GETTING INTO THE HEAD OF YOUR AFFLUENT CLIENT
What You Might Be Missing

Developed with:

SpectremGroup
Voice of the Investor

Pershing®

BNY MELLON
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IN BRIEF—WHAT YOU NEED TO KNOW IN 30 SECONDS

✔️ Understanding what is important to affluent investors, both emotionally and financially, is essential in order to remain relevant to these households. This is true whether or not the issue is one an advisor can solve.

✔️ In recent years, health issues have become one of the top concerns of affluent investors, exceeding some financial concerns. In addition, global and national headlines weigh on investors’ minds and will come into play in relationships with clients.

✔️ Tax increases have become more worrisome for affluent investors. Over two-thirds of affluent investors are concerned about tax increases and how they impact them financially.

✔️ Although investors have become slightly more aggressive in their risk tolerance since 2009, a large majority is still unwilling to take on more risk. Affluent investors need assistance in order to outpace inflation and meet their goals at an acceptable level of risk.

✔️ Affluent investors want more than just advice on investments. Advisors need to be prepared to discuss a broad scope of financial and non-financial topics, as well as partner with tax attorneys and other professionals when necessary.
INTRODUCTION

Wealth management for affluent investors has always been complex, but according to data from Spectrem Group’s 2013 Millionaire Investor Report, non-traditional financial matters have become intricately linked with financial planning. Advisors need to understand what is important to affluent investors, both emotionally and financially, in order to remain relevant to these households. This is true whether or not an advisor offers solutions to meet these needs. Ultimately, understanding both their emotional and financial issues builds greater trust with clients, while still helping to expand share of wallet.

TODAY’S AFFLUENT INVESTORS: WHO ARE THEY?

This report covers affluent investors, defined as those with $1 to 5 million in net worth, not including primary residence. Specific segments of these investors will also be analyzed, including differences based on age and how dependent on advisors they perceive themselves to be. Attitudes and behaviors are also influenced by an investor’s self-perception of their own investment knowledge.

The average affluent investor is 63 years old and, if not already retired, will be retiring in the near future. Nearly 60% have already retired, with another 12% who are semi-retired. (Appendix Section 1).

FIGURE 1: THE MAJORITY OF AFFLUENT INVESTORS ARE OVER AGE 55

For investment professional use only. Not for distribution to the public.
Two-thirds of affluent investors surveyed use an advisor in some capacity. Over 80% of affluent investors consider themselves either very or fairly knowledgeable about financial products and investments (Figure 2). They tend to use advisors to supplement their decision making at critical times and to provide information outside of their reach. That makes “value-added” information that an advisor can provide very important, especially if investment performance is lacking. These investors are not always confident that they are “wealthy enough” to use extensive advice and services from an advisor. Their education and backgrounds cause them to seek out information on their own before seeking professional assistance (Appendix Section 2).

**FIGURE 2: AFFLUENT INVESTORS ARE FAIRLY KNOWLEDGEABLE BUT STILL HAVE A GREAT DEAL TO LEARN**

<table>
<thead>
<tr>
<th>Response</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>I am very knowledgeable about financial products and investments</td>
<td>2%</td>
</tr>
<tr>
<td>I am not very knowledgeable about financial products and investments, but I do understand some things</td>
<td>14%</td>
</tr>
<tr>
<td>I am fairly knowledgeable, but still have a great deal to learn</td>
<td>62%</td>
</tr>
<tr>
<td>I am not at all knowledgeable about financial products and investments</td>
<td>22%</td>
</tr>
</tbody>
</table>

Reliance on Advisors

One of the first considerations in the financial picture of affluent investors is their attitudes and behaviors toward investing. Some investors prefer to be hands-off and allow their financial advisor to handle all aspects of their entire portfolio. On the other hand, there are investors who prefer to control their own assets, because they either enjoy investing or have not yet found an advisor they feel they fully trust with all their assets.

It is also important to recognize how affluent investors perceive the degree to which they rely on advisors. The largest percentage (32%) of affluent investors considers themselves self-directed, making most of their own investment decisions. They are followed closely by those that are event-
driven (30%). Event-driven investors use an advisor for specialized needs but still make most of their own investment decisions. Of note, these event-driven investors will use an advisor for needs such as retirement planning, asset allocation advice or selecting alternative investments. Advisor-assisted investors spend a significant amount of time discussing investments with an advisor but perceive that they make the decisions themselves. These investors tend to take up the largest amount of an advisor’s time.

FIGURE 3: INVESTORS “HOLD BACK” SOME ASSETS FROM THEIR PRIMARY ADVISOR

Investors make their own investment decisions without the assistance of an investment advisor.

Investors make most of their own decisions but use an investment advisor for specialized needs such as retirement planning, asset allocation advice or selecting alternative investments.

Investors regularly consult with an investment advisor regarding most investment needs, but make most of the final decisions.

Investors rely on an investment professional or advisor to make most or all investment decisions.
The key takeaway from these findings is that across the spectrum, affluent investors are using advisors to some degree and that there is generally room to grow a relationship with an existing client. For example, advisor-dependent investors, or those who stated that they rely on an advisor to make most or all investment decisions, “hold back” some of their assets from their primary advisor and control these investments on their own (Figure 3). On the opposite end of the spectrum, even self-directed investors have a small portion of assets they allow their financial advisor to control. The essential element is that an advisor needs to prove his or her value and earn his or her client’s trust.

Enjoyment of Investing

There are many affluent clients who are involved in investing simply because they enjoy it. One-third of advisor-dependent investors indicate they enjoy investing and don’t want to give it up (Figure 4). About half, or more, of all other investors feel the same. Advisors should find out how much their clients enjoy investing. If this is the case, advisors should include these clients in more of the decision-making process for their portfolio and investments.

FIGURE 4: MOST AFFLUENT INVESTORS FIND INVESTING ENJOYABLE

Approximately half of affluent investors like to be actively involved in the day-to-day management of their investments, including the advisor-dependent. For advisors, this means an open line of communication with these investors is essential, allowing for their input on a regular basis to empower them in the decision-making process.
Ask your client if they enjoy self-directed investing. If the answer is yes, they may want to carve out or budget a portion of their portfolio to manage themselves—enabling you to oversee their investments without detriment to the overall plan.

INVESTOR CONCERNS: IT’S NOT JUST ABOUT THE MONEY

Today, affluent investors are concerned about living through retirement, integrating greater healthcare challenges into their financial picture, and dealing with worries about higher taxes, family and estate planning in addition to their day-to-day financial needs. As we will see, alongside these concerns is a high-level awareness of macroeconomic issues that also colors their perspective.

Personal Issues

Personal matters trump most other concerns for investors, as they impact both the emotional and decision-making aspects of an investor’s life. In recent years, health issues have become one of the top concerns of affluent investors, exceeding some financial worries. Health issues can also compound financial concerns as investors and their families live longer but often with chronic, costly health conditions.

FIGURE 5: INCREASING HEALTH CONCERNS COMPOUND FINANCIAL CONCERNS

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>The health of my spouse</td>
<td>66%</td>
<td>62%</td>
</tr>
<tr>
<td>Maintaining my current financial position</td>
<td>62%</td>
<td>65%</td>
</tr>
<tr>
<td>The financial situation of my children or grandchildren</td>
<td>61%</td>
<td>68%</td>
</tr>
<tr>
<td>My own health</td>
<td>60%</td>
<td>58%</td>
</tr>
<tr>
<td>Family health catastrophe</td>
<td>50%</td>
<td>55%</td>
</tr>
</tbody>
</table>
Two-thirds of affluent investors are concerned about the health of their spouse and almost as many are troubled about their own health (Figure 5). With increasing life expectancies, investors’ health-related concerns are becoming top-of-mind and may include everything from managing chronic illness or facing cognitive impairment to the possibility of developing a life-threatening disease or caring for a sick relative. Financial concerns are not forgotten, however. Sixty-two percent of affluent investors worry about maintaining their current financial position and 61% are concerned about the financial situation of their children or grandchildren.

Addressing personal issues as part of a comprehensive financial plan is essential to demonstrate that advisors understand what will be crucial to their clients in the future. Conversations about general health issues and long-term care, along with regular financial and estate-planning discussions, can help ease some of their concerns.

HELPING YOUR CLIENTS NAVIGATE THE AFFORDABLE CARE ACT

Regardless of what happens with healthcare reform at the government level, the healthcare insurance industry has been forever changed, making new financial demands on your clients. While you may not be an expert on healthcare, you may need to become an expert on how to fund it.

For additional resources, visit: healthcare.gov or familydoctor.org

Headline News Concerns

What’s in the headlines also comes into play in advisors’ relationships with clients. The political environment has become an increasingly important influence on investors’ investment decisions and behaviors. In Spectrem’s monthly Affluent Investor Confidence Index (SAICI)® and Millionaire Investor Confidence Index (SMICI)®, investors are asked about the factors most influencing their investment plans. In the past, “headline impact” had little influence on investors’ investment decisions. Today, however, investors have a better understanding of how the news can impact their investments, and the headlines have not yet convinced them that the economy has truly recovered.

The political environment, specifically government gridlock, is a top concern of affluent clients, followed by the federal deficit (Figure 6). Advisors need to be able to talk about national and global events and how they affect an investor’s portfolio in the short and long term. The news will change the way an investor views the economy and the markets, as well as impact their risk tolerance and willingness to invest.
The link between politics, policies and portfolios is not new. But globalization and the speed at which information is now available have made the link shorter and tighter. This information overload can cause anxiety among investors. For affluent investors, in particular, the challenges are even more complex, as they must make critical investment and planning decisions within a regulatory and tax environment that continues to change. Accordingly, tax increases are another concern for these investors. Over two-thirds of affluent investors are worried about tax increases (Figure 7) and the impact they will have on their investment portfolio and financial well-being.

FIGURE 6: GLOBAL AND NATIONAL HEADLINES WEIGH ON INVESTORS’ MINDS

FIGURE 7: THE IMPACT OF TAX INCREASES GREW MORE WORRISOME FOR AFFLUENT INVESTORS OVER THE PAST YEAR
Affluent individuals have been hit with their first major tax increase in more than 20 years, with tax hikes on ordinary income, dividends and capital gains. The current tax environment has put a strain on wealth building, creating more challenges for retirement planning at a time when many investors, particularly Baby Boomers, are not saving nearly enough for tomorrow.

As a result, investors may want to rethink not only the kind of investments they own, but also where they choose to hold those assets. The timing of the purchase and sale of securities and the timing of major gifts have become more important as well. Investors may want to reconsider which assets are held in their retirement plans versus taxable accounts. Active management of tax opportunities, such as loss harvesting, should also be an increased focus.

**ADDITIONAL TAX PLANNING RESOURCES**

For more information on the American Taxpayer Relief Act of 2012, including best practices to consider regarding tax strategies for your clients, review BNY Mellon Wealth Management’s resources: “Taxes and Transitions: The New Frontier for Retirement Planning” and “Critical Planning: The “Other Taxes,” A Focus on Income Taxes for 2013,” which are accessible by visiting pershing.com/BNYM-tax-planning and pershing.com/BNYM-income-taxes, respectively.
Investment Risk

Although investors have become slightly more aggressive in their risk tolerance since 2009, a large majority are still unwilling to accept very much risk. Less than half of affluent investors are willing to take significant investment risk in order to meet their goals. Larger percentages are willing to sacrifice higher returns for a guaranteed rate of return on the majority of their investments (Figure 8).

In fact, when affluent investors were asked about what factors they consider most when choosing their investments, the level of risk associated with investments was rated as the top investment selection factor, with 92% identifying this as their primary factor. Other considerations, such as the diversity of investments and reputation of companies where investments are made, were high on the list of investment selection factors as well. Risk, however, remains at the top of the list.

Affluent investors need assistance in outpacing inflation and meeting their goals at an acceptable level of risk. The challenge for advisors is to help clients balance their concerns about risk with their investment goals. To do so, it is essential to revisit clients’ risk tolerance regularly with a formal risk assessment survey or questionnaire. Advisors must embrace the full picture of the client’s financial desires, along with their biggest concerns, in order to develop a confident, trustworthy working relationship.

The bottom line? Investment and planning strategies should be driven by an investor’s distinct objectives, not by emotions, cocktail party conversations or the latest headlines.
DEVELOP A DISCOVERY PROCESS TO REALLY KNOW YOUR CLIENT

Process, rather than product, is the mark of a professional. Take the time to hear and understand your client. Many advisors have a process to collect information about clients. Often this process only gathers basic information and goals. To really create loyal clients, you have to go deeper, which takes more time and more active questioning.

Going deeper is not something that you can do in one sitting; it is an ongoing process. In our opinion, it takes at least two meetings for the discovery process. Although this process is typically undertaken with new prospects, it adds to your client experience to follow this process with existing clients.

The first meeting should be aimed at understanding your client—ask about family, lifestyle, health, business and special interests. Wait until the second meeting to know your clients from a financial perspective.

During your first discovery meeting, consider using some of the following questions in order to understand what your clients value:

› What does retirement look like for you?
› If money were no object, what would you want to do with your life?
› What are your most important financial concerns?
› What family relationships are most important to you?
› What are you most proud of in life? What has been your biggest regret?
› Health issues are often a major concern for clients. What are your plans to address current or future health issues for yourself or other family members?
› Children with special needs are often a consideration in financial planning. How might this concern affect your family?
› What kind of financial support, if any, do you offer your children or other dependents?
› Where are your adult children today?
› How do you usually access your news: newspaper, online, phone, tablet or a combination?

The discovery process is your opportunity not only to gather information but, more importantly, to build a rapport with your clients that will lead to a stronger, deeper, more valuable long-term relationship. For more information, download Pershing’s guidebook, Becoming a Stronger Wealth Manager at Pershing.com
AFFLUENT INVESTORS NEED MORE THAN TRADITIONAL INVESTMENT GUIDANCE

We have seen that the concerns of affluent investors are often tangled within a larger, more complex context—including that many affluent investors are to some degree self-directed. In addition, since the majority of these investors are no longer saving for retirement—they are living in retirement—advisors must reassess how they service these investors. In order to remain relevant, a successful advisor must look beyond products to focus on the client’s needs.

An advisor should be seen as a trusted sounding board as well as someone who can provide comprehensive advice that goes beyond what the investor can research on his or her own. With that knowledge, advisors should be well-versed on topics relevant to their affluent clients, as they need advice on non-traditional financial solutions as well as unique perspectives regarding more traditional investments. For an advisor, being knowledgeable about the following types of solutions can provide an edge.

Don’t Overlook Retirement Planning

The majority of affluent investors surveyed (81%) expect to have sufficient income for retirement, but many are still worried about making their retirement assets last, while still being able to maintain their current standard of living. Beyond longevity risk, inflation, market volatility and rising health care costs create a real need for comprehensive advice that includes retirement income planning discussions.

These investors need assistance in maximizing their assets while minimizing their investment risk. Their biggest concern is to grow their assets, turn these assets into an income stream and be able to retire at their current standard of living. They do not want to worry about having to work the rest of their lives or compromise how they plan to live out their retirement for fear of outliving their assets.

For some clients, the other aspect of retirement planning is the desire to pass on some of their assets to their heirs. As we have seen, many affluent investors show great concern over the financial well-being of their children and grandchildren. These investors will want to focus on strategies to help make their fortune last long enough to pass on to heirs.

This is also an opportunity for advisors to begin a conversation with the children or grandchildren of these clients. About $12 trillion in financial and non-financial assets is currently transferring from one generation to the next. This is in addition to the $30 trillion expected to shift in the next 30 years. While many affluent investors have children over the age of 18, most advisors have never spoken with them about their own finances or future investing. This is a shortsighted approach because children who inherit wealth have a tendency to turn away from their parents’ advisors after the wealth transfer. A relationship of any kind might make a major difference between keeping or losing significant assets.*


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The younger generation will create an increased demand for advice, especially as their focus on accumulation ultimately shifts to wealth preservation, risk management and distribution. The time is now, while existing clients can act as a bridge to cultivate intergenerational trust and client retention.


Advisors Need to Discuss Both Sides of the Balance Sheet with Clients

Many advisors wouldn’t think that the debt discussion is one they should have with their affluent clients. Despite their high net worth over one-third still carry first mortgages and almost 20% carry credit card balances (Figure 9). In order to be considered as a client’s primary relationship manager for wealth planning, the debt discussion needs to become a routine part of the client’s overall picture. Finding out that an affluent investor is carrying a large mortgage balance at a high interest rate or a large credit card balance can substantially change the recommendations that an advisor may make for investment options. Debt has the potential to affect the client’s tax situation as well and therefore must be part of the client portfolio discussion, even though it is an obligation and not an asset. Strategically considered, debt may be advantageous in a client’s portfolio.

![FIGURE 9: AFFLUENT CLIENTS STILL CARRY FIRST MORTGAGES AND CREDIT CARD DEBT](image-url)
Estate Planning and Tax Strategies High on Investors’ Wish List

Establishing an investment plan is the top reason affluent investors currently receive financial advice, along with diversifying assets and selecting individual stocks and bonds. Over half of affluent investors indicate they currently receive this advice from their advisor. However, looking ahead, establishing an estate plan is the number one piece of advice that investors are planning to seek out in the future, with 22% indicating they will be looking for this information (Figure 10).

FIGURE 10: WEALTHY INVESTORS WANT AND NEED PLANNING ADVICE

<table>
<thead>
<tr>
<th>Currently Receive This Advice</th>
<th>Plan to Seek This Advice in the Future</th>
</tr>
</thead>
<tbody>
<tr>
<td>Establishing an investment plan</td>
<td>56%</td>
</tr>
<tr>
<td>Diversifying assets away from a concentrated position</td>
<td>56%</td>
</tr>
<tr>
<td>Selecting individual stocks and bonds</td>
<td>56%</td>
</tr>
<tr>
<td>Planning for retirement</td>
<td>49%</td>
</tr>
<tr>
<td>Creating a written financial plan</td>
<td>48%</td>
</tr>
<tr>
<td>Establishing sufficient cash flow for liquidity needs</td>
<td>47%</td>
</tr>
<tr>
<td>Implementing tax-advantaged strategies</td>
<td>46%</td>
</tr>
<tr>
<td>Providing planning for long-term care</td>
<td>27%</td>
</tr>
<tr>
<td>Establishing an estate plan</td>
<td>26%</td>
</tr>
<tr>
<td>Selecting alternative investments such as hedge funds</td>
<td>20%</td>
</tr>
</tbody>
</table>

Another financial planning strategy on which affluent investors will be looking for advice in the future is tax-advantaged strategies. As previously discussed, affluent clients are increasingly concerned about tax increases and how they will affect their portfolios and financial situations. Such discussions offer the potential to establish larger relationships, as clients discuss other assets of which an advisor may not have been previously aware. An advisor can then work to become the primary relationship manager for all of the client’s wealth planning needs.

Understanding the entire financial and personal picture of an investor is also a way to anticipate a client’s future needs and provide valuable guidance.
Long-Term Care Discussions Have a Shelf Life

Long-term care insurance is a topic that is starting to become more prevalent. When asked if they have long-term care insurance, only 33% of affluent investors answered yes (Figure 11). Over one-fourth of affluent investors are somewhat likely to purchase long-term care insurance, so advisors should be prepared to talk about it with their clients.

![FIGURE 11: LONG-TERM CARE INSURANCE DISCUSSIONS CAN HELP STRENGTHEN THE RELATIONSHIP](image)

Many clients may not be aware of what long-term care insurance includes or why they should consider it. Addressing this topic with clients will help build trust and strengthen the relationship.

Although ownership of long-term care insurance increases with age, most investors will not purchase this insurance if they have not done so by the time they turn 65 years old. This may be a result of younger clients focusing on education and retirement savings before their own long-term needs. Therefore, this is a discussion an advisor will want to have with their client sooner rather than later, as the opportunity may pass quickly. Only 27% of affluent investors are currently receiving advice on planning for long-term care, and 19% indicate they will be seeking this information in the future (Figure 10).
Access to a core network of professionals is key to providing your clients with the entire range of advanced planning needs. The fact that you or your firm may not offer a particular solution should not stand in the way of helping your clients get the services they need. Offering your clients reliable options adds value to the service you do provide.

Non-Correlated Assets May Hold the Key to Owning the Client Relationship

Affluent investors already own a variety of alternative or non-correlated assets. However, investors may not always define these assets the same way as advisors do. Real estate investment trusts (REITs) are the number one alternative investment, with 25% of affluent investors currently owning REITs (Figure 12). Other popular non-correlated assets include collectibles and precious metals.

FIGURE 12: WEALTHY INVESTORS ALREADY OWN MANY ALTERNATIVE INVESTMENTS

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Even though the current ownership of some non-correlated assets may be low, they should be a part of discussions with clients. For example, 20% of wealthy clients currently invest in collectibles, which can range from cars to art to currency and coins. These non-financial investments can have high dollar values, and they should be taken into consideration for asset allocation purposes. In addition, investors are often passionate about these types of investments and are eager to talk about them. Being knowledgeable about various alternative investment options will give advisors an edge in helping to become the primary relationship manager for all of the client’s wealth planning needs.

**Tax Implications Are Critical to Any Portfolio Discussion**

Seventy-six percent of affluent investors are concerned with the tax implications of their investments, even more so than other investment selection factors, such as the performance track record of the investments (Figure 13). Having tax strategy conversations is an important part of an advisor’s role with his or her client. Many investors are not aware of the tax implications associated with different investment strategies and vehicles.

![FIGURE 13: TAX IMPLICATIONS OFTEN DRIVE INVESTMENT SELECTION](image)

As we learned earlier, affluent investors are worried about increasing taxes, and therefore, an advisor should communicate how any investment will affect their current tax situation. Therefore, it is important that advisors make this a standard part of their discussions with clients. An overall tax picture needs to be obtained before advising on a particular investment, and clients should also consult with their tax and legal advisors. Advisors may also want to consider teaming up with tax attorneys and certified public accountants (CPAs) in their area.
Business Owners Have Additional Planning Considerations

Business owners comprise 5% of affluent investors. Although the overall percentage of business owners in this demographic is fairly small, they will expect to have discussions with their advisors about their business and its impact on their financial situation and goals. Of interest, only 74% of affluent business owners expect to have sufficient income to live comfortably during retirement. In addition, these business owners are nearly twice as likely than affluent investors in general to state that their household is not saving enough to meet its financial goals. Keep in mind that business ownership can take on many different forms as well, such as owning a professional practice or investing in privately held businesses (Figure 14).

![Figure 14: Business Ownership](image)

Business owners have an entirely separate, additional set of concerns and needs associated with their portfolios. Business loans need to be taken into consideration, along with business assets, when reviewing the client’s overall financial picture. Business succession will be of concern to the investor and they may or may not feel well-informed on the subject. The more information advisors can provide with regard to business succession planning, any tax implications and other impacts business ownership can have, the more trustworthy and knowledgeable they become to investors. This is an opportunity to uncover assets that you may not be aware of or managing today. As you might imagine, they are more concerned about prolonged economic downturn than the average wealthy investor, but other top concerns include the national debt and government gridlock.
TRUE WEALTH MANAGERS TAP INTO A NETWORK OF PROFESSIONALS

Access to a core network of professionals is key to providing your clients with the entire range of advanced planning needs beyond investment management. It’s wise for advisors to build a network that includes:

› An attorney who is skilled in estate planning, wealth protection planning, succession planning and developing charitable giving programs
› An accountant who deals with matters of income tax planning and cash flow

Advisors should be ready to bring in additional professionals to address highly specific challenges. These professionals might include credit specialists, corporate tax lawyers, actuaries and even securities lawyers. Advisors should also be prepared to work closely with the client’s own professional advisors, such as attorneys and accountants. This helps ensure the overall alignment of the client’s financial strategy.

THE OPPORTUNITY

Listen and Ask Concerns-Based Questions

› The number one thing to remember when working with a wealthy investor is to listen and ask concerns-based questions. As we learned, many affluent investors enjoy investing and want to be involved in decision making.
› If an advisor is not listening and paying attention to what the client wants, they risk losing the client to an advisor who asked the right questions.

Proactively Communicate About Market and World Events

› Proactive communication is essential, particularly regarding headline news or any dramatic up or down market.
› This is especially true with affluent clients who will lose confidence in advisors who are not proactive in their efforts to communicate.
› Advisors who consistently reached out to their clients during the worst two years of the recent financial crisis are the ones who will likely have those clients for life.
Strengthen Relationships by Addressing Personal Concerns
› Personal issues are of utmost importance to the investor and can be intricately linked to financial concerns.
› There are many opportunities to grow your business with a client simply by acknowledging and addressing personal concerns, such as long-term care and having enough money throughout retirement.
› You may also want to introduce solutions, like Health Savings Accounts for those that qualify, that can become a flexible tool to save for future medical expenses or other tax-deferred investment options.

Suggest Tax-Efficient Strategies
› Over two-thirds of affluent investors are concerned about tax increases.
› A tax discussion is critical to building trust and rapport with your affluent investor.
› Working with their tax advisor and introducing tax strategies such as Roth conversions and the Net Unrealized Appreciation (NUA) tax strategy, where appropriate, or the strategic use of credit can help strengthen relationships. In addition, they may want to consider more tax-efficient investments, such as separately managed accounts.

Facilitate Estate Planning Conversations
› Affluent investors have indicated that establishing an estate plan is one of the reasons they will be seeking advice in the future. The financial future of their children and grandchildren is among their top concerns.
› Perhaps one of the simplest estate planning considerations is to offer to review beneficiary designations for individual retirement accounts (IRAs), retirement plans, annuities and life insurance policies. Beneficiary designations, not wills or trusts, control the distribution of these important assets, which are frequently the largest financial components of an individual’s estate.
› This is also an opportunity to talk about trust and philanthropic solutions, such as donor-advised funds, which are a flexible and convenient solution that appeal to a broad range of investors. Trusts can also be valuable estate planning tools, providing significant tax and asset protection benefits.
› Estate planning gets more complex as a client’s net worth increases. You may want to consider teaming up with insurance professionals, real estate and tax attorneys in your area in order to meet client needs.
Discuss Debt

› The debt discussion should become an integral part of the client’s overall financial picture.

› Finding out that an affluent investor is carrying a large mortgage balance or credit card balance—and at what interest rate—can substantially change your recommendations for investment options.

› In addition, it provides an opportunity to consider consolidating debt with lending solutions at competitive interest rates that leverage an existing portfolio.

Understand Business Owners’ Needs

› Business owners have special planning considerations, including business succession.

› In the case of small business owners or the self-employed, business and personal finances are intricately linked.

› Similar to the debt discussion, you should also ask about existing business loans or liquidity needs, as many small business owners may leverage their personal assets for the benefit of their business.

› Typically, advisors who are successful at maintaining business owners as clients are more likely to offer—either directly or through partnerships—support for cash flow management, debt management, risk protection (such as life and disability insurance), employee benefits, executive benefits planning, trust services and strategic planning.
APPENDIX: AFFLUENT DEMOGRAPHICS

Appendix Section 1: Retirement status

The majority of affluent investors are retired, or semi-retired.

- 12% Working
- 31% Retired
- 57% Semi-Retired

Appendix Section 2: Education

Affluent investors are heavily educated with many having advanced degrees.

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Appendix Section 3: Occupation

- Manager: 17%
- Educator: 12%
- Information Technology: 7%
- Senior Corporate Executive: 7%
- Healthcare: 6%
- Consultant: 6%

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