



INSIGHTS PAPER

## CAPITALIZING ON THE 'FIRST PROVIDER' ADVANTAGE

Transform your firm to thrive during the great wealth transfer

Mike Tropeano, CFA

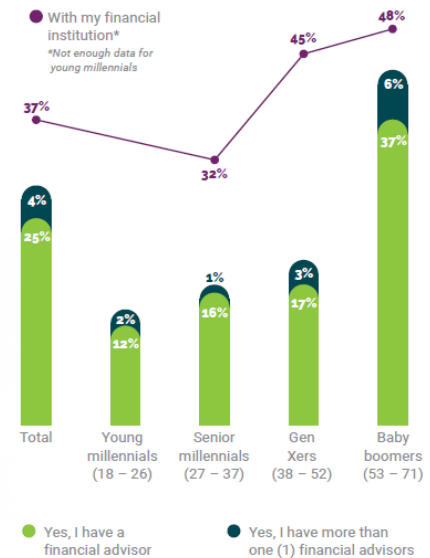
Solution Architect, Wealth and Retirement, FIS

## Introduction

While in the early stages, the largest generational transfer of wealth has begun. The competition to attract and retain the estimated \$150 billion-\$240 billion in fees will be fierce.<sup>1</sup> Firms need to prepare themselves to capitalize on this unprecedented opportunity for growth. Many organizations are challenged by the need to balance the task of growing existing assets and assisting current clients in preparing to transfer assets, while positioning themselves to maintain the business when assets are passed to the next generation.

It is expected that young baby boomers and Generation Xers (Gen Xers) are likely to be the recipients of most of the assets during the wealth transfer,<sup>2</sup> but the 2018 FIS PACE study has found that U.S. banking consumers may be largely unaware and unprepared.<sup>3</sup> Just 1 in 10 consumers who took part in the study said that they expect to receive an inheritance in the next 10 years. Only 9 percent of U.S. consumers aged 27-52 reported that they expect to receive an inheritance in that period. Coupled with the fact that only 29 percent of respondents have a financial advisor creates a big opportunity for financial institutions. Understanding the diverse requirements of these different demographics, firms need to start early in developing relationships with these generations and millennials who can expect to receive a portion of these assets. Employing a multi-channel approach built on a strong infrastructure is critical to long-term success.

Have a Financial Advisor



Source: 2018 FIS PACE study

## Creating an infrastructure to support growth

Running an effective wealth management or trust business requires the right mix of people, process and technology in deploying a multi-channel strategy. The level of growth of digital channels is obvious, making anywhere, anytime, any device as the baseline requirement. Mobile is now the No. 1 way consumers interact with their bank, with 42 percent more consumers using their bank's app than a year ago, making mobile the new main branch for banking.<sup>3</sup> Millennials also tell us that their primary source for personal financial advice is their bank's website.<sup>3</sup>

What we cannot forget is the need for a client-centric experience, complemented with a strong human channel to interact with all the generations. While we have seen a spike in the usage of mobile applications, 50 percent of bank consumers want to meet in person<sup>4</sup> with their advisor and when they do, they expect a personalized experience – including advice - based on their financial situation and goals. This means having the capabilities to show a full view of their wealth, including data from other sources. It also requires the ability to show data based on their need and not just generic views of information.

## Deepening family relationships to safely transfer wealth

It is very clear what consumers are looking for in their banking relationships – Trust. Our 2018 PACE study found that all market segments rank trust as the most important attribute of a banking relationship.<sup>3</sup> Leveraging existing family relationships where a level of trust has been firmly established is the starting point to success in the transfer of wealth. The RBC Wealth Transfer Report 2017 noted that 90 percent of Americans in its survey have either begun to educate (60 percent) or intend to educate (30 percent) their children about money.<sup>5</sup> Turning to a trusted advisor to continue this journey makes the most sense and leads to establishing a relationship with the younger generation. Our PACE study found that only 4 percent of respondents had more than one financial advisor,<sup>3</sup> which supports the belief that becoming their “first advisor” makes you more likely to capture all the client's business.

While critical, developing trust is only a portion of what needs to be done. Proving the value proposition of an advisor relationship is almost as important. Only 13 percent of millennials and 27 percent of Gen Xers consider themselves advisor reliant.<sup>6</sup> This explains why only 17 percent of Gen Xers and 16 percent of millennials have a financial advisor, which is roughly half of the percentage for baby boomers (37 percent).<sup>3</sup> The advisor model for these segments needs to change to meet the most important attributes for these groups. Digital Self-service, Simplicity and Control scored high with these demographics in the PACE study as well, placing an emphasis on digital advice solutions, ease of use in client tools and allowing for self-direction for firms who have been reluctant to engage in one or more of these areas.

Rank	Young millennials (18 – 26)	Senior millennials (27 – 37)	Gen Xers (38 – 52)	Gen MXers (27 – 52)	Baby boomers (53 – 71)	Overall
1	Trust	Trust	Trust	Trust	Trust	Trust
2	Digital Self-service	Digital Self-service	Digital Self-service	Digital Self-service	Simplicity	Simplicity
3	Simplicity	Simplicity	Convenient Locations	Simplicity	Convenient Locations	Digital Self-service
4	Control	Control	Simplicity	Convenient Locations	Human Touch	Convenient Locations
5	Digital Payment	Convenient Locations	Human Touch	Control	Digital Self-service	Human Touch
6	Convenient Locations	Human Touch	Control	Human Touch	Control	Control
7	Human Touch	Digital Payment	Digital Payment	Digital Payment	Digital Payment	Digital Payment
8	Recognition	Recognition	Recognition	Recognition	Recognition	Recognition
9	Immediate	Immediate	Immediate	Immediate	Immediate	Immediate

SOURCE: 2016 FIS PACE STUDY

## Understanding your client’s goals to serve the needs of today and tomorrow

Having a relationship with a client provides the advisor with a valuable tool in maintaining and expanding relationships. However, the market is telling us a slightly different story. Based on the RBC report, neither side of the wealth transfer equation is fully prepared for this significant event. It reported that only 26 percent of respondents to the survey has a full strategy to transfer their wealth and only 35 percent of inheritors report they were prepared by their benefactors before receiving wealth.<sup>5</sup> This provides a great opportunity to further demonstrate your value by engaging the current and future holders of wealth in a discussion to understand their goals and what you can do to position them for success. We know that every investor has some type of investment goals. What sometimes gets lost is that every investor also has life events every few years. While one generation is preparing for retirement, another is planning to fund college and yet another is planning to buy a house or begin a family. Focusing on the future changes the dialogue from tactical asset allocation and recent performance to a more strategic conversation. It also provides the benchmark for managing future expectations.

## Putting it all together to move forward

The path for success is not without obstacles. The varying requirements of each market segment and the level of readiness for all demographics will lead to new challenges. What’s clear is that *Running* an effective organizational infrastructure by leveraging people, process and technology will allow you to *Connect* with clients by meeting their investment needs and becoming their trusted advisor, with the ability to *Grow* your business and prosper during this unprecedented time.

## Contact us

For more information, contact us at [getinfo@fisglobal.com](mailto:getinfo@fisglobal.com) or visit <https://www.fisglobal.com/wherebankingmeetslife/thought-leadership/consumer-wealth-and-retirement>.

## Sources

<sup>1</sup> <http://www.wealthmanagement.com/high-net-worth/index-great-wealth-transfer>  
<sup>2</sup> White Paper: The Neglected Generation – Cerulli Associates, 2017  
<sup>3</sup> 2018 FIS PACE (Performance Against Customer Expectations) findings - What’s Now + Next for Consumer Banking in the United States  
<sup>4</sup> 2016 FIS PACE (Performance Against Customer Expectations) findings  
<sup>5</sup> Wealth Transfer Report 2017, RBC Wealth Management and Scorpio Partnership  
<sup>6</sup> The Cerulli Report – U.S. Retail Investor Advice Relationships 2016

