

How to Attract and Serve High-Net-Worth Investors



AN ADVISOR'S GUIDE

FOREWORD



The benefit of attracting and serving high-net-worth (HNW) investors is clear. More available assets translates to higher revenue opportunities for your firm. It's simple. What isn't simple is finding a strategy to attract and serve them more easily.

In this guide, we'll look at how to do that – attract, serve, and retain HNW investors. This isn't your typical surface-level data brief, but a true guidebook, designed to deliver practical insights to help advisors align with HNW clients.

What to Expect in this Guide

Why the High-Net-Worth Investor is More Relevant than Ever	p. 4
Understanding the High-Net-Worth Investor	p. 5
How to Attract High-Net-Worth Investors	p. 7
How to Serve High-Net-Worth Investors	p .11
Key Takeaways	p.15

About Orion Portfolio Solutions

Orion Portfolio Solutions is a leading provider of investment, reporting and service solutions. Whether you outsource investment management to third-party strategists or run your own model portfolios, our technology and service offer you the flexibility your business needs to grow. We offer products and services that provide advisors with freedom and flexibility. From a dedicated service team acting as your back-office to a multitude of investment options, Orion Portfolio Solutions is a valuable partner in simplifying your business.

www.orionportfoliosolutions.com

There are more High Net Worth clients available for advisors to serve. That means your chances of meeting and competing for their business is increasing every day.



WHY THE HIGH-NET-WORTH INVESTOR IS MORE RELEVANT THAN EVER



The recent bull market has generated a lot of newfound wealth. Following the MSCI World broad-based index, an investor with a \$400,000 portfolio in 2008 would now have just over \$1.1 million in investable assets.

Why is that so important?

It means there are more millionaires in the market - particularly in the \$1 - \$5 million range - leading to more HNW clients available for advisors to serve. Your chances of meeting and competing for their business is increasing every day (assuming the market continues to rise).

The mass wealth accumulated in the recent bull market also means your current clients are likely accumulating wealth. This changes how you should view them, and HNW investment strategies on a foundational level. HNW strategies are becoming necessary to keep current clients, not just attain net-new business.

What to do about it?

The past decade has brought an uprising of digital tools and service models. Add a growing demand for transparency and increasing skepticism around the traditional investing process, and you can begin to see that the investment landscape is changing, holistically.

Understanding the dynamics of rapidly growing wealth in today's market is a good start, but attracting and serving HNW clients requires a tailored approach.

To identify the strategies needed to attract, serve, and retain HNW investors, let's first look at the HNW investor.

UNDERSTANDING THE HIGH-NET-WORTH INVESTOR



On the surface, the HNW investor is complex, with unique needs and goals that differ from the mass affluent audience advisors are used to encountering. The target audience is small, but powerful – one-fourth of all US assets are held by 1% of the population¹. With a quick look at the unique traits and preferences, we can develop strategies to align with the HNW audience:

A complicated advisor relationship

HNW investors are likely to use an advisor – **70%**²

Trust of financial advice is waning. **47%** of under **30 HNW** investors have low trust of financial management firms.³

Of those that use a financial advisor, many use multiple advisors – **60%**, **40** and above, **31%** under **40**.³

Philanthropic habits

45% either own or are interested in owning impact investments – led by millennials. This is likely due to their view that impact investing is a form of charity, whereas older generations tend to not make that association.⁴

74% give to nonprofit organizations, while **69%** volunteer their time for charitable causes.⁴

Attitudes and expectations

90% cite smart investing as a factor to wealth creation among the ultra-wealthy, while only **43%** cite decisions made for them by a financial advisor.⁵

82% are confident in their own ability to handle the family's money.⁴

Attitudes and expectations (contd.)

HNW investors actively seek opportunity, shown as the leading reason they keep large cash assets (half of HNW investors maintain more than **10%** in cash allocation) – **54%**. They appear to be more opportunity oriented than risk averse.⁴

All HNW investors are likely to leave their current relationship if they're needs aren't being met – **84.7%** for under **40**, **76.6%** for **40** and over.³

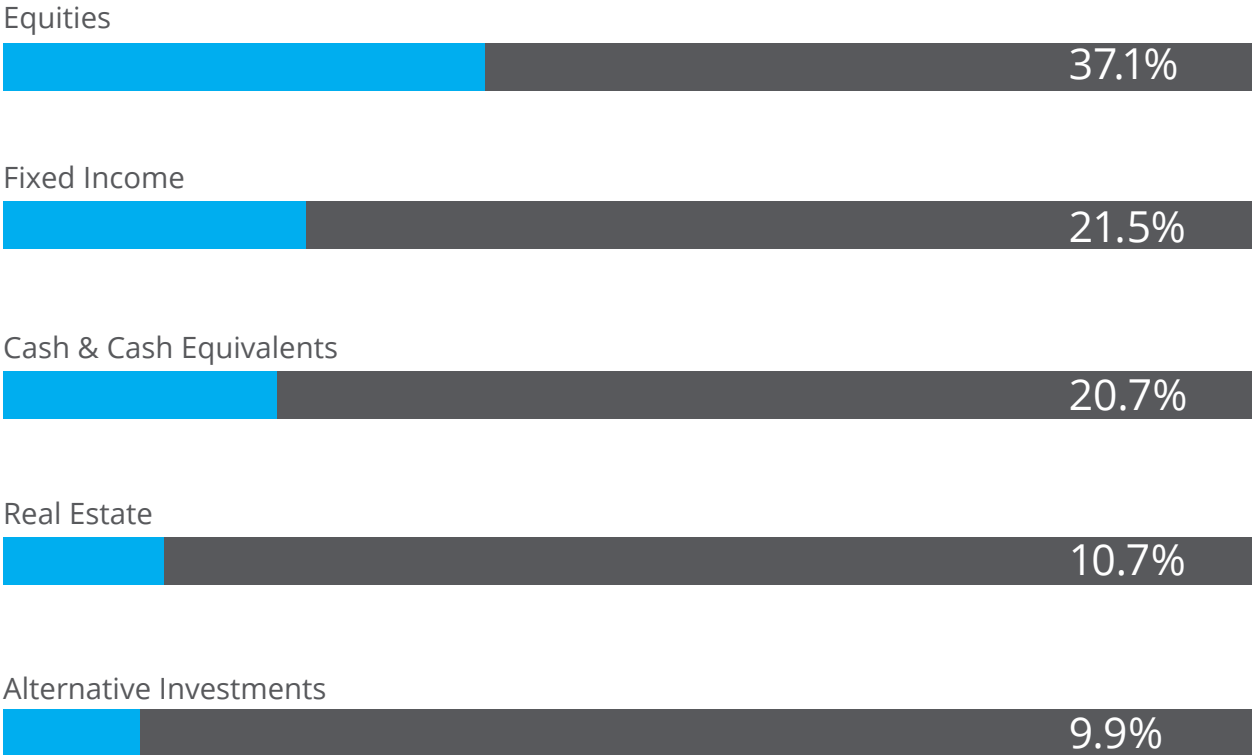
Views on services

The ability to interact in-person and through automated channels, on demand, is significant in **66.7%** of HNW investors' decision to decrease or increase assets with a firm.⁸

Almost half of HNW investors aged **40** and over (**49.3%**) would leave a firm if digital channels weren't integrated. That number rises to **78%** for HNW investors under **40**.³

87.1% of under-**40** HNW investors expect all or most of their wealth management relationship to be conducted digitally in the next five years.³

TYPICAL PORTFOLIO DIVERSIFICATION³



HOW TO ATTRACT HIGH-NET-WORTH INVESTORS



Before we address strategies to serve and retain high net worth investors, it's important to understand how to gain their attention. Targeting your communications and marketing strategies to cater more closely to a wealthier demographic not only increases your chances of being heard in a noisy market, but also helps solidify your value to existing clients with newfound wealth.

Develop Trust

HNW clients display a concerning level of mistrust for financial advisors and wealth management firms. The market crash of 2008 is still fresh on the minds of these investors, and uncertainty surrounding regulatory changes work to negatively impact the perceived trustworthiness of financial advice in general.

Developing trust is essential to attracting and winning HNW business. While in the end, trust is earned through consistent service and reliability, advisors can instill a sense of trust to clients with clear, honest communications.

Run an audit of your website and communications, doing your best to look at your messaging objectively. Are you clearly communicating your mission, values, and services? By instilling clarity into your marketing, you can increase trust in your business, taking you one step closer to consideration with HNW investors.

Focus on these key areas:

- **Tell your story** — Give your prospects a look behind the scenes. Help them understand why your business exists, allowing them to make sense of how you operate, and why that might resonate with their own beliefs.
- **Talk finances** — In this case, it isn't tacky to talk about money. Being clear and upfront about your fee/billing structure is a great way to remove uncertainty.
- **Be proactive** — Think in advance about the common questions asked by prospects and clients and take the time to answer those questions proactively. Eliminating all uncertainty around your products and services from the onset is another great strategy to increase trust.

HOW TO ATTRACT HIGH-NET-WORTH INVESTORS



Improve Digital Capabilities

It seems digital is no longer optional to both mass affluent and HNW clients. The requirement for sophisticated digital experiences is quickly moving beyond client wants to expectations.

To remain competitive with HNW clients (especially emerging wealth), you need to display competence in the digital space. Your first thought may be robo technology, but advisors should take a step back to consider digital in a broader sense.

Website Expectations

Start with your website. Your website is the modern front door to your business – and a good website is the equivalent to good curbside appeal. HNW clients are highly targeted, making the way you present your firm even more important.

When evaluating your website, check for these traits:

- **Ease of use** — Is your website easy to navigate? Does it work seamlessly on mobile? Ensuring your website is up-to-date with current technology standards is an easy way to communicate a commitment to the digital experience.
- **Design** — The design of your website should further support the user experience, elevating important information and solidifying your brand. Working to minimize clutter is one of the easiest ways to improve the digital experience and more clearly communicate your value.
- **Functionality** — It is important to ensure the pieces of your website work. Regularly check for broken links, blank webpages, and formatting errors.

Consider Robo Technology

Once your website communications are optimized and mobile friendly, consider your

advertised investment experience. Automated advice is gaining in popularity. In fact, 86.7% of HNW investors under the age of 30 and 68.7% aged 30 to 39 would consider using automated investment solutions. While willingness to use automated solutions declines as age is increased, it communicates a rising relevance of robo technology – even to wealthier investors.

Displaying robo capabilities, and the technology that goes with it, like electronic signature, digital investment platform, and automated monitoring/reporting, communicates a commitment to providing the most relevant investment services – something that will go a long way for an audience shown to be highly demanding of their investment experience.

Communicate Expertise

Similar to ensuring your website is easy to navigate, clearly communicating your expertise is essential in the consideration stage of the HNW sales funnel.

Sixty percent of HNW investors, aged 40 and older, work with multiple firms³. At first glance, dwindling trust of financial services seemingly explains this phenomenon. However, a deeper look tells us a different story. The wealthiest HNW investors (\$20 million in assets) display the highest levels of trust (79.4%) among all HNW segments, yet only 42.1% work with a single firm². That indicates the use of multiple firms/advisors is likely more about finding the expertise to meet their diverse investment needs.

Developing expertise that you don't have can be a long and arduous process. But more effectively communicating your current expertise is an easy (and quick) way to better align your business to resonate with HNW investors. It also positions your business to secure a higher percentage of assets when you do win their business.

Be Social

The average HNW investor is 62 years old⁶. According to Pew Research, 64% of U.S. adults aged 50-64 years old were active on at least one social media platform. Add that to 80% for those aged 30-49, and 86% for those under 30, and you can easily see the increasing importance of using social media to connect with your target audience⁷.

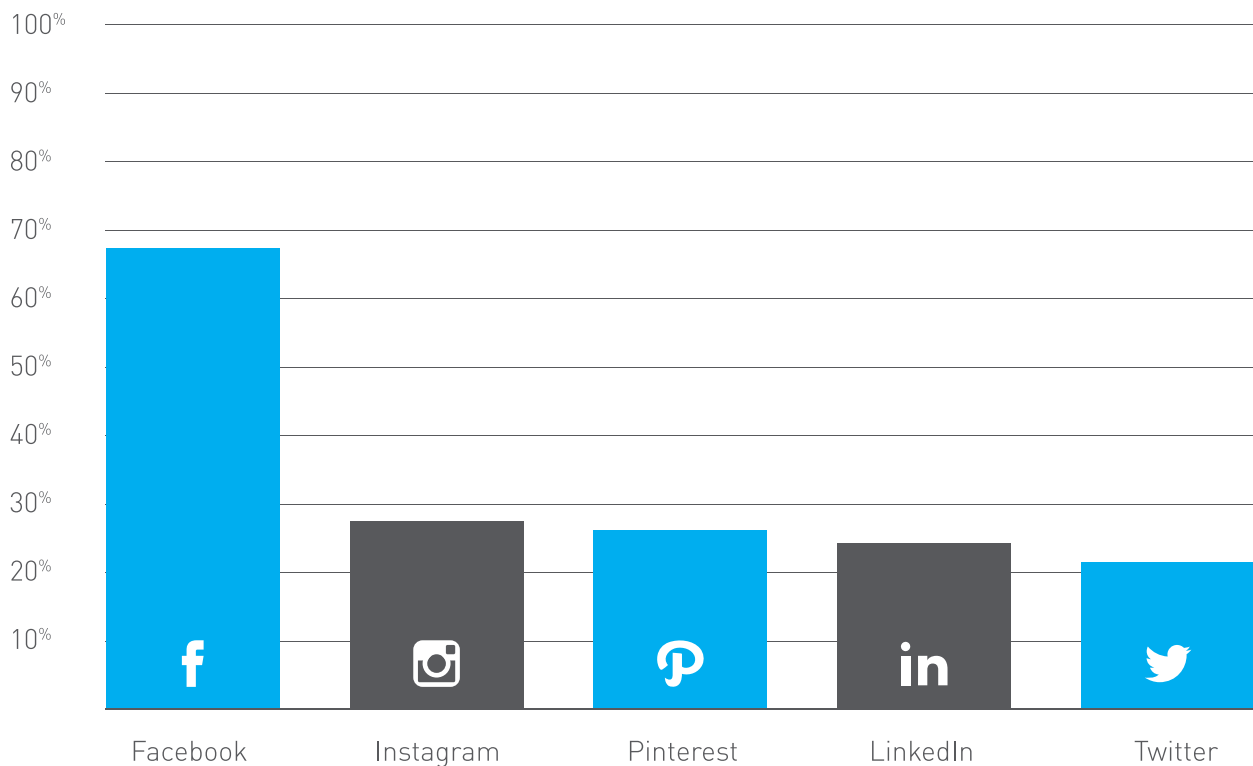
Social media gives you an easy way to spread your firm's value proposition, but it goes deeper than that. Social media platforms are unique, in that they present the opportunity to facilitate discussion. Use social media not to just push your services, but to foster relationships with your target audience through engagement.

Social media also sheds a new light on the phrase, "target audience". Most social platforms feature

advertising programs, capable of delivering your message to an extremely targeted audience – segmented by age, job, income, online activities and interests, and more. Consider taking full advantage of these features, either internally, or through a consultant, to more efficiently deliver your value proposition.

Due to compliance concerns and lagging technology adoption, the adoption of social media in financial advice has been slow. Use that to your advantage, and find a place for social media in your marketing strategy. Using it can help you more easily connect with your desired market, foster trust and relationship building, and even further solidify your firm's commitment to digital.

Social Media Platforms by Usage⁷





HOW TO SERVE HIGH-NET-WORTH INVESTORS



You're now prepared to gain consideration from HNW investors, but is your business designed to serve them? HNW investors are highly active in evaluating their level of satisfaction, and are quick to leave an advisor if their needs aren't being met (especially emerging generations of wealth). Tailor your service model to align with HNW investor traits.

Bring Them In

HNW investors are highly confident, both in their ability to handle finances and invest. Catering to this key trait is a simple, yet important component of creating a positive relationship.

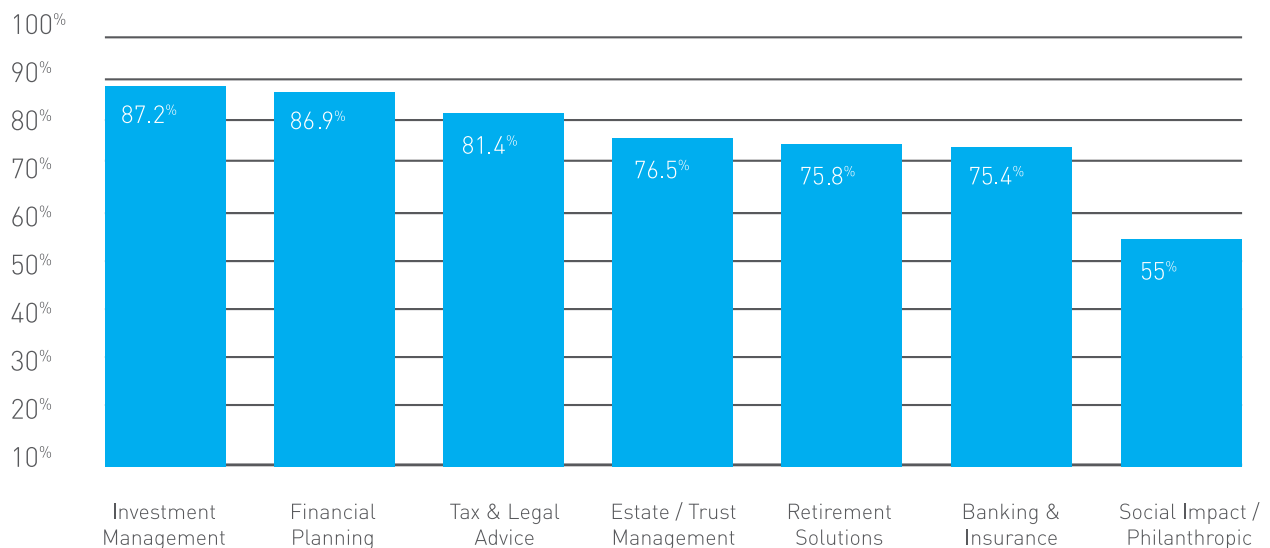
Try and strike a balance between influencing the investment process with your expertise, and giving them a level of control and input that is comfortable. Consider more hands-on approaches to investing, such as a Separately Managed Account program – where clients can directly interact with investment strategists.

If your investment philosophy requires a higher degree of involvement in portfolio management, amend your traditional reporting process with higher frequency communications. Pull them into the process, giving them a look behind the scenes of your investment philosophy. Helping them gain clarity into your decisions is a great way to deliver increased transparency. Investment transparency will build trust and satisfy the investor's desire to be directly involved in their financial well-being.

Broaden Your Scope

It's clear that HNW investors have a wide range of needs. Along with highly diversified assets, they seek a wide range of services.

Most valuable services for HNW investors:⁸



Remember that up to 84.7% of HNW investors will leave a firm if their needs aren't being met³. Aligning your service model to create the highest value is a requirement to win over HNW clients, secure more of their potential assets, and retain their business.

Investment Management / Financial Planning

As previously mentioned, HNW investors are opportunity oriented. They seek to protect and grow their assets, and they place a high emphasis on the perceived value provided by your services (remember that wealthier investors are heavily sought out, and naturally receive a high volume of service/product pitches). By value, we don't mean that they are particularly sensitive to cost of management – in fact just the opposite. They are willing to pay for quality service.

A good example is Fisher Investments – a direct-to-HNW-investor advisory firm with more than \$71B in HNW assets. Their strongly exhibited growth serves as an example of what HNW investors seek – quality investment management services that are tailored to their unique needs. Their value proposition revolves around a customized investment process, delivered through Separate Accounts, to provide increased flexibility and tax advantages.

Separate Account

A privately managed investment account opened through a brokerage or financial advisor that uses pooled money to buy individual assets.

Benefits

- Increased investment flexibility
- Enhanced tax management
- Additional investment transparency
- Increased investor control

Drawbacks

- Higher management costs
- Higher investment minimums

Tax and Legal Advice

With higher amounts of taxable assets, and in some cases capital gains, tax and legal advice becomes increasingly important for those serving HNW clients. Work to deliver seamless integration between your core advisory model and auxiliary services, such as tax management. Also, consider investment vehicles to reduce capital gains taxes, such as ETFs over Mutual Funds.

Estate / Trust Management

Estate and trust management reduces anxiety in their financial journey, and serves as a unique benefit, especially for those who are in or near retirement. With more than three-fourths of HNW investors finding value in Estate/Trust Management services, it is worth your time and effort to expand your service set.

Retirement Solutions

Wealthier investors require less focus on generating enough money to retire, and more on managing distributions and taxes – while preserving capital – as they transition out of the workforce. Amend your tax services to accommodate the retirement needs of HNW investors, and communicate that ability to position your firm as a fit.

Banking & Insurance

More than 32% of HNW investors consider the availability of credit when evaluating wealth management firms³. Integrating banking and insurance solutions, or the ability to link seamlessly to these solutions is a significant value-add for HNW investors.

Social Impact / Philanthropic

Especially relevant for emerging HNW investors showing a strong affinity toward Impact Investing, helping them achieve social/environmental impact alongside financial gain is increasingly important. Seek impact of socially responsible investing options, and become adept in understanding the tax implications of charitable giving.

COMMIT TO DIGITAL



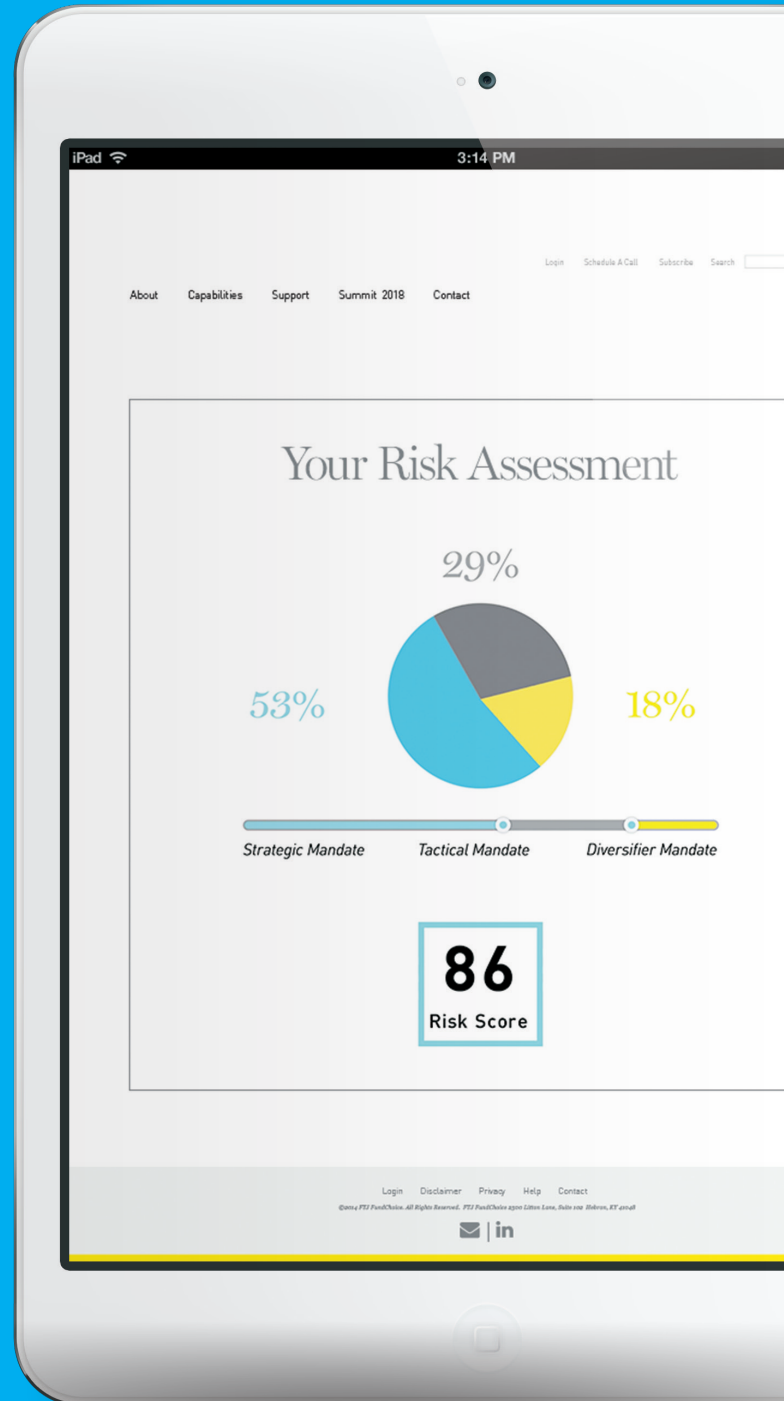
HNW clients understand the benefits of technology and increasingly consider it as a value in their investment relationship.

Advisors can satisfy this need in two ways

1. Ensuring their digital investment platform is both robust and easy to use.
2. Integrating automated investment technology into their core service.

4 Considerations for successfully integrating robo technology in your business

1. Private label your technology. Delivering your brand consistently in robo technology is key to delivering a fully integrated digital experience.
2. Communicate your investment philosophy. Just because certain decisions are automated doesn't mean your unique strategies shouldn't be translated to the investor.
3. Use a hybrid approach. Educate the investor to help them understand the relationship between robo technology and your core services.
4. Validate your value with transparency. Show your process and investment strategy through clear reporting and communication. This is another opportunity to decrease the mistrust shown by HNW investors.



KEY TAKEAWAYS

Leg Work

Do some leg work upfront to ensure your business is positioned to align with HNW client wants and needs. The HNW client has unique needs, and won't respond to traditional marketing and service tactics, designed for the mass affluent audience.

Broaden Your Service

Broaden your service to capture more of each HNW client's assets, and communicate those abilities clearly. Wealthier clients have shown a tendency to work with multiple firms in search of the expertise needed to accommodate their sophisticated investment needs.

Digital

Place a higher emphasis on digital. Though the majority of HNW clients are older, they've shown a relatively high interest in the digital capabilities of their advisors. Don't be afraid to embrace automation.

Relinquish Control

Relinquish control to these educated clients. HNW investors are confident, and heavily invested in their financial outcomes. Place them at the head of their investment process. Give them the control that they are comfortable with to reduce uncertainty and mistrust.

Deliver

Deliver communications and services that are tailored for wealthier clients. The HNW investor is more highly targeted than the average mass affluent investor. Explore solutions that are designed for HNW clients from the ground up. Only then will you stand apart from the constant barrage of off-the-shelf offerings.



Tailor Your High-Net-Worth Strategy

Stand apart with investment solutions tailored for the High-Net-Worth Investor.

[Click Here to Learn About Separately Managed Accounts](#) —



¹ Pershing/BNY Mellon, What Wealth Wants: Refining Your Firm's Approach to the High-Net-Worth Market

² Cerulli, "High-Net-Worth and Ultra-High-Net-Worth Markets 2014"

³ United States Wealth Report, 2015

⁴ U.S. Trust Insights on Wealth and Worth, 2017

⁵ Spectrem Group, "financial behaviors and the investor's mindset," 2015

⁶ Vanguard, Spectrem Group, Today's Affluent Investor: Insights and Opportunities, 2013

⁷ Pew Research Center, Social Media Fact Sheet – 2016

⁸ World Wealth Report, 2017

The information, analysis, and opinions expressed herein are for general and educational purposes only. Nothing contained in this document is intended to constitute legal, tax, accounting, securities, or investment advice, nor an opinion regarding the appropriateness of any investment, nor a solicitation of any type. All investments carry a certain risk, and there is no assurance that an investment will provide positive performance over any period of time. An investor may experience loss of principal. Investment decisions should always be made based on the investors' specific financial needs and objectives, goals, time horizon, and risk tolerance. The asset classes and/or investment strategies described may not be suitable for all investors and investors should consult with an investment advisor to determine the appropriate investment strategy. Past performance is not indicative of future results.

APPROVED FOR ADVISOR/PROFESSIONAL USE ONLY— NOT INTENDED FOR PRIVATE INVESTORS

● ● ●
For more information please contact:
sales@orion.com
1-800-379-2513 Option 5
www.orionportfoliosolutions.com