

Advisors who truly want to seize the affluent investor opportunity and grow their practices must step up, and do it now. They must make a concerted, focused effort to deliver an exceptional client experience—one that is rooted in comprehensive wealth planning and customized solutions tailored to the affluent's unique needs. Furthermore, those solutions must be delivered in close consultation with the right expert partners.

Be aware, however, that the opportunity to win the affluent's hearts, minds and wallets is not an infinite one. The competition for these assets is intense—and the advisors who move decisively will be the ones who capture the lion's share of the tremendous wealth that exists out there.

The next step is yours to make. Take action today to deliver that value, and you will put yourself in the ideal position to:

- » Win the affluent's business and grow your AUM.
- » Earn the affluent's endearing loyalty.
- » Generate referrals from your delighted affluent clients.

Ultimately, building your firm to attract, serve and retain the affluent will help put you on the path to tremendous success—today, and for decades to come.



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¹The editors of Kiplinger's Personal Finance, Dan Burrows, Contributing Writer. "10 Things You Must Know About Becoming a Millionaire." Nasdaq, 17 June 2020, www.nasdaq.com/articles/10-things-you-must-know-about-becoming-a-millionaire-2020-06-17.

²Spectrem Group. "Coronavirus Reduces Millionaire Count." 23 Mar. 2020, spectrem.com/Content/millionaire-count-reduces.aspx.

³Spectrem Group. "Market Insights 2019." 2019.

⁴EY Wealth & Asset Management. "How Do You Build Value When Clients Want More Than Wealth? 2019 Global Wealth Management Research Report." 2019, https://assets.ey.com/content/dam/ey-sites/ey-com/en_gl/topics/wealth-and-asset-management/wealth-asset-management-pdfs/ey-global-wealth-management-research-report-2019.pdf.