Next-Gen and Established Advisors Report

This study uncovers several key differences in both approach and value proposition between Next-Gen Advisors and Established Advisors

RBC Clearing & Custody

Wealth Management iQ
A division of WealthManagement.com

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Introduction

Popular media often pits Next-Gen and Established Advisors against one another in fundamentally different roles. While one built the wealth management industry into what it is today on a foundation of handshakes and trust, the other is positioned as the digital generation, ushering in a new, more efficient industry enabled by technology.

However, these generational stereotypes may be overly simplistic. In our latest study on how advisors approach technology and digital transformation, both Next-Gen and Established Advisors portray a surprising number of similarities.

It may be due to the COVID-19 pandemic and the ensuing work-from-home revolution, but a reliance on technology has spread rapidly in both groups. After all, there really isn't much of a choice anymore. For firms to thrive in the current environment, technology is a critical differentiator to help support clients and advisors.

While both Next-Gen and Established Advisors invest in technology to improve productivity and provide a better client experience, Next-Gen Advisors are much more likely to invest in technology to differentiate from competitors.

Our study also uncovers several key differences in both approach and value proposition between Next-Gen Advisors and Established Advisors.

In this report, we'll look at the ways Next-Gen and Established Advisors are rapidly changing the face of the wealth management industry in their own unique ways.

Why Advisors Invest in Technology

	Next-Gen	Established
To provide a better client experience	**68%**	**62%**
To improve productivity	66%	60%
To differentiate firm and service capabilities from competitors	**39%**	**25%**

The Study at a Glance

Next-Gen Advisors

Age Range:
Age 41 & under

Experience:
6 years as an advisor

Assets Managed:
$37M AUM (median)
$128.7M (mean)

Firm Profile:
RIAs: 31%
IBD: 14%
Dually registered/hybrid: 15%
Insurance firm: 13%
Regional firm: 6%
Wirehouse firm: 4%
Bank brokerage: 6%
Other: 11%

Established Advisors

Age Range:
Age 50 & up

Experience:
25 years as an advisor

Assets Managed:
$37M AUM (median)
$148.5M (mean)

Firm Profile:
RIAs: 21%
IBD: 16%
Dually registered/hybrid: 12%
Insurance firm: 13%
Regional firm: 6%
Wirehouse firm: 9%
Bank brokerage: 7%
Other: 16%

Participants age 42-49, who comprised 20% of respondents, are not featured in this comparison.

The Firm of the Future: Putting Planning First

Our study also sheds light on what the firm of the future that caters to Next-Gen Advisors and clients might look like.

The firm of the future is not only more technologically proficient, it's also more focused on financial planning as its primary value proposition.

Our survey found that the top priorities of Next-Gen and Established Advisors are reversed when it comes to delivering services. Established Advisors cited retirement income planning and investment management as their most frequently delivered services, followed by financial planning.

Next-Gen Advisors, however, primarily focus on investment management, followed by financial planning and retirement income.

These rankings highlight that Next-Gen Advisors are much more likely to consider planning as essential. Nearly half of Next-Gen Advisors say that financial planning is critical to their success, but only 31% of Established Advisors say the same.

Top 3 Most Frequently Delivered Services

Next-Gen Advisors

Investment management	75%
Financial plan development	71%
Retirement income planning	68%

Established Advisors

Retirement income planning	65%
Investment management	62%
Financial plan development	53%

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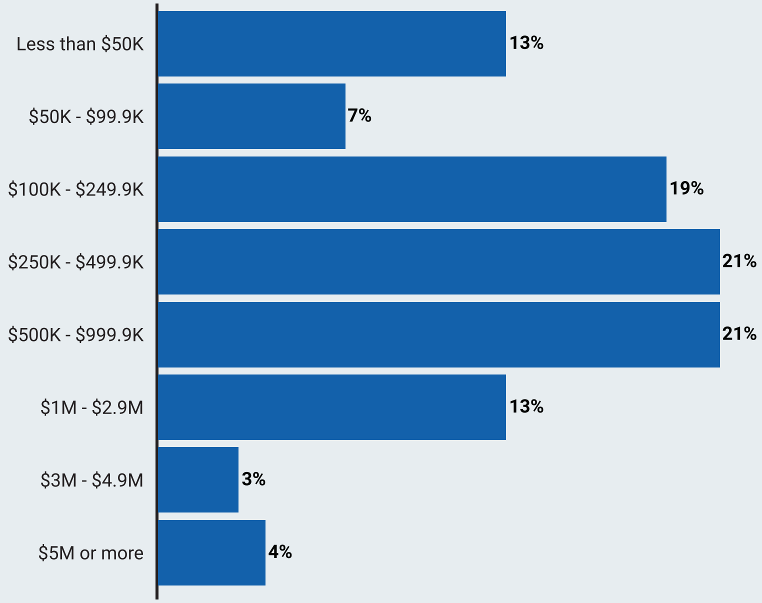
Average Client Account Size

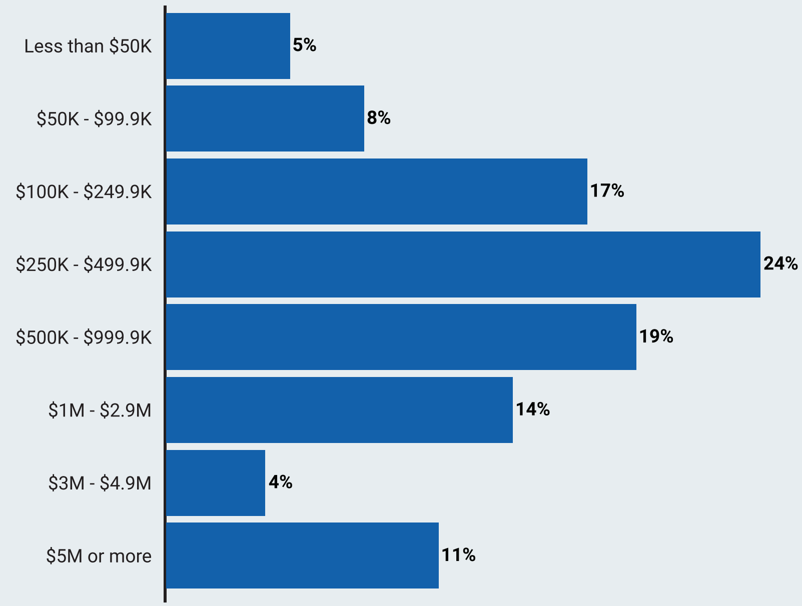
Next-Gen Advisors

(Estimated median = $375K; Estimated mean = $819K)



Established Advisors

(Estimated median = $375K; Estimated mean = $1.2M)



With a client base that skews younger and less wealthy overall, Next-Gen Advisors tend to be *life* planners, not just *retirement* planners. The importance of planning throughout a client's life means that there is also opportunity to capitalize on that work as a core driver of revenue.

Next-Gen Advisors are much more likely to charge financial planning fees and less likely to rely on commission-based pricing compared to Established Advisors. Some of this difference is likely due to where both sets of advisors work: Established Advisors are much more likely to work at a wirehouse or broker-dealer than Next-Gen Advisors, who prefer the registered investment advisor (RIA) model.

Means of Charging Clients for Services

Next-Gen Advisors

Asset based fees	78%
Commissions	39%
Financial planning fees	30%

Established Advisors

Asset based fees	72%
Commissions	46%
Financial planning fees	18%

Placing a Heavy Emphasis on Technology's Transformative Effect

The firm of the future uses technology throughout its practice, and as a result it expects technology to play a major role in how it operates as a business.

The survey results make it evident that both Next-Gen and Established Advisors have many of the same strategic initiatives for their firms when it comes to implementing and leveraging technology.

However, while initiatives are mostly aligned, Next-Gen Advisors clearly place a higher emphasis on the role technology can play in improving the client experience, with 20% of Next-Gen Advisors calling digital capabilities "critical" to improving the client experience, versus just 9% of Established Advisors.

In follow-up conversations, Established Advisors are more focused on technology that increases efficiency of the analysis, modelling and trading portion of their job than on client-facing software. For many Established Advisors, their most recent client-facing tech update was Zoom at the start of the pandemic. As one Established Advisor put it, "I can't think of any technology we use as a value add. Just Zoom for client education events."

Strategic Initiatives for Next-Gen and Established Advisors

Strategic Initiative	All Respondents	Next-Gen	Established
Manage compliance and regulatory requirements	3.9	3.9	3.8
Improve technology to better support advisors	3.7	3.9	3.5
Implement digital capabilities to improve client experience	3.6	3.8	3.4
Improve risk management systems	3.5	3.6	3.4
Recruit and retain younger advisors	2.9	3.0	2.9
Strategic mergers and/or acquisitions	2.5	2.6	2.4

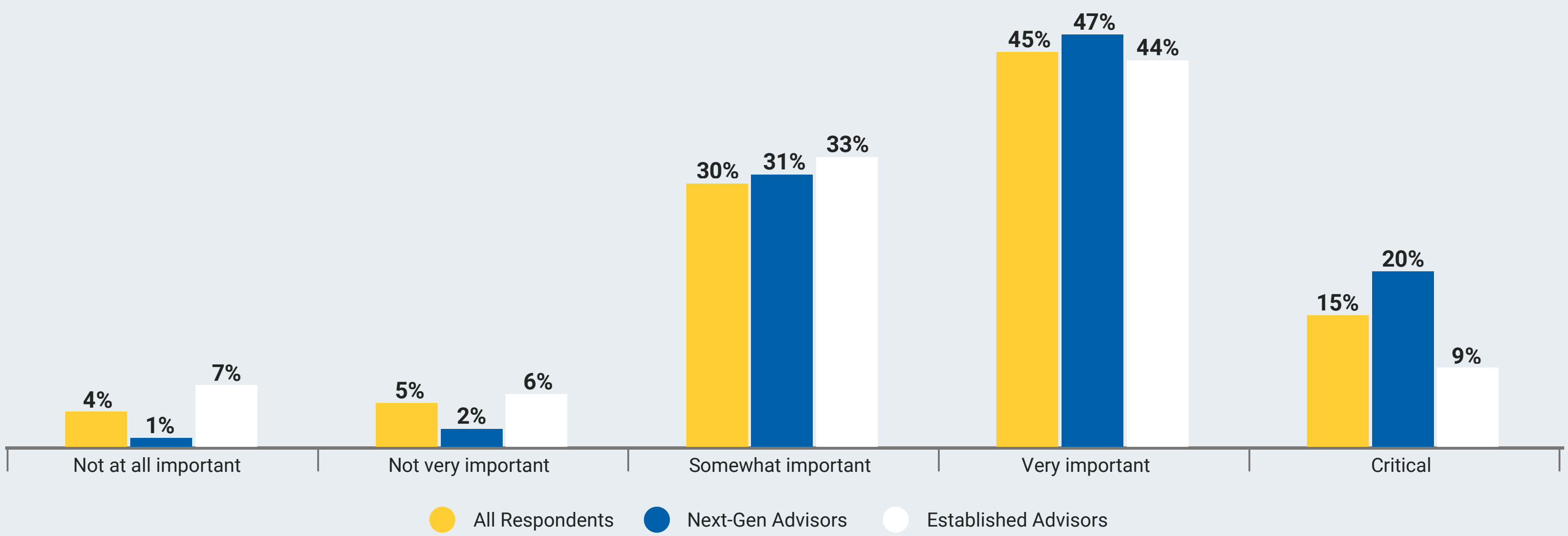
The role of technology for different advisors says a lot about the value they believe they provide clients. Established Advisors use technology primarily to enhance client relationships, Next-Gen Advisors use it to enhance client convenience, placing higher emphasis on client portals, deliverables and ease of implementation. Established Advisors tend to see tech as something that enables them to be in front of clients as much as possible, whereas Next-Gen Advisors view tech as a core factor of their client experience.

This view of technology's critical role in developing digital experiences shows up in other ways throughout the research. Among Next-Gen Advisors, 39% believe technology is a differentiating factor for their firm, versus just 25% of Established Advisors.

Why the 14-percentage-point gap? Again, it may be informative to look at where both sets of advisors work. Next-Gen Advisors are more concentrated in RIAs, which means they have more freedom to choose their own technology rather than using a prescribed set of options at a wirehouse or large BD. As a result, they are more likely to adopt and experiment with new technology more frequently, rather than being held to a single set of options chosen by a parent organization.

One Next-Gen Advisor we spoke with, who is an RIA, listed a popular tax planning software as his favorite piece of technology, and then later in conversation mentioned that he had scheduled a demo of another leading tax planning technology provider. Clearly, if technology is a differentiating factor at your firm, you want to make sure you have the best tech.

Implement Digital Capabilities to Improve Client Experience



The Driving Factor of Change: Modern Investors

The ability to invest your personal wealth has never been more mainstream and accessible than it is today. A decade ago, the rise of robo-advisors signaled a new wave of how technology would democratize access to the markets, and today that access has expanded to trading around the clock. With crypto markets that never close, smartphone apps that shower confetti on the screen when a trade is placed, and portfolios built by algorithms, modern investors have a nearly infinite array of tools available to help them with investing, saving, and planning.

And more options are coming to market all the time.

With this increased competition, Next-Gen and Established Advisors are leaning on technology in different ways to build, scale and serve a broader clientele of investors more efficiently and effectively than ever before.

WMIQ, a division of WealthManagement.com/Informa Connect, in partnership with RBC Clearing & Custody conducted an online survey, The Next Generation of Financial Advisors, 433 professionals, March 2022.

Overview

Methodology, data collection and analysis by WMIQ a division of WealthManagement.com and Informa Engage on behalf of RBC Clearing & Custody. Data collected March 5 through 21, 2022. Methodology conforms to accepted marketing research methods, practices and procedures.

Methodology

Beginning on March 5, 2022, WealthManagement.com emailed invitations to participate in an online survey to active users. By March 21, 2022, Informa Engage had received 433 completed surveys.

Response Motivation

To encourage prompt response and increase the response rate overall, a live link to the survey was included in the email invitation to route respondents directly to the online survey.

The invitations and survey were branded with the WealthManagement.com name and logo in an effort to capitalize on user affinity for this valued brand.

Each respondent was able to enter a drawing for a YETI 75 Tundra Cooler, valued at $450.

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