



Planning for the Investor of the Future:

Generational Shifts Require
a Holistic Approach

Insights from industry thought leaders on how financial advice will need to change in order to meet future client expectations.

A perfect storm of evolving client expectations, a shift to commission-free models, and rapid innovation across the fintech landscape have combined to permanently change the role of the financial professional. These changes represent an opportunity for growth and prosperity for enterprises and individuals alike, but only if they fully commit to their own radical evolution in how they work with clients.

Gone are the days of simply helping clients manage their investments; today's consumers want a deeper relationship with advisors. The financial professional of the future's role now includes acting as a life coach, tasked with providing a planning strategy that maps closely with a client's personal values, the sources of advice that they trust, and their preferred platforms and technologies for receiving this advice.



We spoke with several industry experts about how they've made these adjustments to ensure both their success and the well-being of the firms and teams they lead. Together, they bring focus to the key attributes and mindset shift required to become a "Financial Professional of the Future."

How to Work Across Generations:

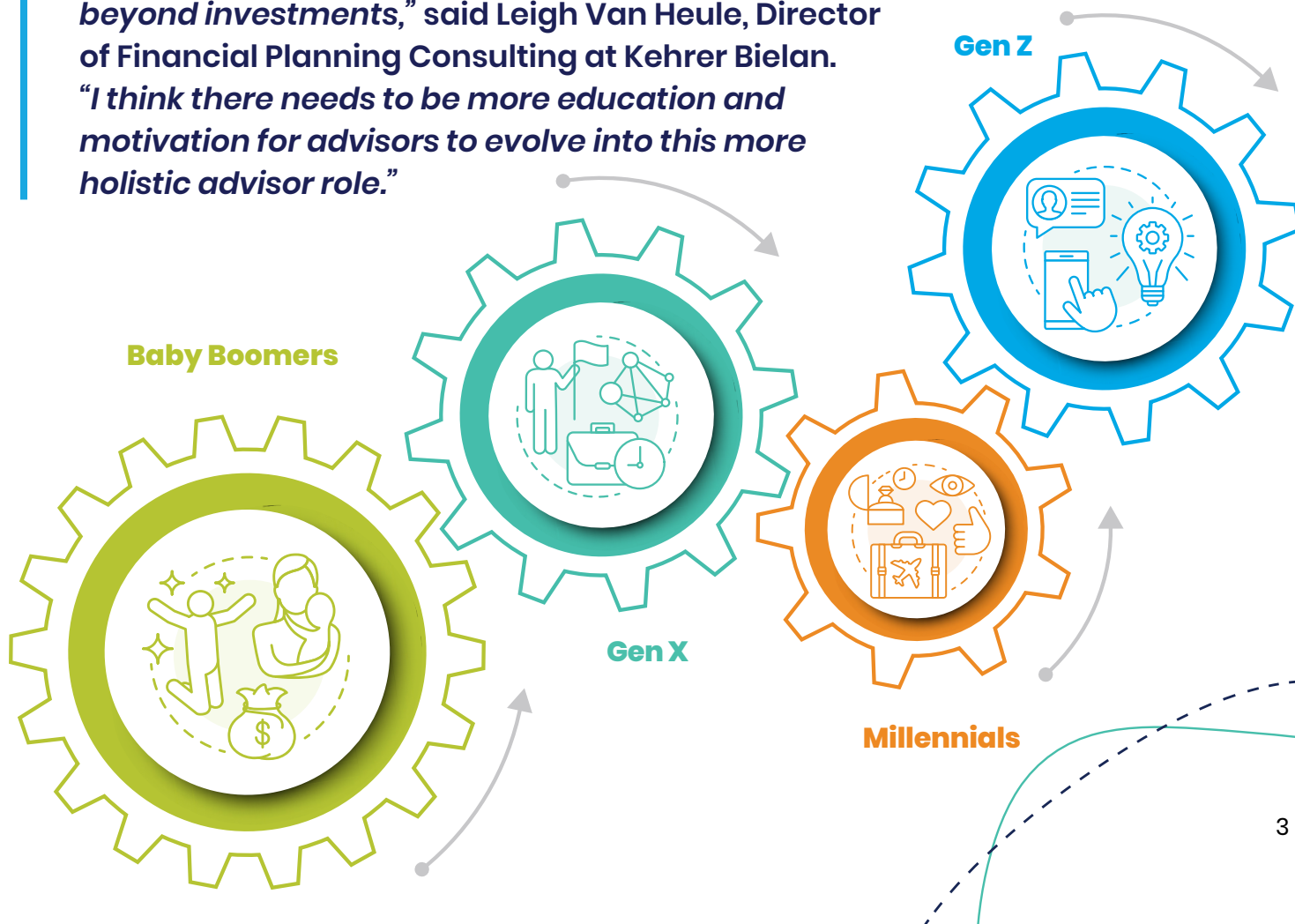
Financial Habits and Expectations Vary by Generation

“A remedy fixes things, while relief takes the pain away temporarily, and I think people are getting used to relief,” said Cam Marston, President of Generational Insights. “Advisors who can provide remedies—true remedies—will be giving people what they want.”

Those remedies will obviously differ greatly between a Baby Boomer entering the wealth distribution phase of their retirement plan versus a member of Gen Z who hasn't even left home for college. And yet, advisors should be seeking to serve each of them, and everyone in between, which is why challenges loom large on their collective horizons. Part of offering the right remedy for the right person at the right time is understanding every part of their lives and offering holistic advice accordingly.

This sometimes means asking the hard questions about what really matters to a client—and their background and age frequently will influence their answers.

“As an industry, we need to help our advisors become comfortable with having deeper conversations beyond investments,” said Leigh Van Heule, Director of Financial Planning Consulting at Kehrre Bielan. “I think there needs to be more education and motivation for advisors to evolve into this more holistic advisor role.”



Clients Are Delaying Adulthood and Becoming Parents Later

One of the tougher questions that financial advisors should be asking is about a client's plans for a family. According to the Centers for Disease Control and Prevention (CDC), the average age for a first-time mother in 2016 was 28-years-old, up from 24.6 in 1970.¹ This trend reverberates across their own financial plans, as well as those of the generations before and after them in their families.

"Parenting at older ages impacts a person's ability to save, and it impacts an advisor's ability to help this older parent in traditional ways," said Marston.

The traditional paradigm of helping a person plan for the expenses of raising a child during the first half of your engagement with them as a client, and then shifting to savings mode during the second half, no longer applies for younger generations.

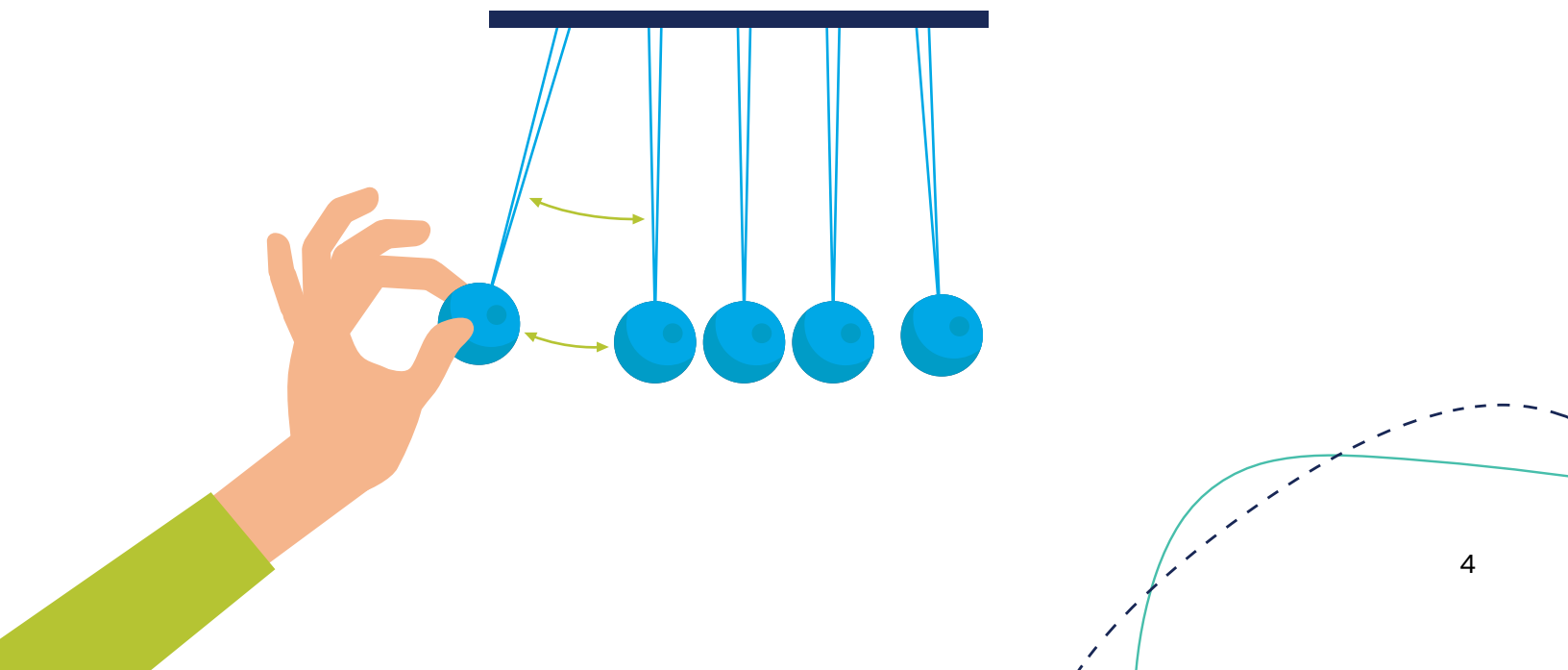
Parenting later is a natural consequence of an overall longer transition to adulthood that many younger generations experience now. *"Nearly 60 percent of teenagers had a job in 1979, and today it's only 34 percent and projected to decline more in the coming years,"* said Sophia Mowlanejad, Director, Research and Analysis, at Fidelity Center for Applied Technology.²

Additionally, more than 20 percent of adults 22 to 37-years-old now live with their parents, double the rate from 2001.³ Advisors will need to help these adults, and the adults they live with, plan for a non-traditional financial picture.

The Financial Decision-Maker Has Changed

The days of the traditional family model with the male as the head of household—and the primary financial decision-maker—are waning.

"The pendulum has swung the other way," said Marston. *"Today, it's the Generation X women making the financial decisions 55 percent of the time. I foresee that pendulum swinging much further in the millennial generation and even further still in Gen Z and beyond."*



Millennials Have Less Wealth Than Their Parents

According to the Federal Reserve, Millennials also have lower earnings and fewer assets and wealth than their Baby Boomer parents did at this point in their lives. Additionally, while most young adults do not have significant accumulated wealth, it's even lower for today's generations than it was for their parents. According to a Pew Research Center Study, the median net worth of households headed by Millennials (ages 20 to 35 in 2016) was about \$12,500 in 2016, compared with \$20,700 for households headed by Boomers the same age in 1983. Median net worth of Gen X households at the same age was about \$15,100.⁴

Additionally, those younger generations shouldn't count on a massive inheritance any time soon, if at all, according to Bill Bachrach, Chairman and CEO of Bachrach & Associates. *"I recently heard it's \$70 trillion of generational wealth transfer. Well, that sort of assumes that these people die according to the normal life expectancy based on old actuarial tables and projections that this wealth will transfer,"* said Bachrach. However, that's not the case with Baby Boomers today. *"If I'm going to live 20 years more than I thought, I'm going to spend that money."*

Gen Z Is Pushing Traditional Models Even Further

Given their youth, Gen Z is just starting to hit the radars of most financial professionals, and their typical introduction to the financial planning world is through their parents. In most cases, advisors are learning as much—or more—from these initial interactions.

According to Mowlanejad, Gen Z is the most diverse generation that financial professionals have worked with. Almost half are racial or ethnic minorities.⁵ Among parents of Gen Z, the number of same sex couples raising children has doubled since 2000. One-third of this generation knows someone who identifies as gender-neutral and many others are fluid with their gender identity.

Gen Z is diverse, but they also have very different priorities compared to previous generations. As the second generation in a row to be impacted by a poor economy, they've become oriented towards savings, especially after seeing Millennials take on enormous amounts of debt. Bombarded with school shootings and the looming impacts of climate change, in addition to the effects of helicopter parenting, this anxiety-prone generation is more hesitant to engage in activities that could lead to failure and take them out of their comfort zone, such as finding a job or putting themselves out there.

"Advisors should offer Gen Z options for micro-investing and savings options, since this generation values immediacy and relevancy," said Mowlanejad. "What they value has shifted; the things previous generations saw as milestones, like buying a car or house, may not be as important to them in the context of broader economic issues."

The Financial Professional as Life Coach

The evolving expectations from new generations of clients will require advisors to take a more client-centric approach. These changes encompass the way advisors engage with clients, the value they deliver, and the way they structure pricing for their services. A significant part of successfully instituting this client-centric approach involves focusing on their overall well-being to offer guidance not only on financial goals, but personal ones as well.

“Studies show a link between financial health and physical and mental well-being,” said Deanna Laufer, Director of Research at Fidelity Center for Applied Technology. *“Health and finances are deeply connected. It’s one area where advisors can really start to play a bigger role for consumers. People tend to trust their advisors more than other businesses they interact with, and that’s where the opportunity lies for advisors to expand into less traditional areas, because that trusted relationship already exists.”* She sees an advisor’s ability to provide advice and guidance on digital health—the convergence of technology with healthcare to deliver personalized medicine—as an area that’s primed for advisors to expand their services.

Alois Pirker, Director of Research for Aite Group’s wealth management practice, also anticipates that financial well-being will become only a slice of the pie that advisors will be expected to offer insight on.

“We’re going to see the service model of an advisor expand into the wellness space as well, making managing investments just one component of the advisor role,” said Pirker. *“There might be other components like healthcare, insurance, and other non-financial elements as well.”*

Marston echoes Pirker’s predictions about this expansion of the financial professional’s role. Sometimes, that means offering services that they may need, but not want to ask for, through alliances with subject matter experts outside of the financial world.

“Families are often embarrassed to tell friends or colleagues that they are going to see the family therapist, but they have no problem telling them that they’re going to see their financial guy,” said Marston.

While it may sound like a lofty goal, these experts believe it’s an attainable one—and one that needs to be implemented in order to connect with the next generation of clients.



The Emergence of Values-Based Advice

“Are you familiar with the singularity?” Bachrach asks. It’s that point in the future where machines become self aware and grow exponentially in ability, essentially outpacing human skill and ability in every area. While we’re not there yet, the financial advisory world is making great strides in technology.

“I think the smart human is delegating to the technology,” says Bachrach. *“The more emotional and trickier part is actually asking another human being, ‘what’s important to you?’”*

Technology is starting to take over large swaths of what traditionally comprised an advisor’s job. Consumers are not approaching an advisor for the kind of expertise that can be handled more efficiently by a machine, since machines, bots, and artificial intelligence will always outperform humans at replicable tasks.

The advantage of this technology, both for advisors and their clients, is that it frees human beings for more complex work, the soft skills of the job, that serve as the foundation for values-based advice and their role as life coach. A competent advisor will have the “hard” skills down, but having an evolving, open dialogue about values is much more challenging.

When it comes to values-based financial planning, Bachrach makes the definition simple and clear: *“Values first, goals second.”* In most cases, clients come to him with a very specific idea in mind about their goals based on the benchmarking they’ve done with their current reality. However, an epiphany usually comes when they’re challenged to take a step back and consider their values first, which often reframes the entire conversation.

Bachrach challenges advisors of the future to think about their approach to values-based advice against a framework like Maslow’s hierarchy of needs. The conversation should flow from lower level values like taking care of basic survival needs through mid-level values like taking care of their family and loved ones, all the way through values focused on self-actualization. This creates a dynamic in which the advisor is building a deeper relationship with the client and creating a plan that is more personal and closely aligned with their most cherished values.

The technology of the future is what will enable financial professionals to pivot to providing values-based advice. It may seem counterintuitive that technology can make interactions more human, but when implemented well it can break down barriers and accelerate relationships.

“Intelligent communication with clients is important,” said Pirker. “It will also be critical to bring digital into the overall service proposition in a seamless way. Some firms are further along there, and other firms are definitely starting to see the urgency of that now.”

Technology to Meet Clients on Their Terms

Technology will drive the advisor of the future's ability to deliver values-based advice and position themselves as a life coach for their clients. Taking steps to incorporate these technologies today will help advisors prepare for tomorrow.

"Access to a financial software and a planning platform that can incorporate the client's entire financial picture at any stage of their life cycle is the key to success for advisors of the future," said Jess Liberi, Head of Product at eMoney Advisor.

"Thinking back to that hierarchy of needs that Bill Bachrach mentioned, it's important for that platform to be able to address both simple and complex planning so it can grow with the client and meet their evolving needs over time."

Financial software like this allows for the personalization of advice and greater time savings in financial planning, which frees the advisor to go deeper into the client's fears, motivations, desires, and goals. As a result, the advisor can produce a plan that is more aligned with a client's values and informed by a holistic view of what they need both now and in the future.

"In addition to a platform that provides this holistic view of the investor, tools that help gamify advice are proving to be invaluable to younger investors who are just starting on their journey to financial wellness," added Liberi. *"These tools often feature small savings or budgeting challenges. Interactive challenges help change financial behaviors in a fun and engaging way. It's about showing users that even small steps can add up over time and positively impact their goals."*

Gamification tools are successfully used to encourage long-term behavioral changes in other areas related to overall wellness—like fitness and nutrition—so it makes sense to take the same approach for financial planning as well.

These tools allow advisors to offer episodic advice in flexible ways across digital and mobile channels to reach all generations, but especially emerging investors among millennials and Gen Z. These tools provide insights into the fundamentals of financial success, such as a deeper awareness of spending habits, and prompt small behavioral changes that lead to significant improvements over time.

"Holistic financial software and financial wellness tools are going to be the primary tools for engagement moving forward. Together, these technologies are making advice more accessible and broadly applicable to investors at every stage of their financial lifecycle."



Conclusion:

Becoming the Planner of the Future

Advisor attrition is a well-known industry trend—in fact, a recent Fidelity Advisor Movement Study revealed that 56 percent of advisors have considered leaving their firms over a five-year period, and less than half of them are happy with their current firm.⁶ Evolving client expectations and industry-wide trends create a great environment for change, but it's challenging—or impossible—to meet this evolution without the right technology and tools, which is why so many advisors have found it difficult to achieve success.

When advisors have the tools that they want and need, they're better able to serve clients and help them reach success at their specific stage of their financial journey. Using today's technology to evolve to values-based planning and life coaching is the way to meet a new generation of clients on their own terms.

SOURCES

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