FinancialPlanning

Sponsored by nuveen
A TIAA Company

RESEARCH REPORT

Target Future Wealth for Future Growth

To capture and cultivate the high-net-worth clients of tomorrow, advisors need to expand their base to include younger investors.

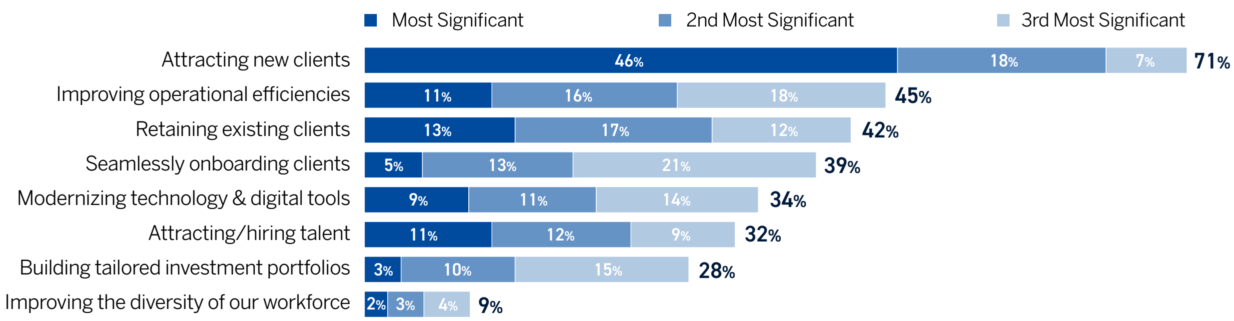
Over the next two decades, roughly $84 trillion in assets will change hands from one generation to the next.[1] The greatest wealth transfer in U.S. history will generate a lot of highly attractive clients for financial advisors.

In April 2023, Arizent and Financial Planning – in partnership with Nuveen – surveyed wealth management professionals to better understand how financial advisors are preparing to address this unprecedented transfer of wealth. Respondents represent a mix of wirehouses, national/regional broker-dealers and registered investment advisory firms. The results identify the degree to which wealth managers are courting the next generation of high-net-worth clients, employing wealth transfer strategies and following best practices for connecting with the people who will inherit substantial assets in the coming decade.

Client acquisition is a high priority, but many advisors aren't targeting the high-net-worth clients of tomorrow

Attracting new clients is a key challenge for advisors. Nearly seven in 10 (71%) cite attracting new clients as one of the top three difficulties they face; nearly half (46%) say it is their most significant challenge (see Figure 1). The direct relationship between assets under management and the bottom line makes attracting new clients a more prominent concern than achieving improved operational efficiency or attracting top talent. Specifically, advisors remain tightly focused on attracting high-net-worth clients, a critical or high-priority demographic for 76% of respondents.

Figure 1: Attracting New Clients Is a Top 3 Challenge for Advisors



Source: Arizent/Financial Planning 2023

[1] https://www.nytimes.com/2023/05/14/business/economy/wealth-generations.html

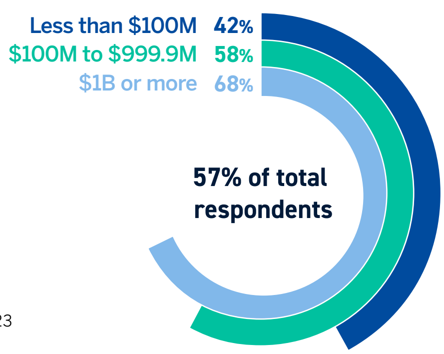
The majority of advisors (53%) also view generational wealth transfer as a major opportunity for practice growth. That opportunity becomes even more visible for firms that already have a defined wealth transfer strategy, 62% of whom call generational wealth transfer an important growth opportunity. As focused as they are on attracting today's high-net-worth clients, however, relatively few advisors are focusing on attracting the high-net-worth clients of tomorrow: clients who stand to inherit their wealth in the coming years. Just a third of advisors (34%) see attracting younger investors as a critical or high priority. Nearly as many (31%) consider younger investors a low priority — or do not prioritize attracting them at all.

Unprecedented generational wealth transfer makes this a critical time to target wealth inheritors

Advisors have an opportunity to broaden their pool of potential high-net-worth clients by fostering relationships with clients in line to inherit substantial wealth. In many cases, the high-net-worth clients of tomorrow are already within their networks and can be reached through an intentional approach that supports their current clients' wealth transfer plans. In fact, many firms are already investing time and attention aimed at building these relationships by adopting a wealth transfer strategy. "Most financial advisors are underweight clients under 50, some of whom have – or will have – the asset base to become very attractive prospects," notes Christine Stokes, Head of Client and Retirement Education at Nuveen.

The majority of respondents' firms (57%) have a defined wealth transfer strategy. Fundamentally speaking, these strategies create a framework to ensure their client's ability to successfully transfer wealth to the next generation. The largest firms tend to be more likely to pursue this avenue than smaller firms, but their size does not necessarily make it more likely they will be successful (see Figure 2). Even smaller firms with limited resources can take advantage of this opportunity set by taking a series of small but intentional steps to properly target this key segment. "Our research shows that financial advisors can engage their next generation of clients by taking specific, intentional steps to establish relationships with heirs before money is passed down," says Jeff Carlin, Global Head of Wealth Advisory Services at Nuveen.

Figure 2: Organizations that have a Defined Wealth Transfer Strategy by Size



Source: Arizent/Financial Planning 2023

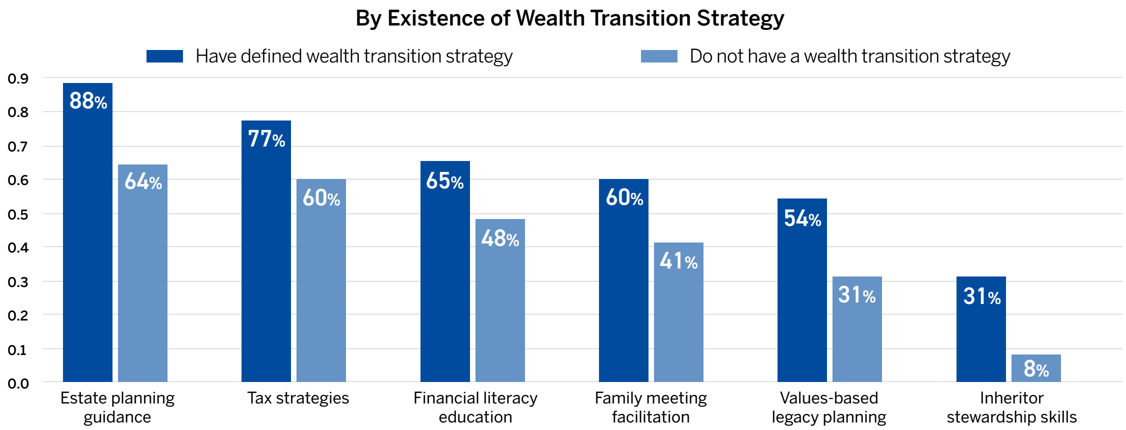
There's strong evidence that outreach is in the client's best interest, as well as the advisor's. According to Nuveen's 2022 wealth inheritor study,[1] 64% of wealth inheritors went on to work with their family advisor and furthermore, 87% of future inheritors plan to have advisor at the time of transfer. In other words, they are actively seeking advice. The key for advisors is to reach them where they are.

[2] https://www.nuveen.com/en-us/insights/advisor-education/generation-n

With the right tools, advisors of any size can employ an effective wealth transfer strategy

In many cases, advisors already have some of the tools they need to reach out to potential inheritors. Most advisors are working with their clients in some manner on estate and tax strategies for wealth transfer (see Figure 3). These services are becoming table stakes. “To truly differentiate themselves, advisors should consider how they can offer clients and their families a more holistic and inclusive experience that addresses the pressing challenges, skills and steps needed for successful multigenerational wealth transfer,” says Joy Crenshaw, Head of Global Sales and Advisor Development at Nuveen.

Figure 3: Services Offered to Support Wealth Transfer in Financial Planning Practices



Source: Arizent/Financial Planning 2023

The services that appeal to potential inheritors extend past the realm of investments, taxation, risk management and legal matters to encompass family mission, mentoring and wellness. Advisors focused on wealth transfer tend to incorporate maintaining family governance, stewardship skills-building and legacy intention-setting as the basis for a smooth transfer of wealth from generation to generation.

This approach builds a deeper relationship with existing clients while also generating a meaningful connection with the next-generation wealth inheritor waiting in the wings. Two thirds of advisors with a defined wealth transfer strategy (66%) meet with the children of clients regularly.

Other tactics these firms commonly use to foster relationships and support wealth transfer strategy include:

- Offering discounted fees to children or grandchildren of existing clients.
- Inviting younger family members to applicable client meetings.
- Investing in digital tools to support seamless onboarding, education and communications.
- Meeting younger clients where they are online by increasing activity on social media.
- Actively recruiting and hiring younger advisors or team members.
- Hosting events that include a client’s entire family at least once per year.

Advisors with transfer strategies tend to be more adept at using technology to advance their goals, as well. Firms with a wealth transfer strategy are significantly more likely to say that digital technology is helping them with a wide range of activities, including educating clients, identifying prospects, attracting younger investors and engaging with members of a clients' household.

Getting ahead of the great wealth transfer

Expanding or scaling an advisory practice to serve younger clients is a way of future-proofing your assets under management. You are nurturing the high-net-worth clients of tomorrow — rather than losing them to the advisors who put the work in to do so.

Developing a strategy for the wealth transfer can help firms figure out what they can do over the near and longer term to attract younger clients outside of their networks. Understandingw the channels used by younger people can help generate referral opportunities that have historically driven business. Interacting with younger clients whenever and wherever possible is a critical place to start.

> **"It's important to remember that tomorrow's high-net-worth clients may not currently show up in your pool of high-net-worth prospects. By reaching out to future wealth inheritors today, you can put yourself in position to earn and retain their business as their assets increase."**
>
> — **Jeff Carlin**
> Global Head of Wealth Advisory Services, Nuveen

Keeping up with Portfolio Preferences

It's important to note that up and coming generations may have different interests when it comes to investments than those of the Boomer cohort. Consider that 61% of new investors (age 26 or younger) that responded to the survey are interested in crypto versus 5% of those ages 60 to 69. And 44% of respondents between the ages of 45 and 59 are interested in alternatives versus 26% of those in the 70+ age range. Even if they don't recommend certain types of investments, advisors should be prepared to discuss them and field questions as part of any prospecting strategy.

Methodology

This research was conducted online by Arizent and Financial Planning in April 2023 among 394 wealth management professionals at a mix of wirehouses, national/regional broker-dealers and RIAs.

nuveen
A TIAA Company

About Nuveen

Nuveen, the investment manager of TIAA, offers a comprehensive range of outcome-focused investment solutions designed to secure the long-term financial goals of institutional and individual investors. Nuveen has $1.1 trillion in assets under management as of 30 Jun 2023 and operations in 27 countries. Its investment specialists offer deep expertise across a comprehensive range of traditional and alternative investments through a wide array of vehicles and customized strategies.

For more information, please visit www.nuveen.com

arizent

About Arizent Research

Arizent delivers actionable insights through full-service research solutions that tap into their first-party data, industry SMEs, and highly engaged communities across banking, payments, mortgage, insurance, municipal finance, accounting, HR/employee benefits and wealth management. They have leading brands in financial services including American Banker, The Bond Buyer, Financial Planning and National Mortgage News and in professional services, such as Accounting Today, Employee Benefits News, and Digital Insurance.

For more information, please visit arizent.com

GWP-3119841PR-E0624P 928950