SpectremGroup
Voice of the Investor

Vanguard

The affluent investor

Insights and opportunities for advisors

Research overview

Almost six years after the end of the financial crisis, investor confidence has significantly improved, yet uncertainty remains. Investor concerns continue to be driven by issues such as prolonged legislative gridlock, the prospect of an eventual slowdown in the run of exceptional equity returns, and a potential backslide in U.S. economic growth in the wake of economic struggles across the globe.

In this uncertain environment, affluent investors in all wealth segments are paying greater attention to domestic and global events, and as a result, your guidance as a financial professional has never been more important.

Our research confirms that it's critical to provide education and guidance to help clients avoid reactionary decisions. We've also found that advisors who want to increase client satisfaction would do well to thoroughly understand clients' individual expectations, especially in terms of their investment needs, financial circumstances, communication preferences, and next-generation heirs.

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This report explores:

Wealth segments

Mass affluent:
$100,000 to $1 million in net worth[1]

Millionaire:
$1 million to $5 million in net worth[1]

Ultra-high-net-worth (UHNW):
$5 million to $25 million in net worth[1]

1 Does not include primary residence.

Methodology and sampling

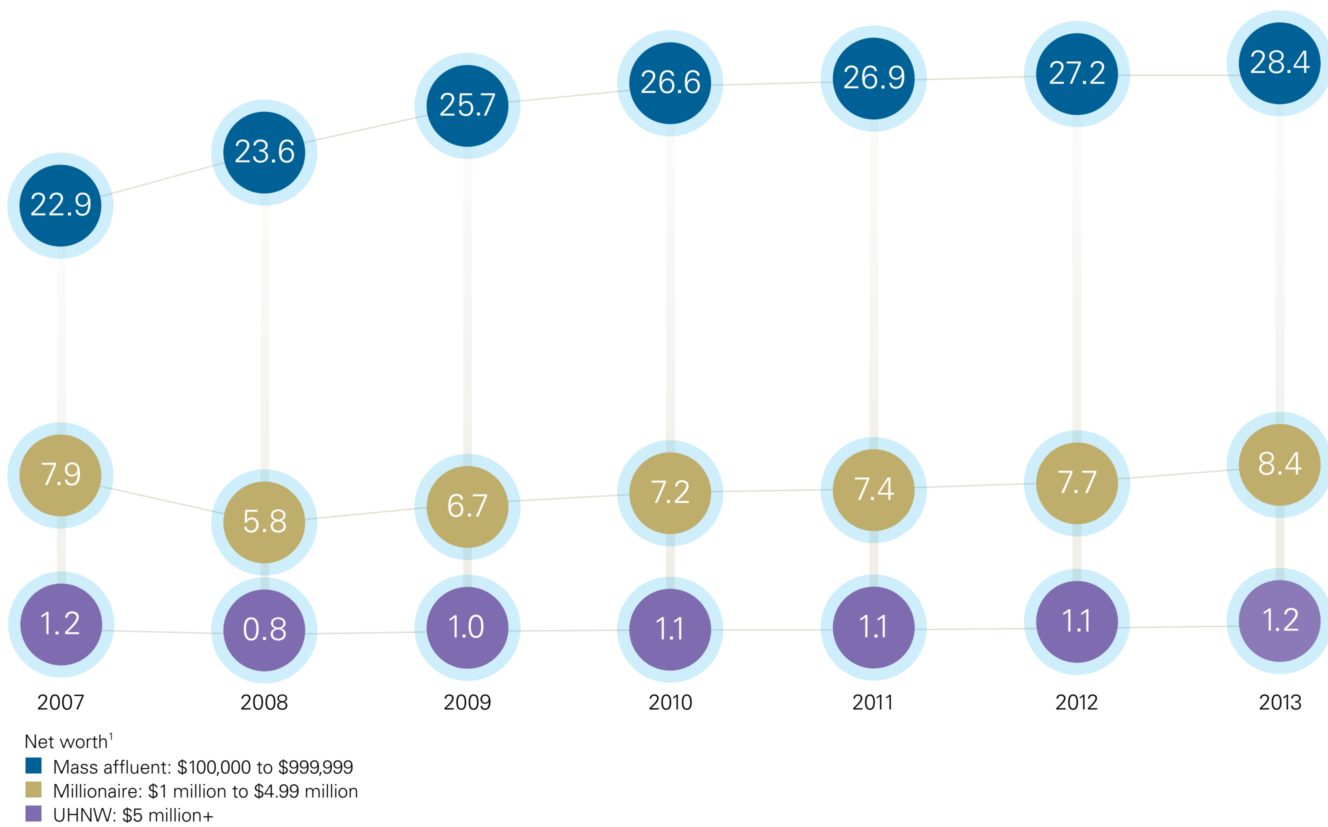
There are currently 9 million households with at least $1 million in net worth in the United States. That's more than ever before. In fact, the numbers of households with a net worth of at least $1 million, $5 million, and $25 million have reached or surpassed prerecession levels.

Each quarter, Spectrem Group, a market leader in consumer research for the financial services industry, conducts online interviews with affluent investors across the United States. Each survey includes about 1,500 mass affluent, 1,000 millionaire, and 500 UHNW households. The research presented in this report was conducted from the fourth quarter of 2013 through the third quarter of 2014.

Respondents were assigned to a category based on the aggregate total of the household's indicated net worth. The surveys were completed by the individual primarily responsible for making the household's day-to-day financial decisions.

In many cases, the surveys asked respondents to indicate to what degree they agreed or disagreed with a particular statement. Throughout this book, we've documented the percentage of respondents who selected "agree" or "strongly agree."

Total households in millions, 2007 to 2013



Note: This report does not include data from investors with more than $25 million in net worth.
1 Does not include primary residence.

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Key findings

Wealth and optimism continue to grow

Today there are more millionaire households in the United States than ever before. Accordingly, 80% of the UHNW and 68% of millionaires feel that their financial situations are better than they were a year ago.

Opportunity remains to gain client assets

On average, mass affluent investors reported that they control 59% of their assets with no professional help. Millionaire investors reported that they invest 46% of their assets on their own.

Long-term care is a widely anticipated need

Of services investors expect to seek from advisors in the future, three clearly stood above the rest: planning for long-term care, creating an estate plan, and implementing tax-advantaged strategies. Yet, many investors said they have not discussed these topics with an advisor.

Client satisfaction strongly affected by communication

Across all wealth segments, client satisfaction directly correlates with the frequency of advisor contact. Clients who heard from their advisors at least once per quarter were significantly more satisfied than those who received outreach semiannually. For millionaires, satisfaction dropped 28 percentage points for clients contacted twice per year as compared with those contacted every quarter.

Responsiveness is critical

Client satisfaction is similarly influenced by how quickly an advisor responds to client calls and emails, with expectations higher than many advisors realize. Among mass affluent and UHNW clients, 25% and 31%, respectively, said they expect a response within two hours. For investors aged 44 years or younger, this expectation was even more prevalent.

Investors may be open to small advisor teams

Although a majority of investors prefer to work with a single advisor, many are open to working with advisor teams of three or less. Of respondents in the three wealth segments, UHNW investors expressed the most willingness to work with a primary advisor and supporting team members.

Clients willing to introduce families to advisors

Many clients are open to talking about their heirs and their financial legacies. Among millionaires and the mass affluent, 55% and 39%, respectively, said they planned to introduce their children and grandchildren to their advisors. However, advisors may need to be proactive in initiating the meetings.

Expectations are growing for communication options

More than 50% of wealthy investors are willing to video chat with their advisors, a number that has increased substantially in recent years. Among millionaires aged 36–44, nearly one third said they wanted to text with their advisors. To an increasingly prevalent degree, affluent investors expect advisors to accommodate a variety of communication options.

Who are the affluent?

Demographic snapshot

	Mass affluent	Millionaire	Ultra-high-net-worth (UHNW)
Net worth[1]	\$100K–\$1M	\$1M–\$5M	\$5M–\$25M
Population (estimated number of households)	28.40 million	8.36 million	1.24 million
Using an advisor	68%	81%	81%
Tenure with advisor	3–10 years: 38% 10+ years: 38%	3–10 years: 38% 10+ years: 41%	3–10 years: 35% 10+ years: 49%
Average age	59 years	63 years	66 years
Retired	39%	57%	59%

1 Not including primary residence.

Occupations

Mass affluent		Millionaire		UHNW	
Educator	13%	Manager	17%	Senior corporate executive	17%
Manager	13%	Educator	13%	Manager	12%
Information technology	9%	Information technology	9%	Educator	8%
Health care	7%	Health care	8%	Consultant	7%
Accountant	6%	Senior corporate executive	7%	Information technology	7%
Salesperson	5%	Accountant	5%	Physician/dentist	7%
Homemaker	4%	Consultant	5%	Attorney	6%
Consultant	3%	Salesperson	4%	Entrepreneur/business owner	6%
Craftsman	2%	Attorney	3%	Accountant	5%
Entrepreneur/business owner	2%	Entrepreneur/business owner	3%	Health care	4%
Senior corporate executive	2%	Homemaker	2%	Salesperson	4%
Attorney	1%	Physician/dentist	2%	Homemaker	2%
Financial advisor	1%	Craftsman	1%	Financial advisor	1%
Investor	1%	Financial advisor	1%	Investor	1%
Operator	1%	Investor	0%	Craftsman	0%
Physician/dentist	1%	Operator	0%	Operator	0%
Other	29%	Other	20%	Other	14%

Note: Includes former occupations for those in retirement.

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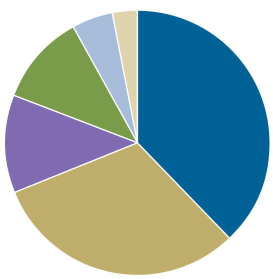
Distribution of assets

Investors with higher levels of wealth tend to have a larger portion of their investable assets in equities, and a smaller portion in cash.

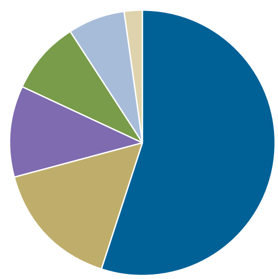
Total investable assets

Mass affluent



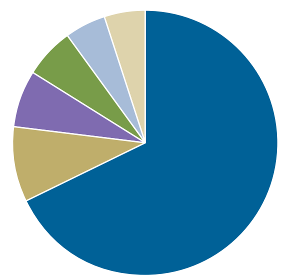
- 38% Investable assets
- 31% Principal residence
- 12% Defined contribution
- 11% Insurance and annuities
- 5% Investment real estate
- 3% Restricted stock

Millionaire



- 55% Investable assets
- 16% Principal residence
- 11% Defined contribution
- 9% Insurance and annuities
- 7% Investment real estate
- 2% Restricted stock

UHNW

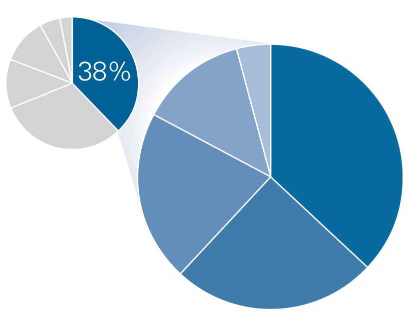


- 68% Investable assets
- 9% Principal residence
- 7% Investment real estate
- 6% Defined contribution
- 5% Insurance and annuities
- 5% Restricted stock

Note: May not total 100% because of rounding.

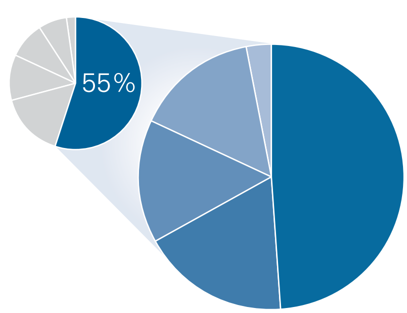
Investable assets

Mass affluent



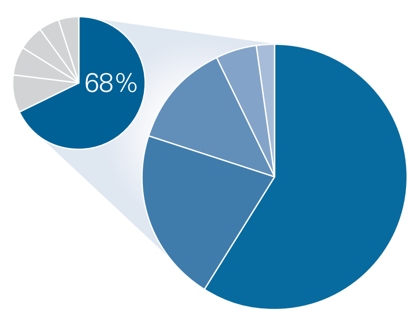
- 38% Investable assets
  - 37% Equities
  - 25% Cash and liquid assets
  - 21% Other/unknown
  - 13% Fixed income
  - 4% Alternative investments

Millionaire



- 55% Investable assets
  - 49% Equities
  - 18% Fixed income
  - 15% Cash and liquid assets
  - 15% Other/unknown
  - 3% Alternative investments

UHNW



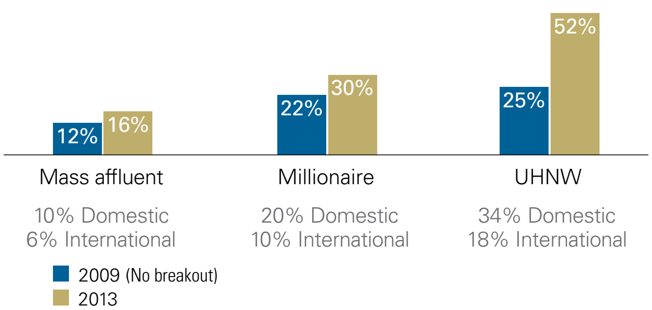
- 68% Investable assets
  - 59% Equities
  - 21% Fixed income
  - 13% Cash and liquid assets
  - 5% Other/unknown
  - 2% Alternative investments

Product ownership

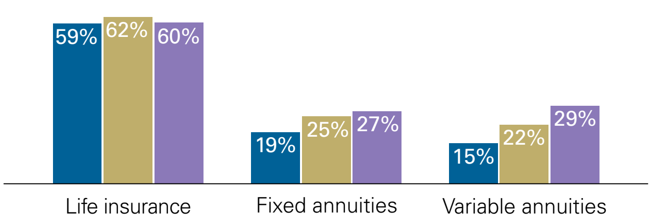
The growth in ETF ownership has been primarily wealth-driven. From 2009 to 2013, the number of UHNW investors who owned at least one ETF more than doubled, while the millionaire segment had a more modest increase, and the mass affluent segment had an increase of only four percentage points.

This is likely a result of the general lack of awareness about ETFs. Wealthier investors tend to benefit from a deeper level of education and guidance from their advisors. For similar reasons, wealthier segments are more likely to diversify with international investments.

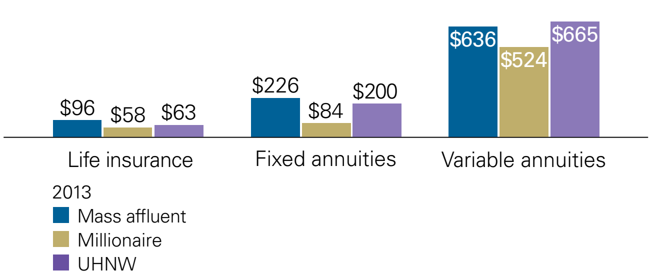
ETFs



Insurance

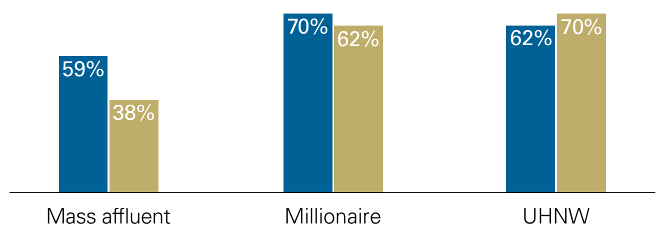


Mean value (in thousands)

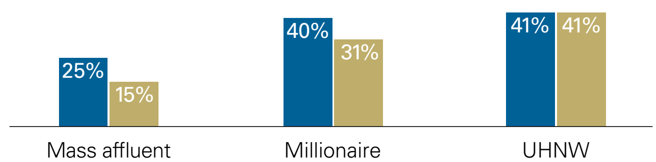


Mutual funds

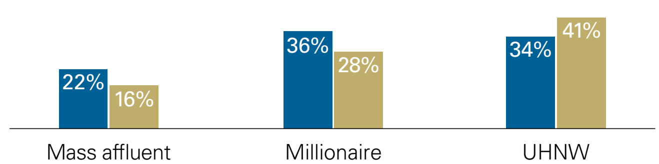
U.S. stock mutual funds



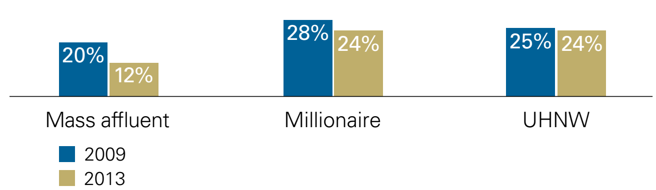
International stock mutual funds



Municipal bond mutual funds



Other U.S. bond mutual funds



Percentage of respondents who own at least one product.

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Control of assets

Affluent investors control roughly half of all assets themselves

As the level of wealth rises, investors tend to control a smaller portion of their assets on their own. Yet across all wealth segments, these percentages are surprisingly high. Even UHNW respondents reported that they managed an average of 48% of their assets with no professional help. The mass affluent reported that they controlled an average of nearly 60% of their assets on their own.

	Mass affluent			Millionaire			UHNW		
	2012	2013	2014	2012	2013	2014	2012	2013	2014
Assets I control myself with no professional help	60%	55%	59%	49%	46%	46%	49%	40%	48%
Assets I consult an advisor about but make decisions myself	26%	30%	26%	36%	38%	38%	33%	38%	33%
Assets I allow an advisor to handle	14%	15%	15%	15%	15%	16%	18%	22%	18%

Note: This includes all investable assets, including defined contribution plans, IRAs, etc.
Figures may not total 100% because of rounding.

Action step

Have in-depth discussions with your clients to ensure you have a complete picture of their assets. Look for potential gaps in your knowledge or discrepancies between the way clients think their assets are distributed and what may actually be the case. This can reveal valuable opportunities to increase wallet share and deepen client relationships.

Advisor dependency

Opportunities for new business with self-directed investors

More than two-thirds of the affluent investor market has either an intermittent relationship with an advisor or no advisor relationship at all. But don't assume that because these investors don't consistently work with an advisor, they'd necessarily be difficult to gain as clients.

When asked to select reasons for not using an advisor, only 52% of millionaire respondents chose "I can do a better job of investing than a professional." Nearly as many (48%) said "I don't believe an advisor would look out for my best interests."

NEARLY 30%

	Mass affluent	Millionaire	UHNW
Self-directed: I make my own investment decisions without the assistance of an investment advisor.	39%	30%	29%
Special event: I make most of my own decisions but use an investment advisor for specialized needs such as retirement planning, asset allocation advice, or the selection of alternative investments.	33%	32%	28%
Advisor-assisted: I regularly consult an investment advisor regarding most investment needs but make most of the final decisions.	18%	25%	27%
Advisor-dependent: I rely on an investment professional or advisor to make most or all investment decisions.	10%	13%	16%

Action step

Find out what matters to prospects up front by simply asking why they haven't been consistently using an advisor. Then you can meet any objections directly by demonstrating your value and building a relationship on a foundation of transparency and trust.

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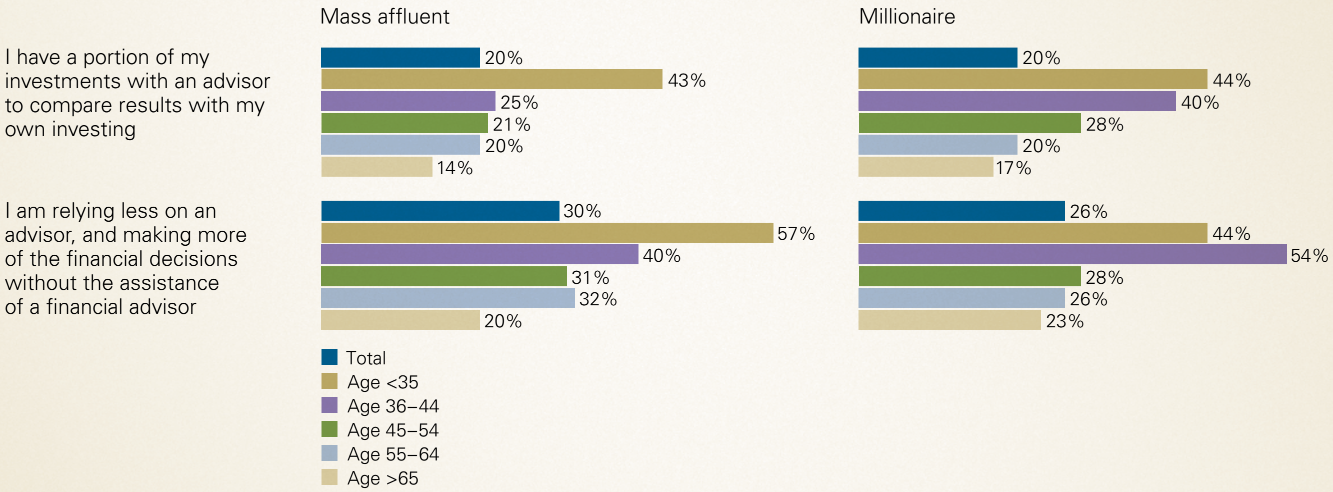
Be prepared to demonstrate your value

They're more insistent on independent investing

Investors in their 30s and 40s tend to be more confident and independent than their older counterparts. While baby boomers may be impressed with your credentials, younger investors want to see evidence that you're doing something they can't do themselves. Their initial interaction with an advisor may be one of friendly competition—can they outperform a professional?

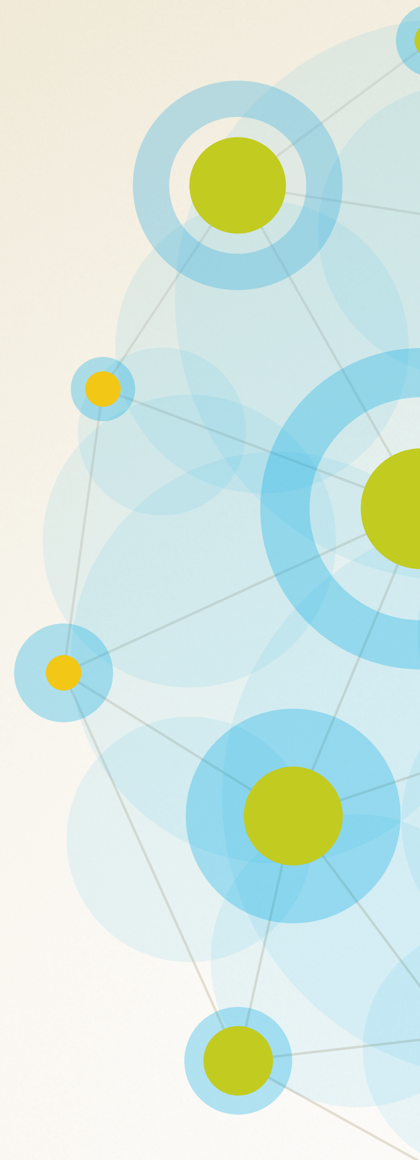


Action step

Have in-depth discussions with your younger clients. If they invest assets independently, where are they getting their information? What influences their decisions? And are they really outperforming in the long run?

When interacting with younger prospects, be sure to respect their confidence and offer your services as a complement to their own abilities. Be less of an authoritarian and more of a partner.

What's on their minds?

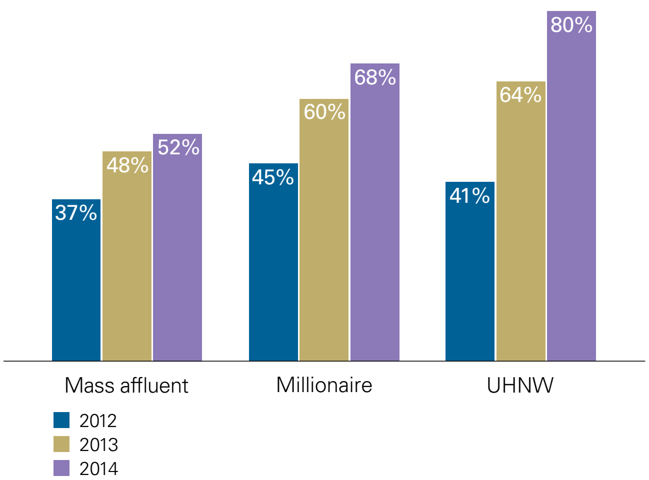


Financial outlook

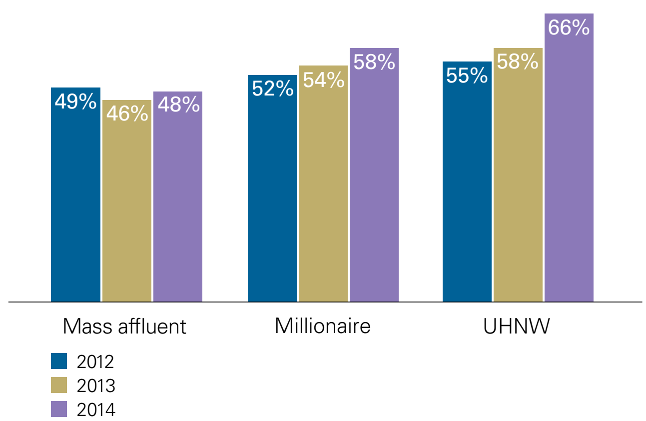
Affluent investors are relatively optimistic

Optimism has steadily increased across all segments of the affluent market over the past three years, with a positive outlook even more prevalent in higher wealth segments.

My financial situation is better than it was one year ago



I expect my financial position will be stronger one year from now



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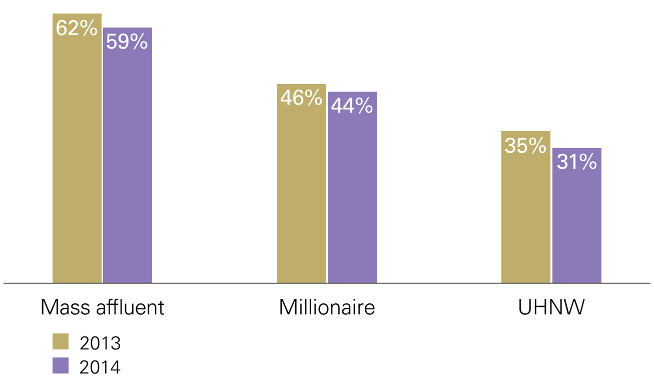
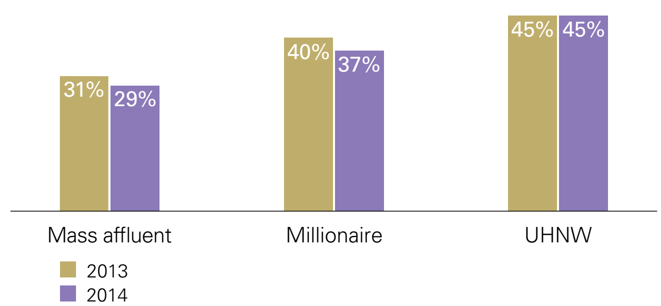
Risk tolerance

Risk tolerance tends be greater in higher wealth segments, but an overall conservative tilt remains. Even among UHNW investors, less than half expressed a willingness to take significant risk in a portion of their investments. Although investors don't generally speak in terms of active/passive strategies, this suggests a general compatibility with index products. Most important, however, this reinforces the need for a thorough understanding of clients' objectives in order to help them strike an appropriate balance between risk and returns.

I would prefer a guaranteed rate of return for a majority of my investments



I am willing to take significant risk in a portion of my investments



Action step

Talk with clients about the degree of risk in their investments. Is it in line with each client's degree of optimism? If not, this may be a way to strengthen relationships by encouraging clients to delve more deeply into their motivations and possible misconceptions. Are they unduly influenced by personal concerns, market headlines, or misguided investment assumptions?

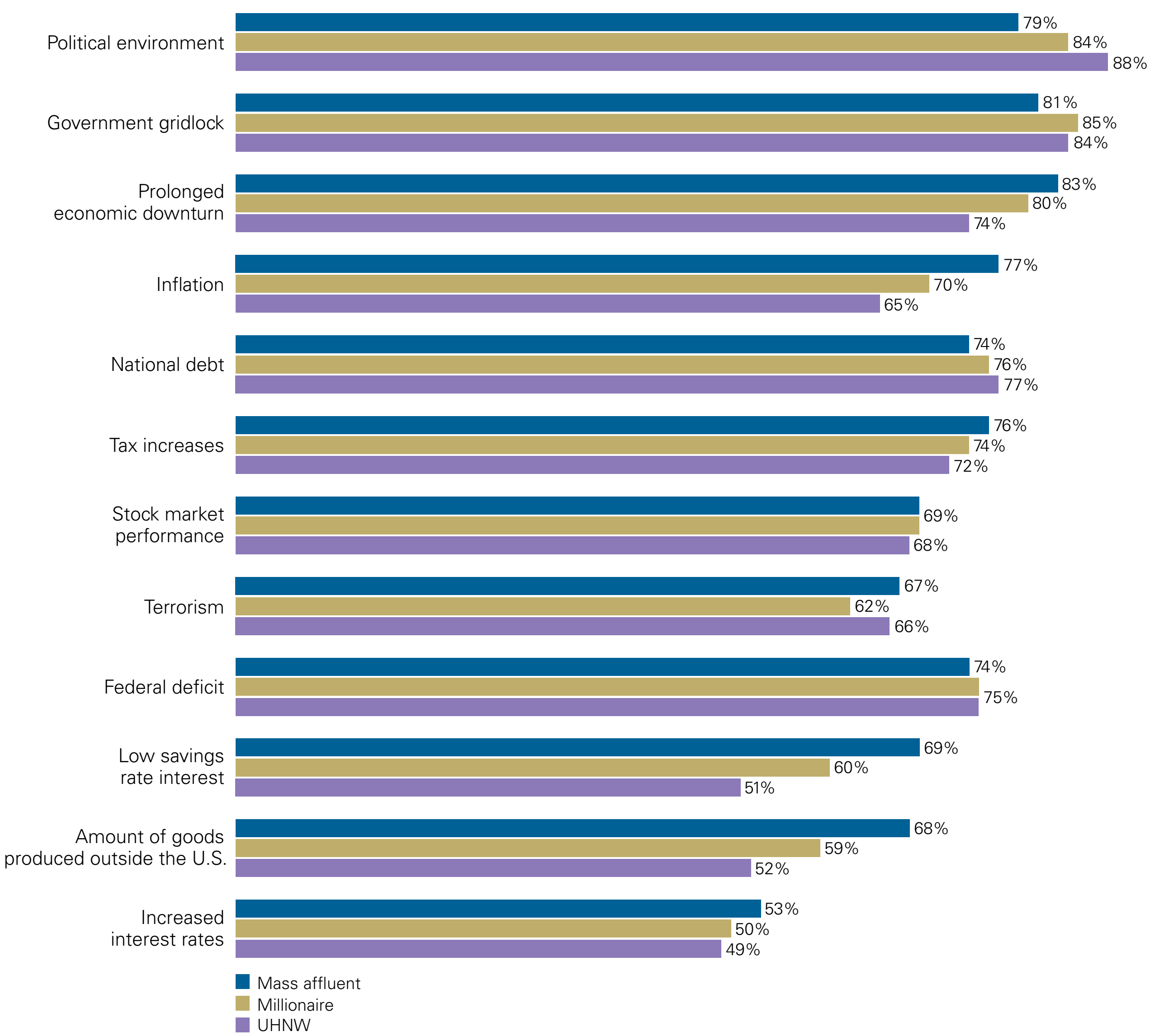
National concerns

Political issues continue to dominate

Top concerns remain centered on politics and the economy. This has remained consistent over the past few years. However, even the last item on this list is a concern for half of the investors surveyed, and each item on this list may be worth discussing with clients.

Action step

Consider using any of these issues in your outreach efforts and offer education or needed perspective. Response rates are likely to be higher when you focus on top-of-mind investor concerns instead of a broader message.



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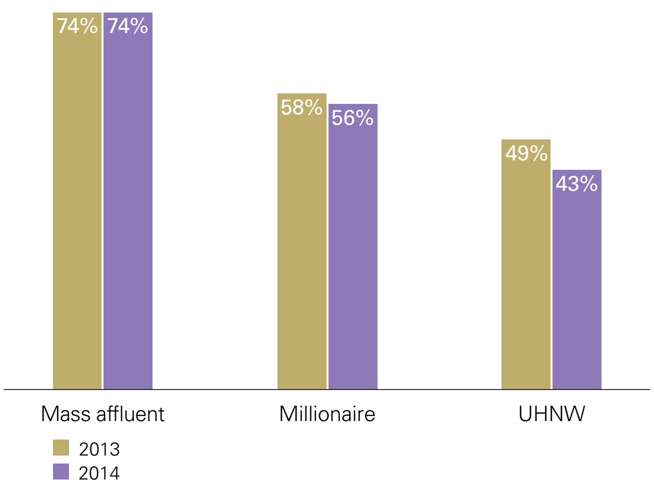
Note: Chart reflects the percentage of respondents who selected “concerned” or “very concerned.”

Global outlook

Strong aversion to global investing

Global instability is a prevalent concern among affluent investors as they show an exceptionally strong aversion to international investments. This indicates a strong need to educate your clients on the benefits of global diversification.

I am not willing to invest outside the United States



Action step

Home bias is rampant, even among those with higher asset levels. Offer clients the education and perspective needed to counter misinformation or panic-inducing headlines. Make sure they recognize the amount of risk they assume when they choose to concentrate investments instead of diversifying.

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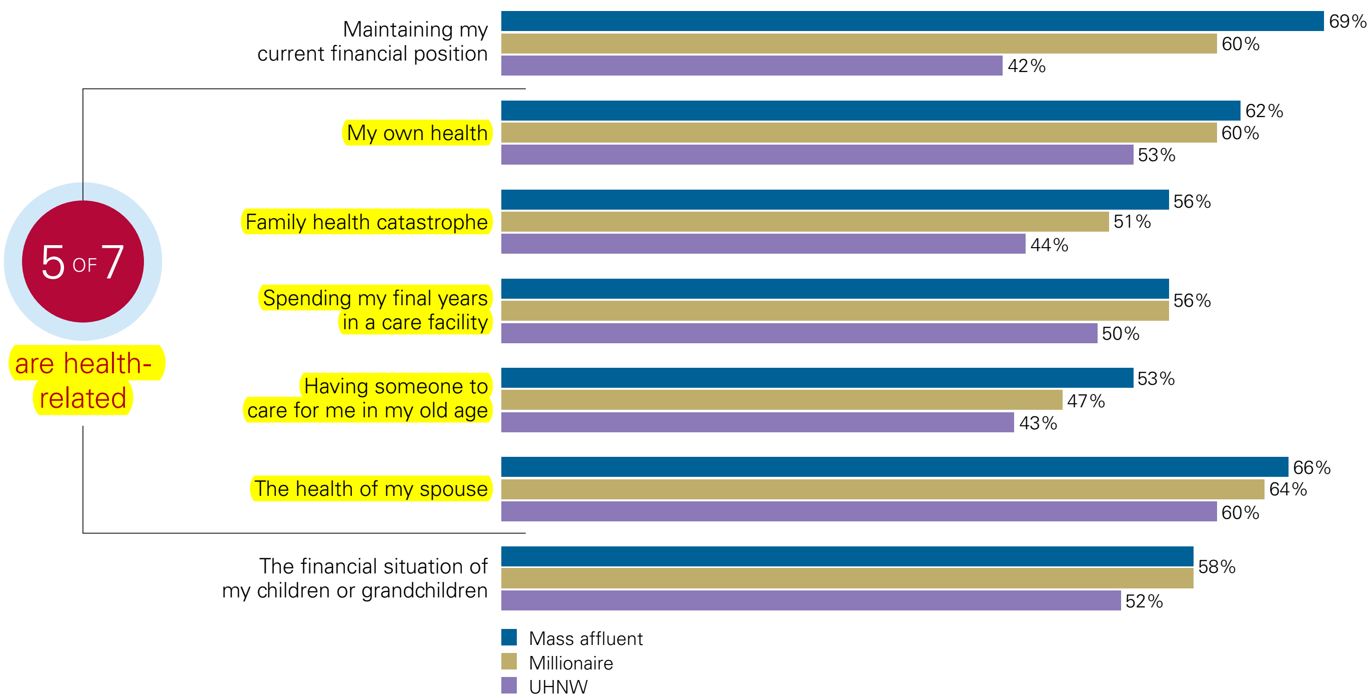
Individual concerns

Health and aging continue to be predominant issues

Health issues are a top concern for many clients. Yet most advisors don't talk to clients about health-related issues. For example, only 21% of millionaire investors who worked with an advisor had discussed long-term care planning. Even among clients aged 55–64, only 27% had discussed long-term care with an advisor.



Note: Chart reflects the percentage of respondents who selected "concerned" or "very concerned."

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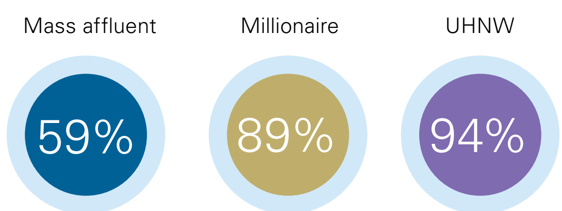
Retirement outlook

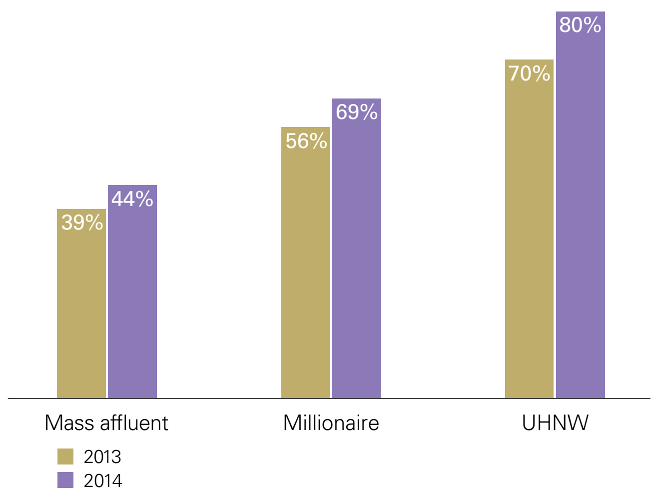
Affluent investors are primarily confident

Confidence about retirement is rising among all wealth segments. UHNW and millionaire respondents overwhelmingly expect to have enough money to live comfortably throughout retirement. Though the percentage drops among the mass affluent, it's still a majority. This suggests that while advisors tend to focus predominantly on retirement planning, this may be out of proportion to clients' needs. Clients and advisors alike may be better served by taking a 360-degree view of client circumstances, including topics such as health issues, family concerns, and future generations. Note: While confidence in retirement is high, "maintaining my financial position" is still one of investors' top worries.

I fully expect to have sufficient income to live comfortably during retirement



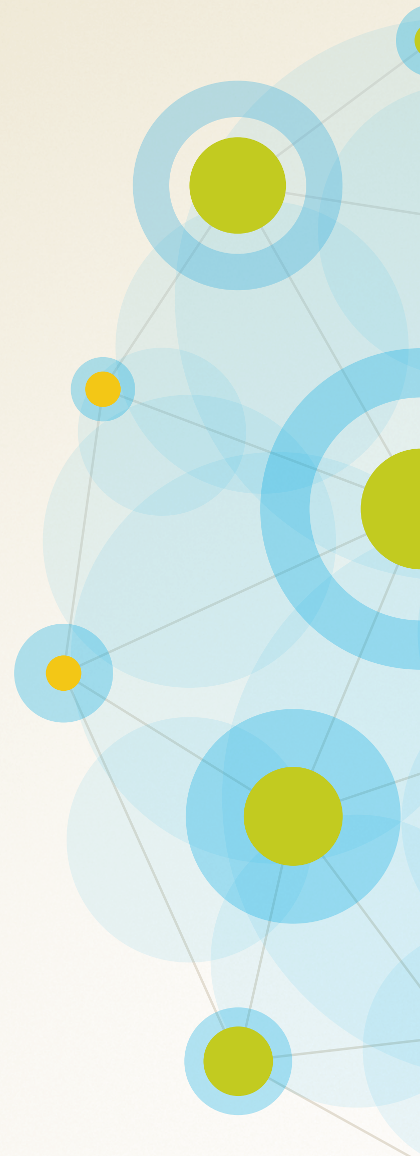
I expect I'll be able to retire when I want



Action step

Given the level of confidence about retirement and the prevalence of concern about other noninvestment issues, advisors should look at how they divide their time with clients. Are you having the conversations your clients really want and need?

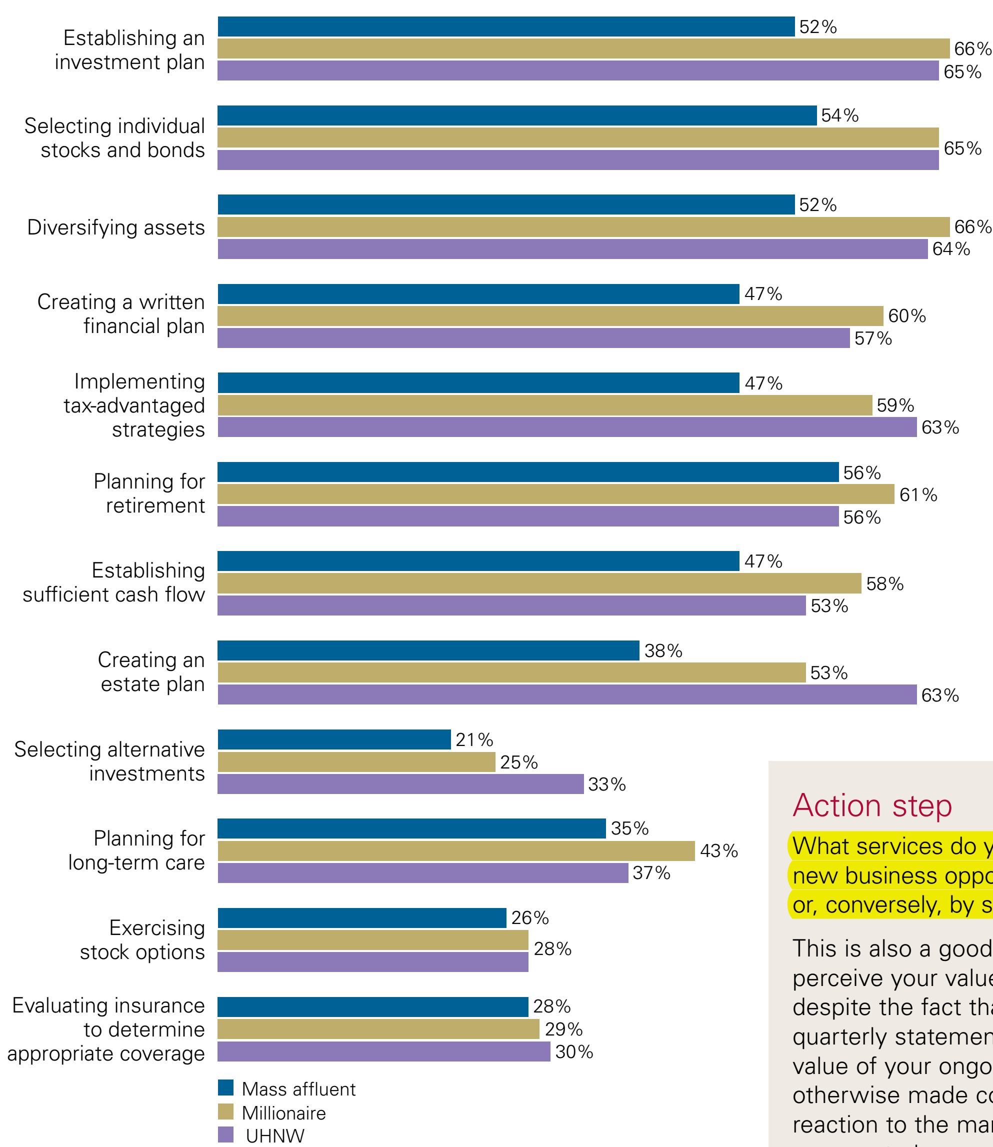
What do they expect from advisors?



Services and advice

These charts reflect services that respondents currently receive from their primary advisors, and services they expect to seek from their advisors in the future. Of expected future needs, three clearly stand out: tax strategies, estate planning, and long-term care planning. Yet these topics are largely overlooked by advisors. For example, only 25% of millionaires said they received estate planning advice from their primary advisor. Given that the average ages of mass affluent, millionaire, and UHNW respondents are 59, 63, 66, respectively, this reflects an unmet client need. Advisors who are not proactive about this topic may be making assumptions that don't align with their clients' expectations. Next, we'll take a closer look at client attitudes toward estate planning and long-term care.

I currently receive these services from my primary advisor



Action step

What services do you typically offer? Consider creating new business opportunities by broadening your services or, conversely, by specializing in a particular niche.

This is also a good reminder to take note of how clients perceive your value. All of these services are valuable despite the fact that they may not appear on clients' quarterly statements. Do your clients understand the value of your ongoing guidance? Would they have otherwise made costly decisions, for example, in reaction to the markets, the latest headlines, or an unexpected personal circumstance?

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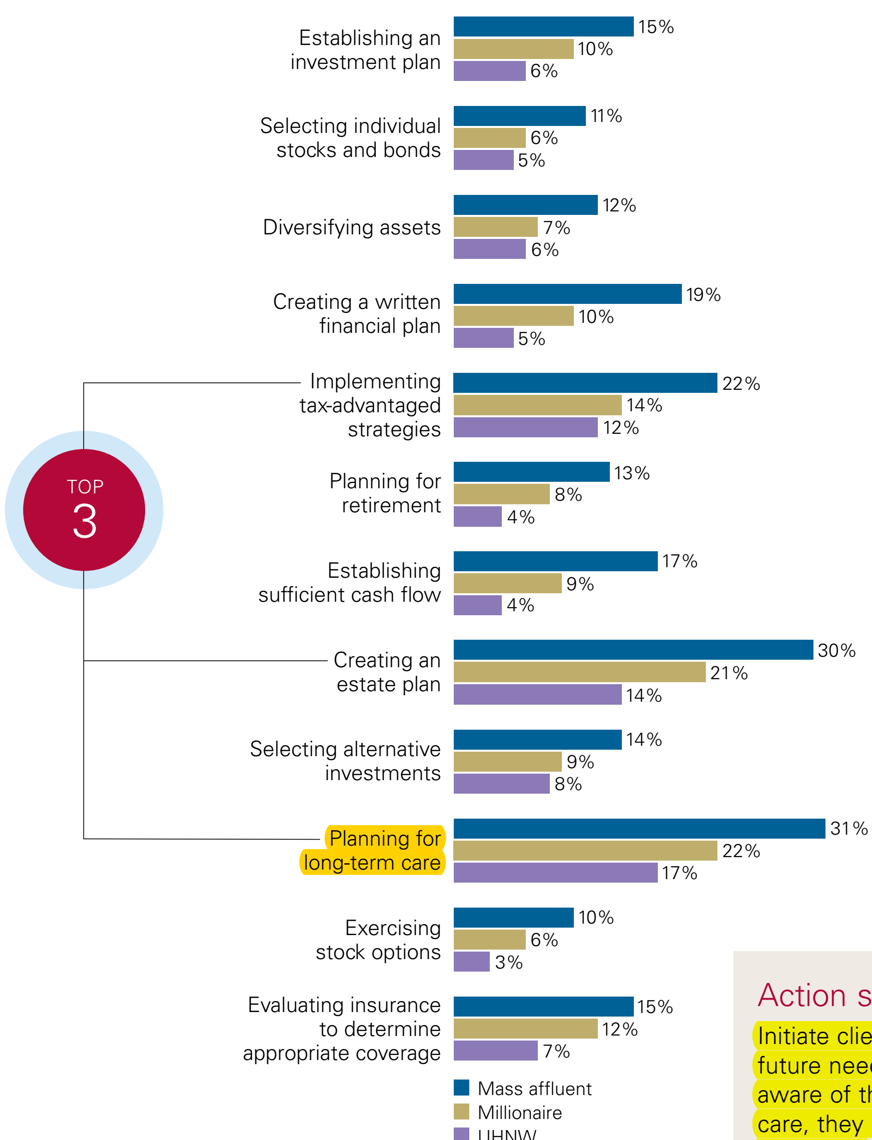
I plan to seek these services in the future



Action step

Initiate client conversations that help them anticipate future needs. Recognize that although they may be aware of the need to plan for things like long-term care, they may be reluctant to bring up the topic on their own.

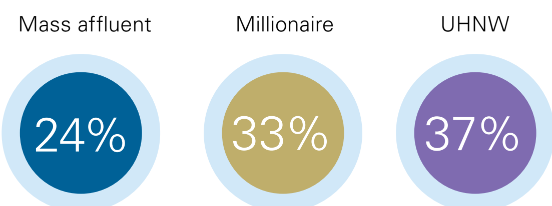
Long-term care

"*Helping your clients make the right Medicare enrollment decisions for their unique needs will be crucial for their long-term care needs.* ***Clients that make poor Medicare enrollment choices can face significantly increased healthcare costs throughout retirement.***"
Commentary provided by 65 Incorporated.
www.65incorporated.com

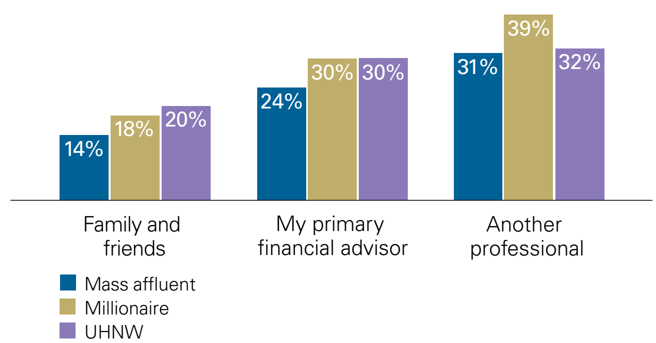
An underserved need on the horizon

The Department of Health and Human Services reports that 70% of Americans who are 65 years old will need long-term care of some kind. Yet the advisory industry has turned relatively little attention to this issue. As you can see, although 30% of millionaires sought long-term care information from their primary advisor, 39% chose to consult another professional. When this is the case, the primary advisor loses an opportunity to have a deeper relationship with that client and also risks losing assets should the client develop a trusted relationship with another financial professional.

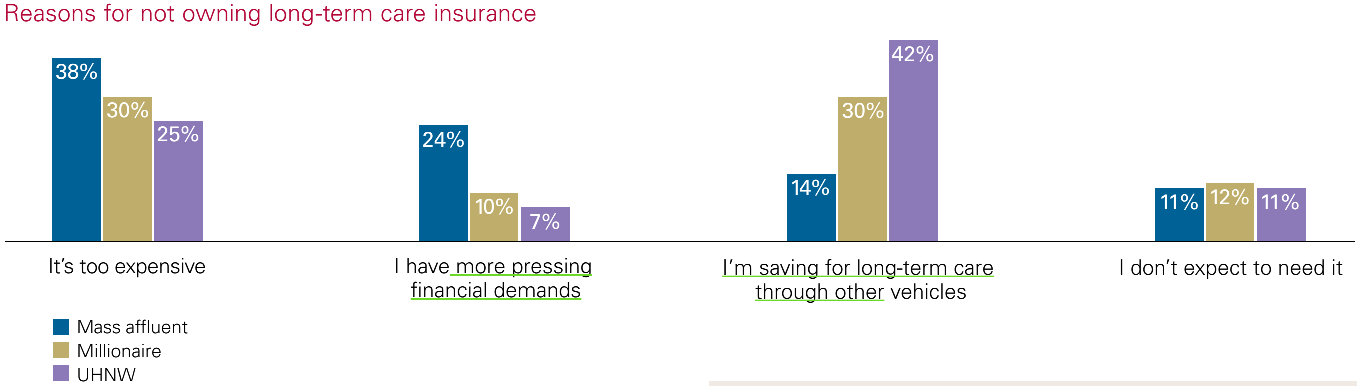
Do you have long-term care insurance?



Where did you get information about long-term care insurance?



Reasons for not owning long-term care insurance



Action step

Statistically, a portion of your clients will have long-term care needs, and as their advisor, you should be part of the conversation. What are their plans? What are their objections? One-third of millionaire and one-quarter of UHNW investors say that long-term care insurance is too expensive. Yet industry trends indicate that as demand grows, premiums will rise and benefits will fall, suggesting that clients would do well to consider their options sooner rather than later.

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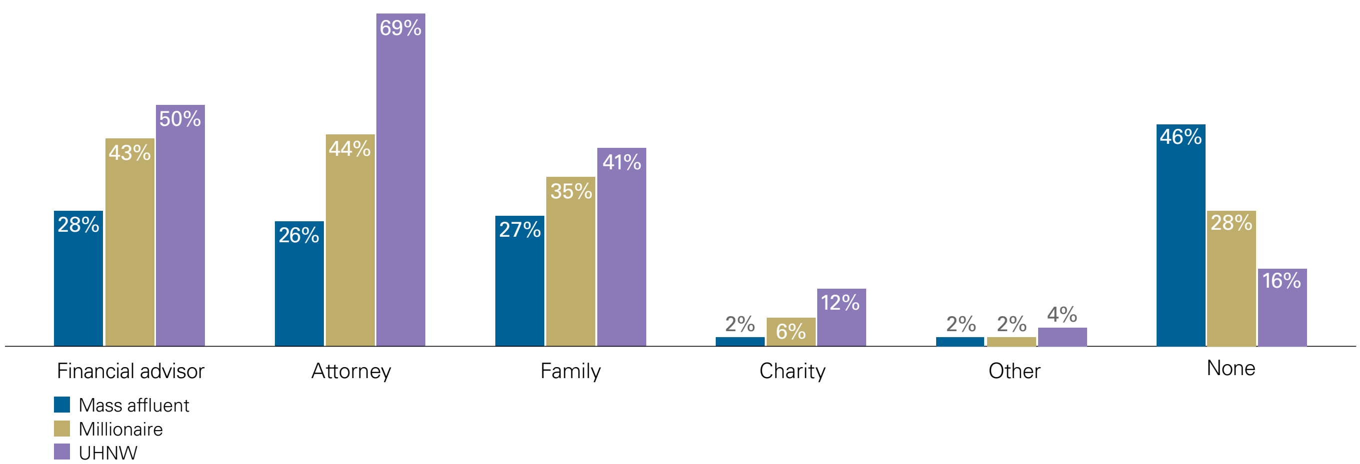
Estate and wealth planning

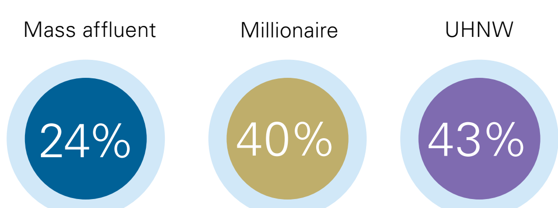
An opportunity to strengthen client relationships

Fewer than half of respondents reported that their advisor would be involved in executing their estate plan. Further, affluent investors appear to be avoiding, or not seeing the need for, conversations about the eventual transfer of their wealth. Among the mass affluent and millionaires, 46% and 28%, respectively, said they hadn't spoken to anyone about the topic—including their own family members. Even among UHNW, only half had spoken to their primary advisor about wealth transfer, and only 41% had conversations with their families.

Whom have you consulted about a wealth transfer plan?



My financial advisor will be involved in executing my estate plan



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Action step

Bolster your professional network with a trusted estate attorney in order to offer a valuable resource to clients, and ensure that they see you as an integral part of all their financial decisions. This also reduces the risk that an unknown attorney will introduce clients to an advisor in his or her own network.

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The next generation

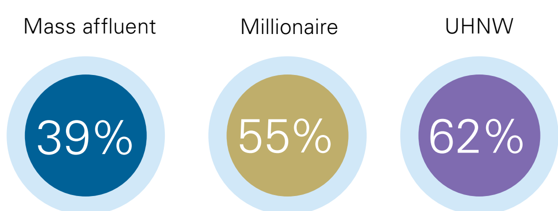
Relationship with clients' families is a win-win

If you have no relationships with clients' next-generation heirs, they are almost certain to take their inherited assets elsewhere.[1] Plus, clients often need assistance with the kinds of open conversations that give their families a better chance of transitioning their wealth. In other words, your relationship with clients' families is a win-win.

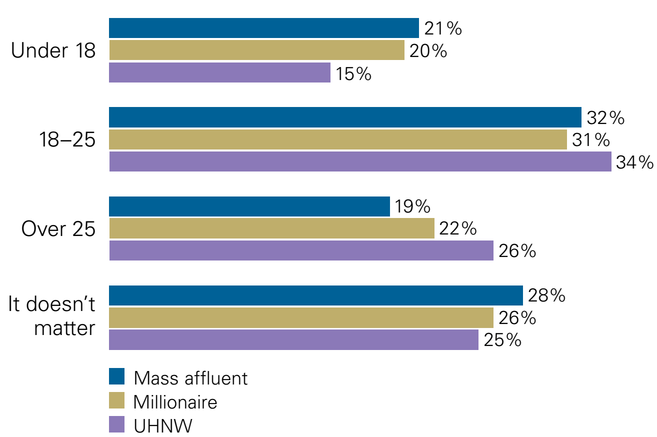
Affluent investors are open to introducing their advisor to their families, especially in higher wealth segments. Many respondents felt that 18–25 was a good age range for their children or grandchildren to meet their advisors.

1 Diane Doolin, Vic Preisser, and Roy Williams, 2011. Engaging and retaining families. *Investments & Wealth Monitor* (September/October):10–12, 16.

I'm planning to introduce my family to my advisor



Ideal age to introduce my children/grandchildren to my advisor



Note: May not add up to 100% because of rounding.

Action steps

Initiate client conversations about estate planning and wealth transfer, possibly hosting group discussions with families. In addition to deepening client relationships in a lasting and personal way, you'll help clients and their families have candid, sometimes difficult, conversations about finances, wealth, and their legacy. This lets you establish personal relationships with your clients' heirs and positions you to retain assets after they move to the next generation.

You can also develop a strategy for ongoing heir engagement. For example, consider a policy of meeting clients' children when they turn 18. Make it understood well in advance that every child or grandchild will get a "finance one-on-one" with you. These kinds of meetings can be arranged around a milestone such as going to college, graduating, or buying a home.

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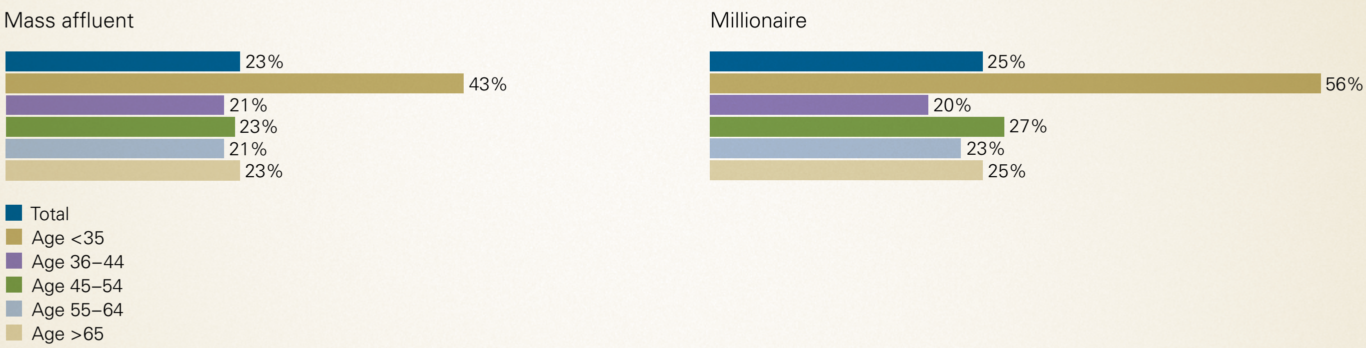
Demographic alignment

Younger investors want to personally relate to their advisor

Younger investors are more demanding in a variety of ways, such as expecting faster response times and wanting more flexibility and accessibility from advisors. They also find it more important to personally relate to their advisor. As with all investors, the relationship is paramount.

It is important that the cultural background of my advisor is very similar to mine



Action step

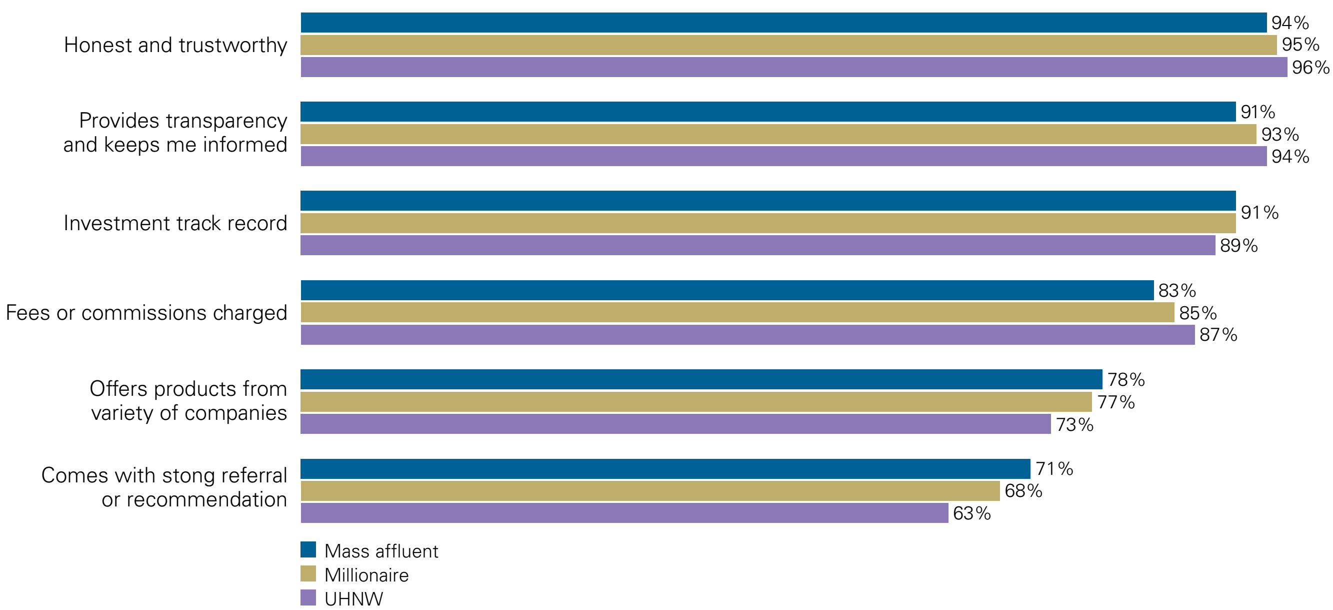
For new clients or prospects under the age of 35, try to align them with an advisor of a similar age, gender, or cultural background.

Prospects: Why they may hire you

Honesty trumps performance

Honesty and transparency repeatedly rank highest—slightly above performance and fees—across all wealth segments. Although Spectrem found that the number one way an investor meets the advisor he or she will eventually hire is through a referral from family or friend, it's reasonable to assume that doubts about your level of transparency can be a deal-breaker at any stage.

Which factors are most important when choosing an advisor?



Action step

Evaluate your opening pitch. Do you emphasize the factors that matter most? You may assume that honesty is a given, but earning trust may require more effort than you expect.

Remember that when self-directed investors were asked why they didn't use an advisor, a whopping 48% of millionaire respondents said, "I don't believe an advisor would be looking out for my best interests."

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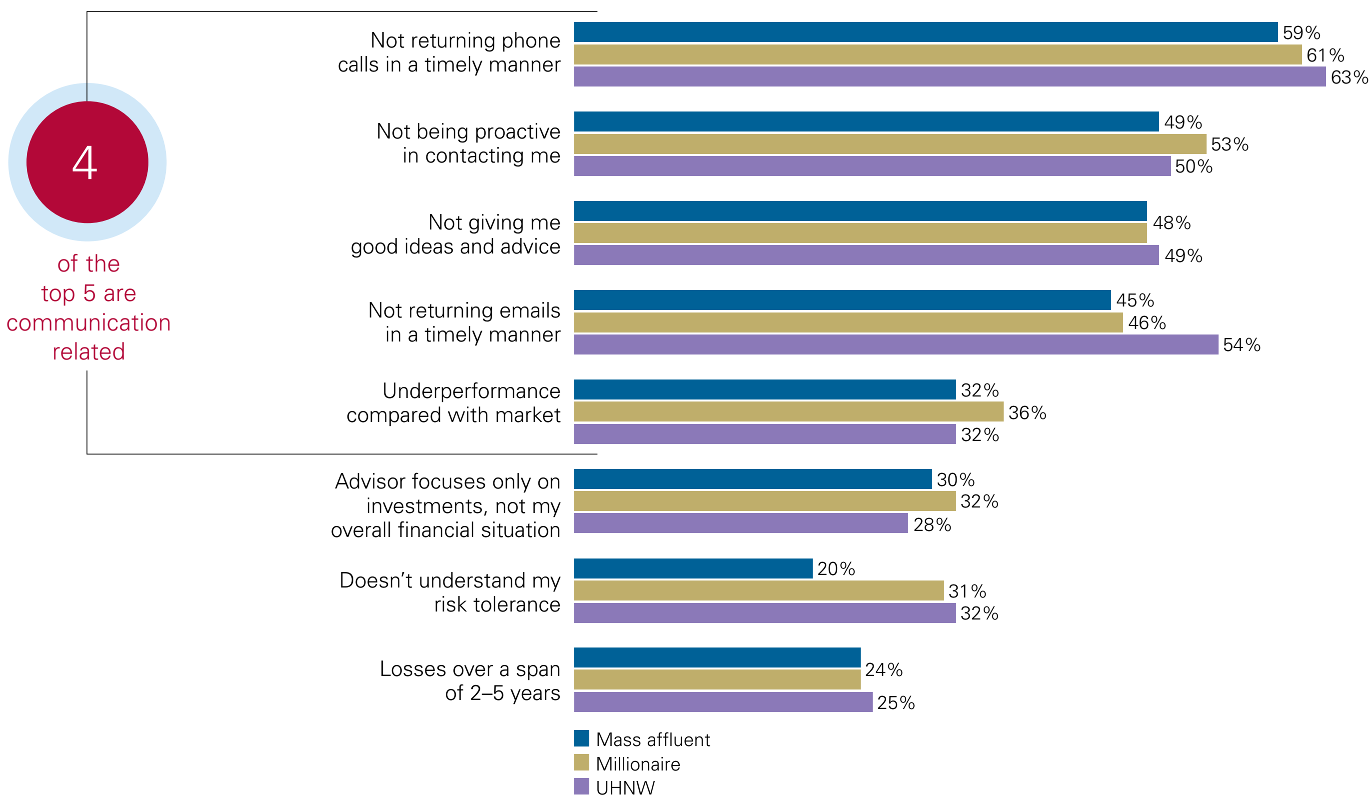
Clients: Why they may fire you

Communication trumps performance

Four of the top five factors that would cause an affluent investor to leave an advisor are communication-related. The chart below suggests that clients are happy when their advisor is responsive, consistently keeps in touch, and achieves results close to those of the market. Are you focusing your efforts on things that matter most to your clients?

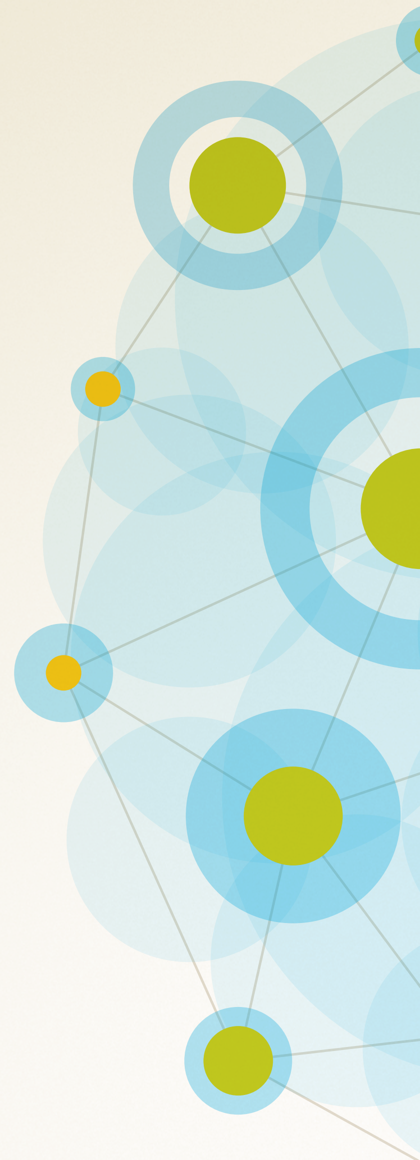
Which of the following would cause you to change financial advisors?



Action step

You have only 24 hours in each day. If you spend a majority of time on investing strategies that attempt to outperform, it may be time to reprioritize your efforts. For example, investment tools such as the use of model portfolios can free up time and allow you to be more accessible to clients and get to know them on a deeper level, which clients consistently rank as most important.

How do they want to communicate?

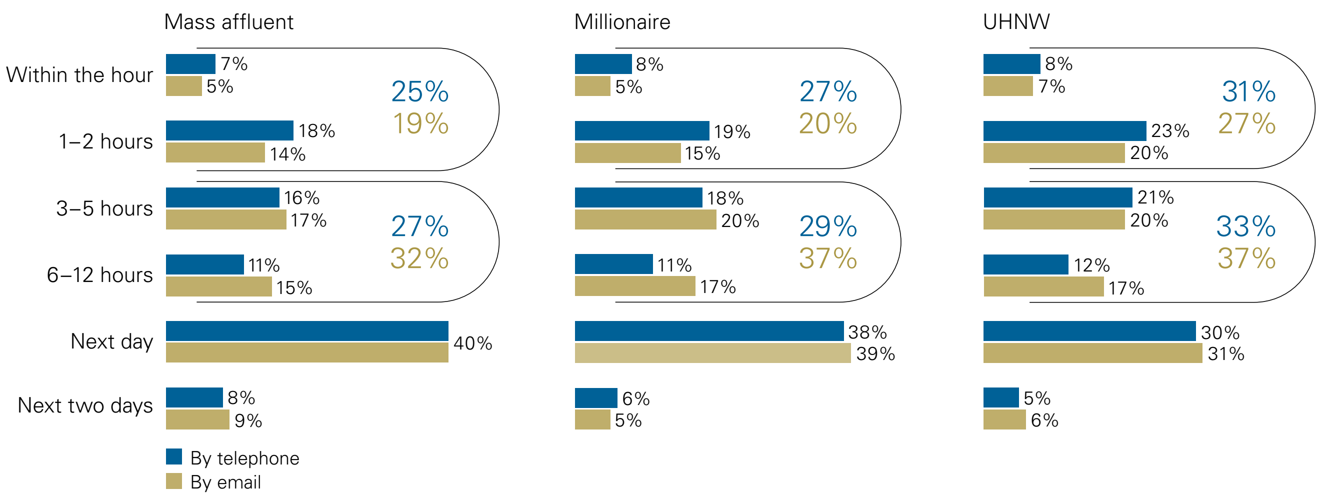


Responsiveness

A timely response is hours, not days

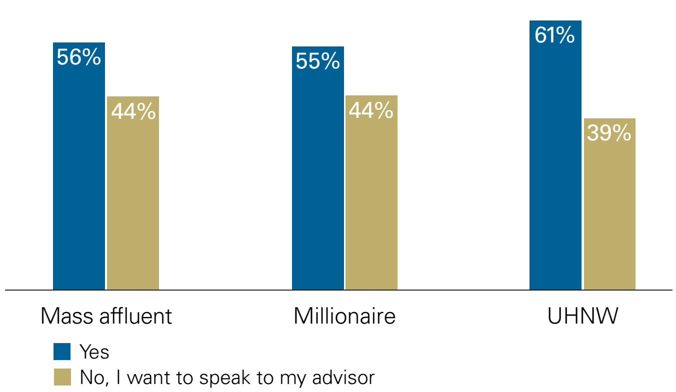
Although expectations vary, more than one-quarter of millionaire and one-third of UHNW respondents say they want a response to a phone call in two hours or less. While these percentages have actually come down a bit in recent years, this is likely because investors are becoming less skittish as we get further from the financial crisis, rather than because affluent investors are trending toward slower expectations in the future.

What is an acceptable time frame to hear back from an advisor?



Note: May not add up to 100% because of rounding.

Is it acceptable to hear back from someone else in the office?



Action step

Develop a firm communication policy so clients know how often they'll hear from you, how quickly they'll receive a response to inquiries, and whom they may be interacting with in your stead. Consider a written commitment that you actually sign and give to your clients.

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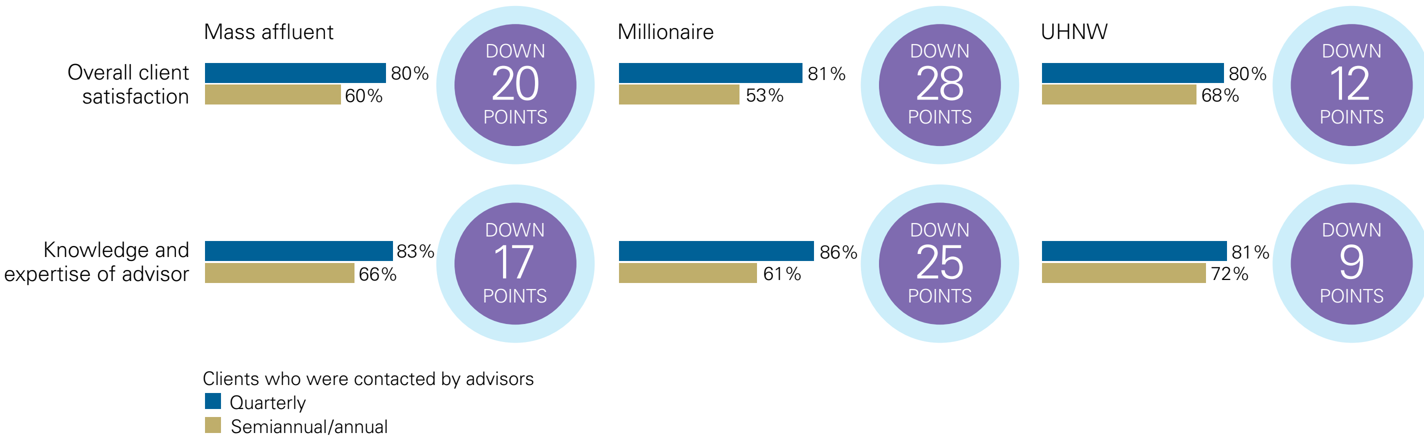
Frequency of contact

A significant influence on clients' satisfaction … and their assessment of you

The chart below reveals a strong correlation between the frequency of client contact and the level of client satisfaction. Of respondents using an advisor, those who were contacted at least once per quarter were much more likely to rate their satisfaction with that advisor—and also the advisor's expertise—as "very good" or "excellent." Although higher ratings invariably grow more likely as contact grows more frequent, the most striking divide is between those clients who are contacted at least quarterly and those who aren't.

Although quarterly contact is considered a standard practice, a surprising number of affluent clients said they hear from their advisors less frequently. Among millionaire respondents, 37% said their advisors contacted them semiannually, at best.



Note: Investors answered a set of questions in which they rated their level of satisfaction with their advisor and also their estimation of the advisor's knowledge and expertise. Then Spectrem correlated the percentage of respondents who gave a rating of "very good" or"excellent" with how often those respondents received advisor contact.

Action step

Make it your policy to contact clients quarterly. It doesn't need to be lengthy interaction, and it doesn't need to be about a client's portfolio. Even a quick phone call or email goes a long way toward letting clients know that you're continually looking out for them and that they haven't been forgotten. Consider keeping a list of important client dates—anniversary, new job, birth of grandchildren—and schedule outreach efforts around them.

If you have the resources, you may want to dedicate a staff member to keep track of client requests and handle the administration surrounding ongoing outreach.

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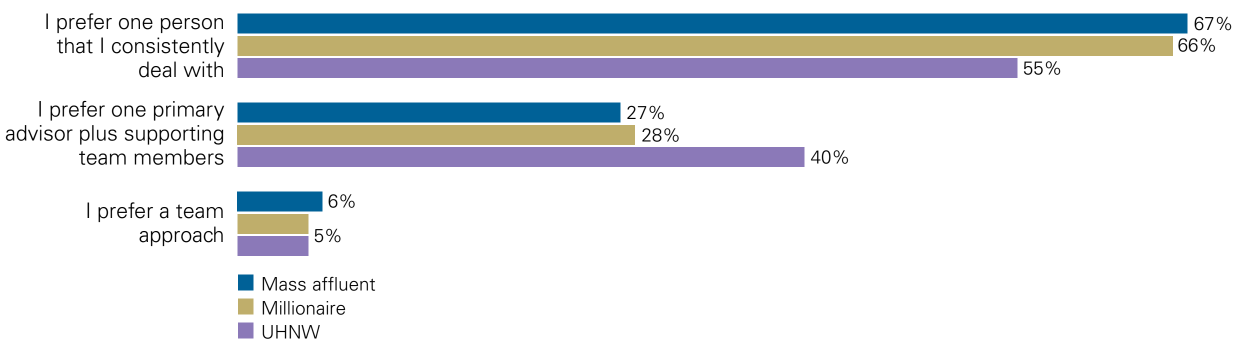
Advisor teams

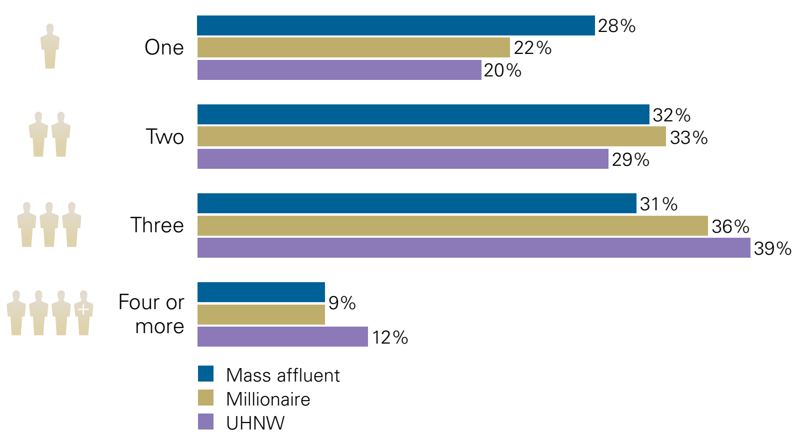
Affluent investors prefer one-on-one interaction but may settle for teams of three or less

A majority of respondents prefer contact with a single advisor; however, many are open to working with a primary advisor who is supported by one or two others who can step in if the primary advisor is unavailable. This aligns with the high value investors place on personal interactions and trusted relationships with their advisors.

In dealing with your financial advisor, which of the following approaches do you prefer?



How many advisors should make up a team?



Action step

When working in teams, be sure your clients are familiar with the other team members. Clients should know when—and why—they may hear from someone other than their primary advisor. Make a point to ask for client preferences, when appropriate; for example, "For noncritical issues, if I'm not in the office, would you like to wait to hear back from me, or can another team member assist you?"

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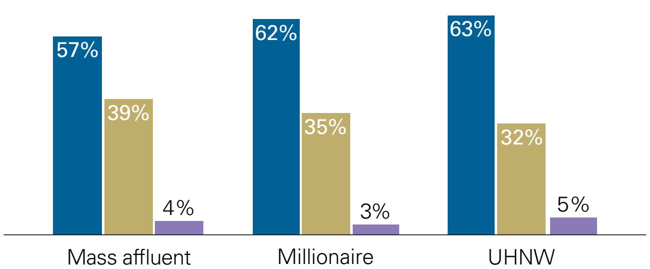
Client communication

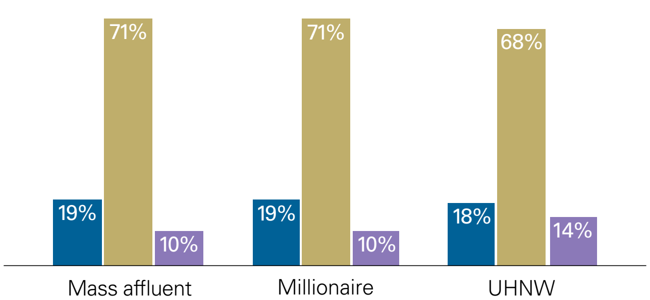
Room to improve content

Many clients expect more from the content of advisor communications. For example, only 63% of UHNW clients describe the content of advisor meetings as excellent. Newsletters and blogs were both rated especially low.

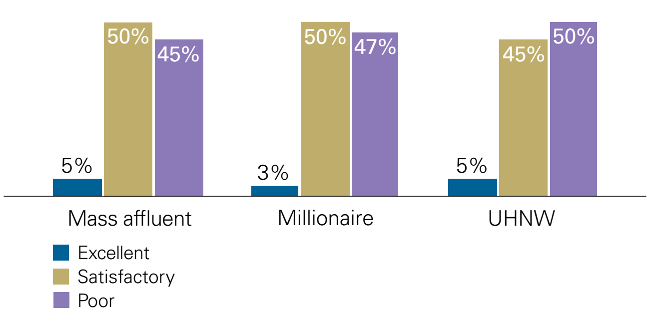
Face-to-face meetings



Newsletters



Blog



Action steps

Face-to-face meetings

- Be in a mode of continual discovery. Ask discovery questions not only in your initial client meeting but also in every subsequent client interaction. Try starting every conversation with one discovery question. Be specific if possible, asking for an update on a particular topic, or simply probe for new information: "What's new since the last time we spoke?"
- Listen more; talk less. This is simple but effective. Your clients may want to talk about investments, or they may not. Try to have well-rounded discussions and be open to client cues about what topics are most important to them.

Newsletters

- Consider using recurring columns, which help set expectations and build a following.
- Look for new ways to present information, such as by using infographics or putting content in a Q&A format.
- Interview experts such as estate planning attorneys or tax accountants.

Blog

- Stick to a schedule to ensure you post consistently.
- Vary the media: articles, videos, graphics, links.
- Invite guest bloggers.

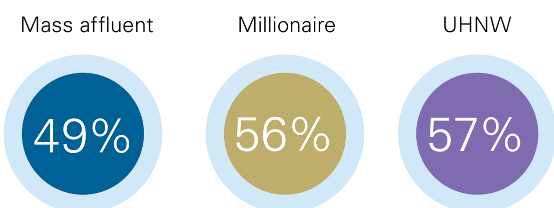
Virtual communication

Affluent investors are ready to video chat now; texting still on the horizon

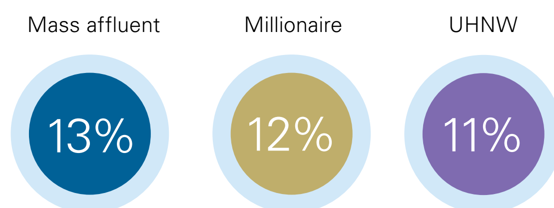
Many investors already use Skype or other video chat programs in their daily lives. They also show a marked willingness for virtual meetings with their advisor, especially at higher asset levels, possibly owing to the stronger relationships advisors tend to have with higher-asset clients.

While demand for texting is still low, expectations will likely grow over the coming years, especially with younger investors. Note, that for compliance purposes you'll need a process for keeping records of all messages sent to clients.

I want to video chat with my advisor



I want to text with my advisor



Action step

Familiarize yourself with video chat capabilities and be aware that some clients may expect you to accommodate various communication options. Video chat is also a helpful alternative for meeting clients' children or grandchildren who don't live in the area.

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Social media

Social media use is prevalent at all ages

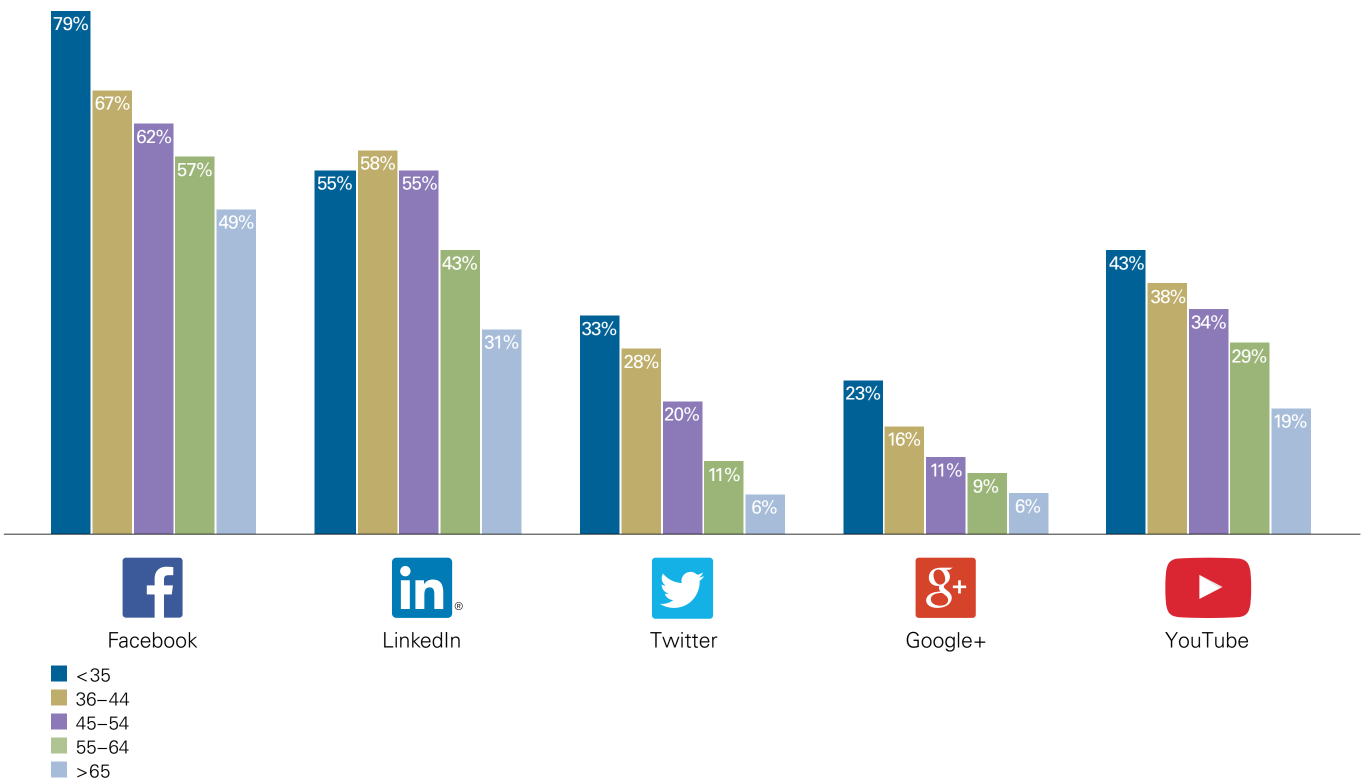
Although Facebook is the most widely used social media platform among affluent investors, other more business- and information-focused channels are gaining popularity. For example, Twitter was a source of financial information for nearly one-quarter of millionaire and UHNW Twitter users.

Action step

Think of social media as another networking tool. Your social media presence doesn't have to be finance-related. Consider other ways you can network by being involved in your local community. For example, one advisor who previously worked in the tech sector now reviews the latest tech products on Twitter. She has 5,000 followers. Look for ways to leverage what you know.

Social media use by age

Mass affluent, millionaire, and UHNW combined



Users are strongly engaged

Mass affluent

- 65% check in at least once a day
- 12% follow a financial commentator

Millionaires

- 55% check in at least once per day
- 24% follow a financial commentator

UHNW

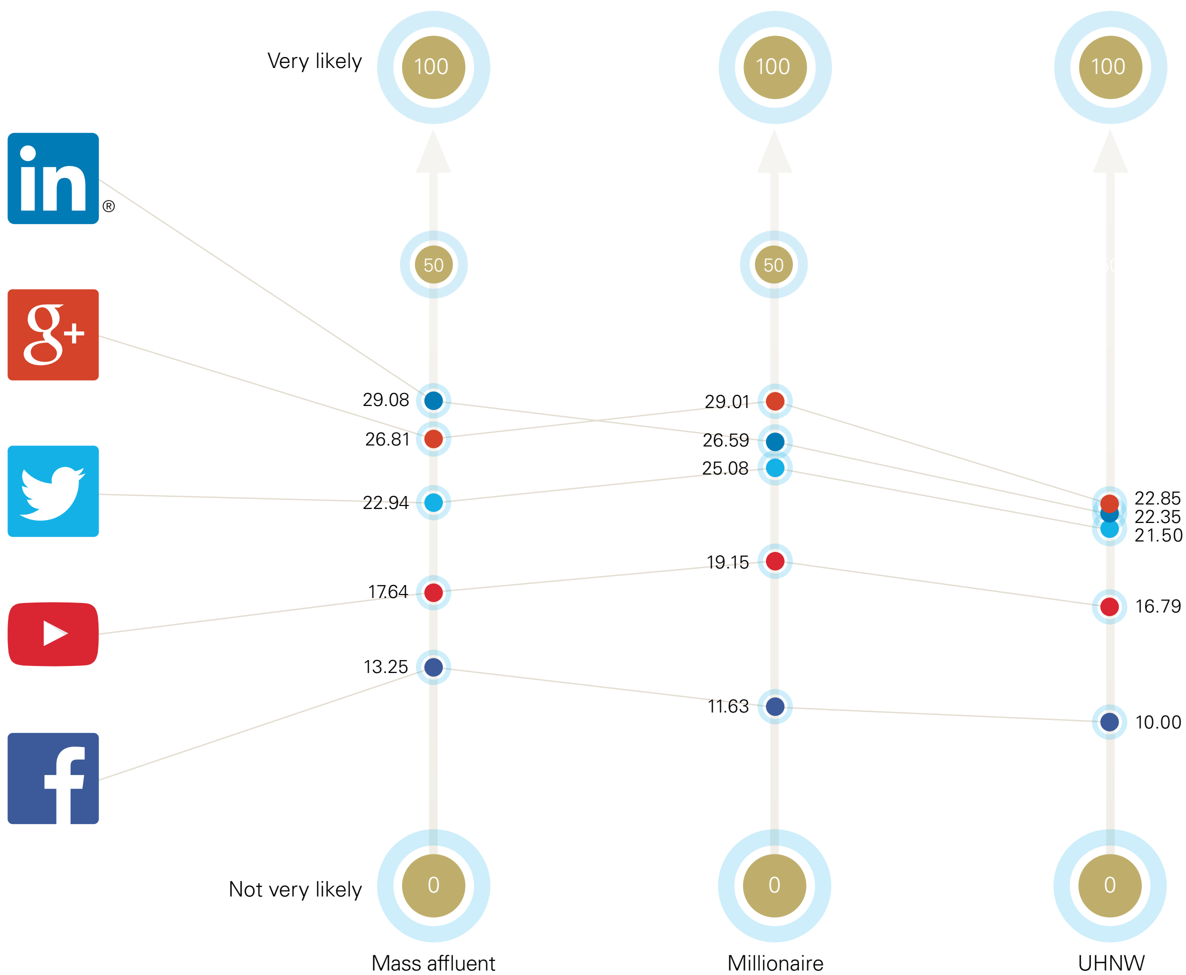
- 49% check in at least once per day
- 23% follow a financial commentator

Social media for financial information

Use is growing, slowly but steadily

LinkedIn and Google+ are the foremost platforms through which respondents are likely to seek financial information. Whether or not you're permitted to engage clients or interact with other users on financial topics through social media, you should still be aware of the conversations that are taking place. Maintain a general awareness of how some of your clients continually learn about investing, stay abreast of market updates, and discuss finances and investing.

Likelihood of getting financial or investment information from social media platforms



Action step

You should know what kind of online impression you make—personally and professionally. Start by googling yourself—do the results create the image you want?

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YOUNGER INVESTOR SPOTLIGHT

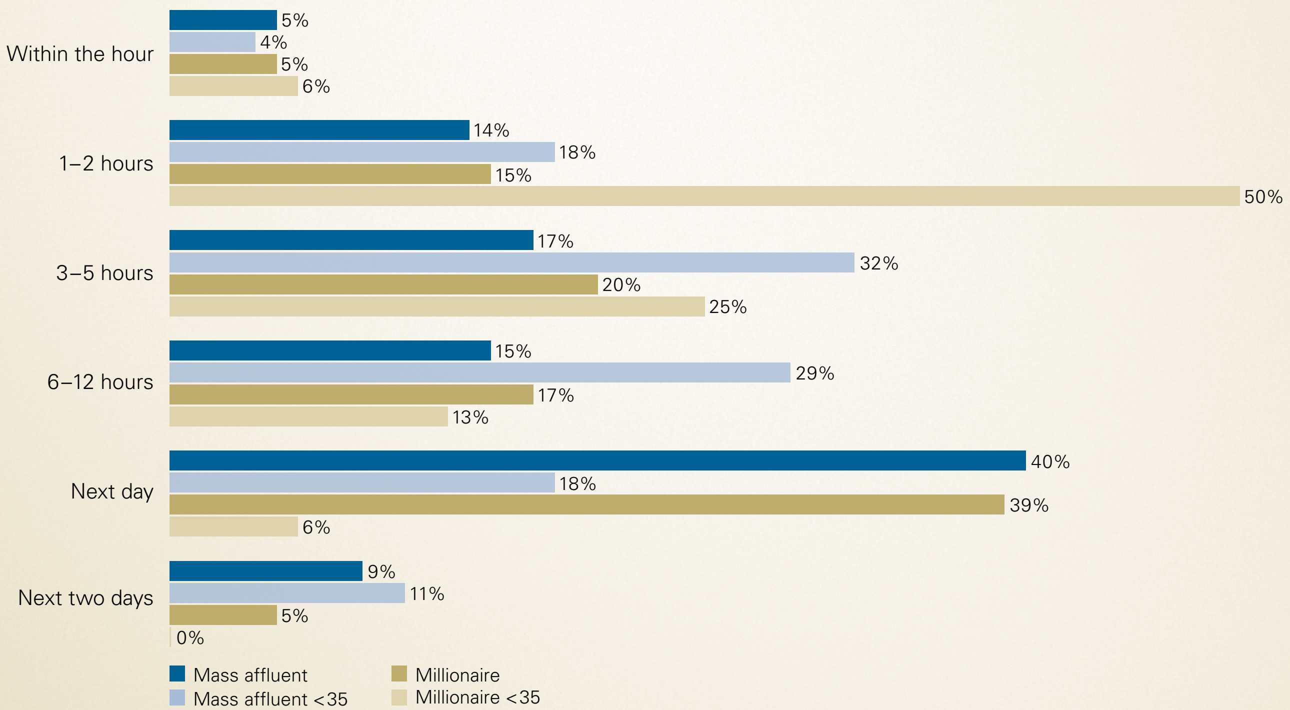
Communication

Younger investors live in a fast-paced and interconnected world of near-instant communication. They tend to be more demanding than older investors, expecting advisors to be both flexible and readily accessible to them. For example, they expect faster response times to both phone calls and emails, and they prefer varied communication options including video chat and text.

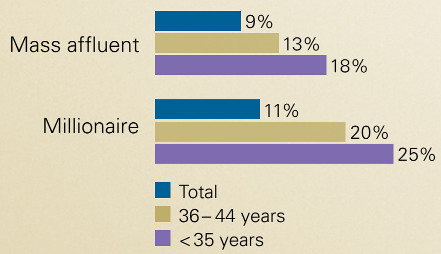
Action step

Talk to younger investors about how they'd like to communicate with you. Make an effort to accommodate their preferences and let them know about any regulatory constraints you face.

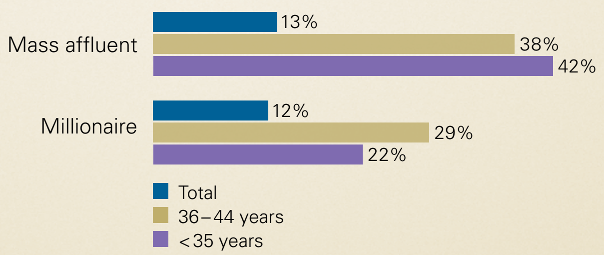
Expected email response times



I have texted with my advisor



I would like to text with my advisor



Action plan

Understand the landscape

Recognize opportunities to increase assets by getting a complete picture of each client's portfolio and gain new business by clearly demonstrating your value and emphasizing factors that mean the most to affluent prospects.

Exceed expectations

Look beyond investments and take a more holistic approach to client relationships. Understand not just each client's risk profile, but also any prevalent concerns. This helps you address top-of-mind issues and provide education and guidance where it's needed most. Consider reallocating your resources, spending more time on relationships and less time chasing investment performance.

Communicate effectively

Develop a firm communication policy so clients know how often they'll hear from you, how quickly they'll receive a response to inquiries, and whom they may be interacting with in your stead. Evaluate your current communications—meetings, emails, newsletters—and look for ways to improve.

Connect with the next generation

Broaden client discussions to include family members and address topics such as health issues and wealth transfer. Understand that younger investors are more demanding, place a higher value on being able to personally relate to others, and may be overly confident investors. Approach them as a partner, rather than as an authority. Be more flexible in how you communicate with younger clients, solidify your web presence, and stay abreast of trending topics on social media.

How Vanguard can help

Vanguard has a range of tools and resources to help advisors deepen client relationships and build business. For more information, contact your sales representative at **888-293-6728 or visit vanguardcanada.ca**

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All investments are subject to risk, which may result in the loss of principal.

Source: Spectrem Group 2013–2014.

Each quarter, Spectrem Group conducts online interviews with affluent households across the United States. The survey includes about 1,500 mass affluent households, 1,000 millionaire households and 500 ultra-high-net-worth households. The research presented in the publication was conducted over a yearlong period from the fourth quarter of 2013 through the third quarter of 2014. Respondents were qualified based on the aggregate total of the household's indicated net worth. The surveys were completed by the individual primarily responsible for making the day-to-day financial decisions the household. This sample would have an estimated margin of error of 5 per cent, 1 time out of 20.

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