



BNY MELLON

# The Investor of the Future

**Kim Dellarocca**

Director

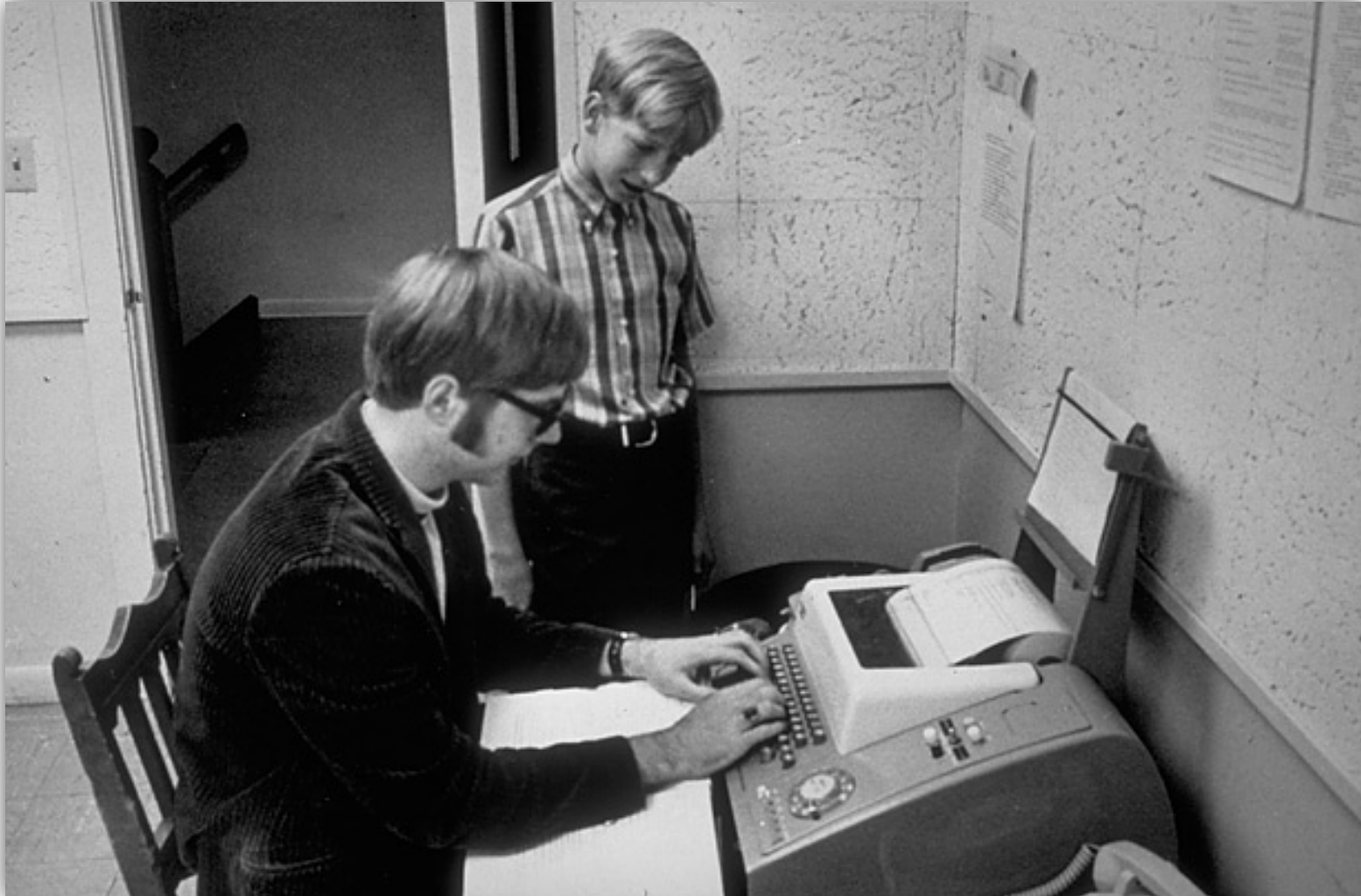
Head of Segment Marketing and Practice Management

Pershing, a BNY Mellon company

**Pershing**<sup>®</sup>



# 1968: Studious 13 Year Old Learning About the Teletype Mom and Dad are...



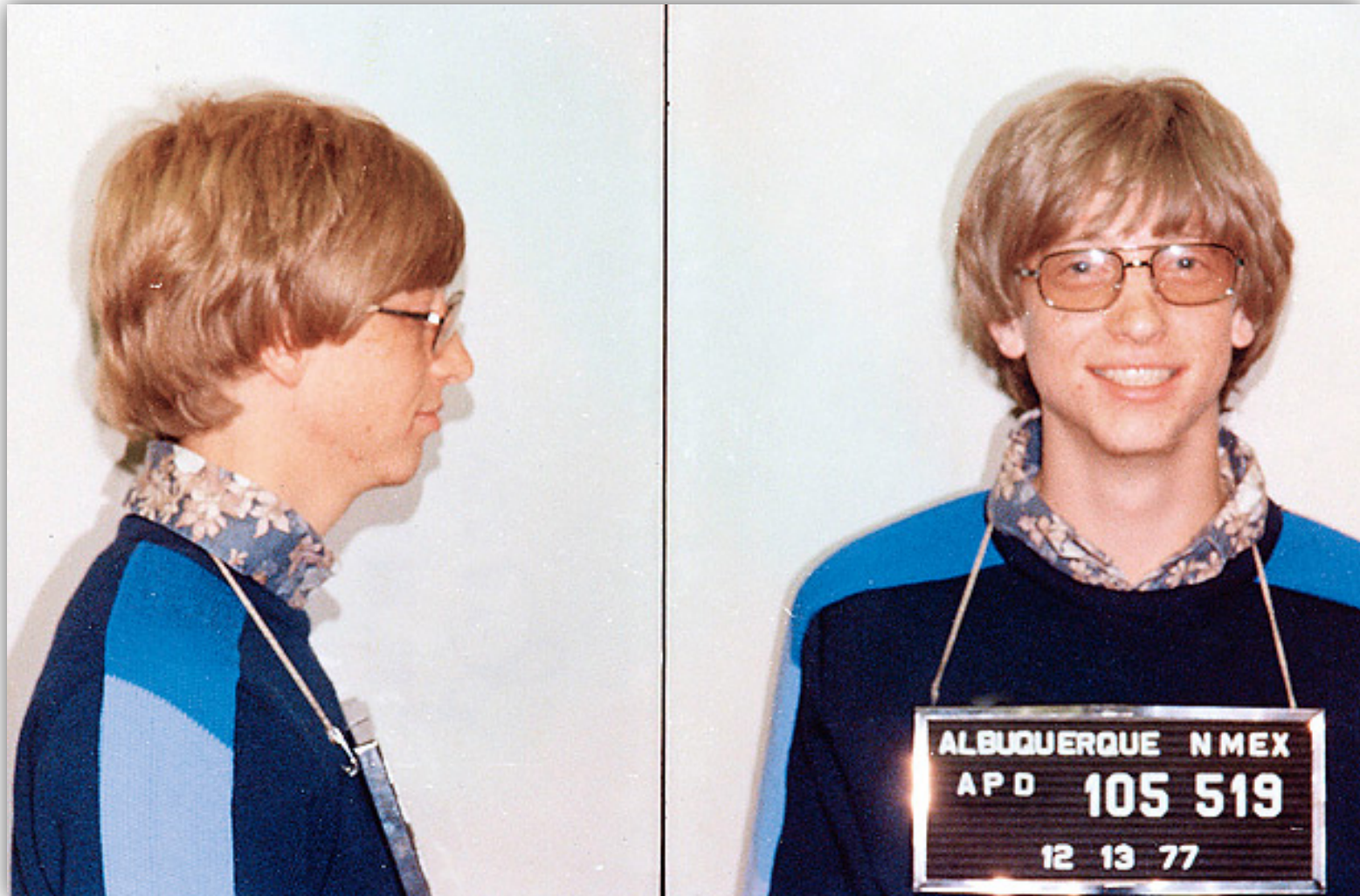
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# 1973: High School Graduation



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# 1977: Four Years Later He Got Arrested



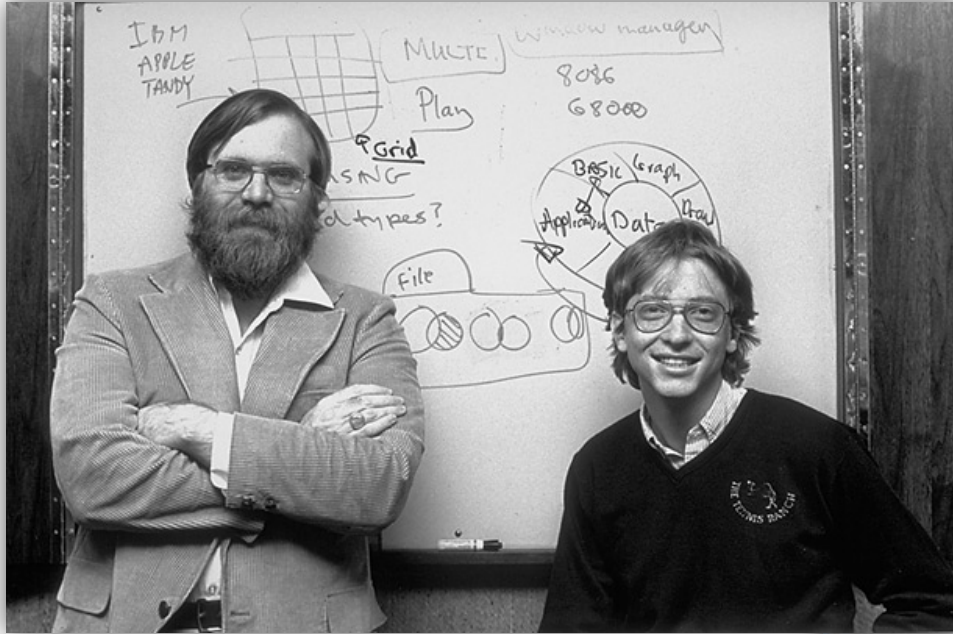
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# Group Got Together to Start Something

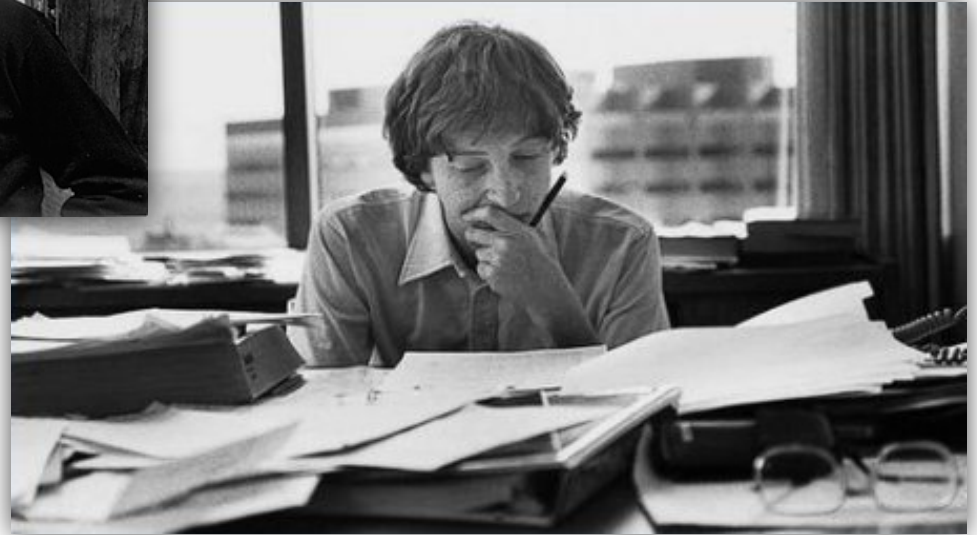


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# 1983: He Becomes CEO of His Own Company



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# Yesterday and Today



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# Agenda

**1** The Quest for Tomorrow's Affluent Client/Member

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**2** Perception vs. Reality: Today and the Future

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**3** Benefits of Foresight and Pitfalls of Shortsightedness

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**4** Understanding the Dynamics of Affluence

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**5** Opportunities for Diversification

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**6** Client Insights and Leading Practices

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**7** Key Takeaways



# The Landscape

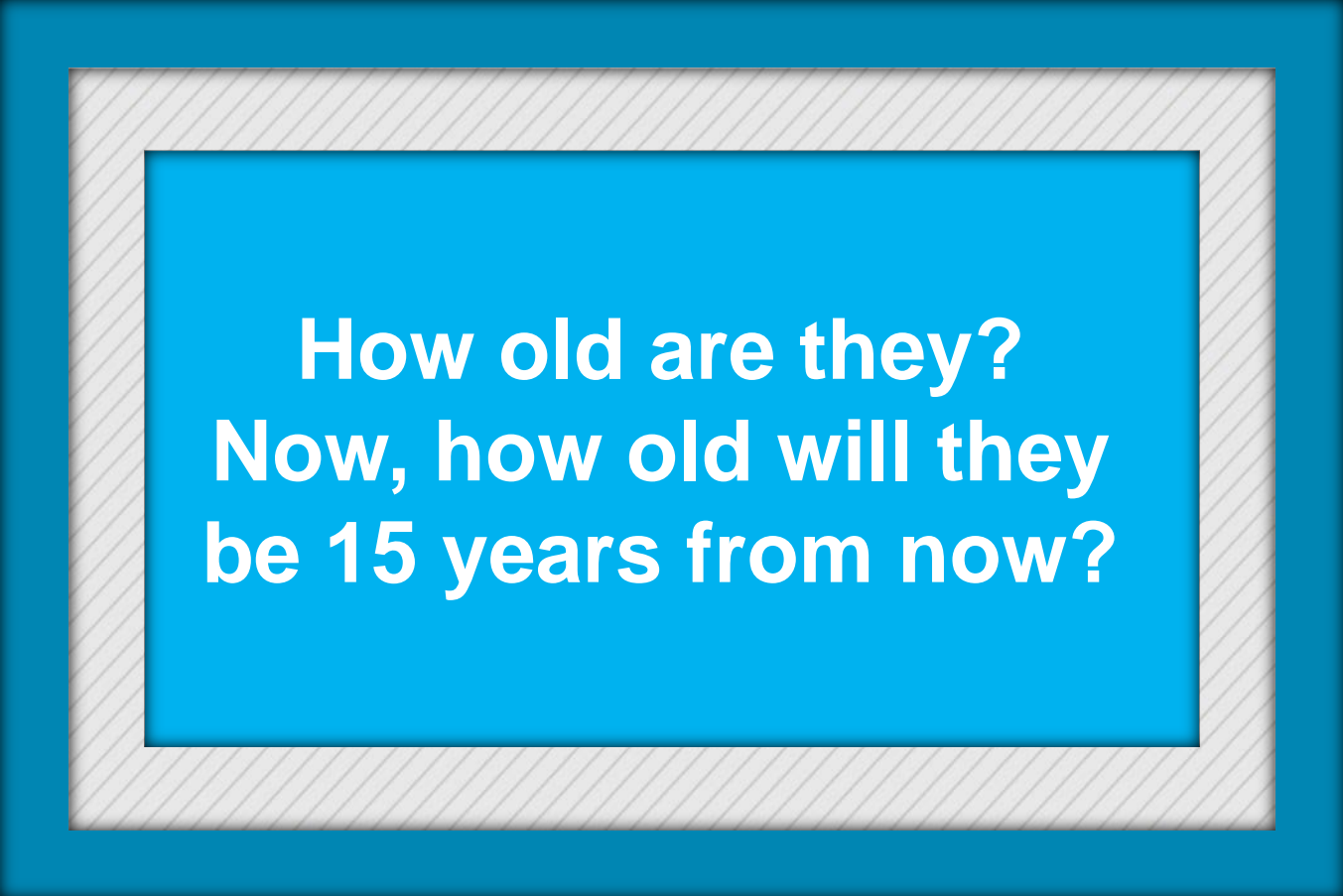
- **51%** of Americans are single<sup>1</sup>
- **25% of all same sex couples** are raising children<sup>2</sup>
- **25 million PANKS** (professional aunts no kids)<sup>3</sup>
- **Racial minorities will be the majority of America in 2046**<sup>1</sup>
- **4% of the U.S. population** is a “traditional” nuclear family<sup>1</sup>

<sup>1</sup> US Census Data, 2012

<sup>2</sup> Williams Institute, UCLA, 2012

<sup>3</sup> Savvy Auntie® and Weber Shandwick Research ‘The Power of the PANK’

Think of Five Clients...



**How old are they?  
Now, how old will they  
be 15 years from now?**

## If You Are Like Most Advisors...

**55**

**Average age of a client for an advisor<sup>1</sup>**

**70**

**Age of average client 15 years from today**

**68%**

**Percentage who believe it will be harder to attract new clients<sup>2</sup>**

**Investors of today will most likely not be your growth engine for tomorrow.  
With added competition, how will you stay ahead of the curve?**

<sup>1</sup>Pershing, *Investor of the Future*, 2013

<sup>2</sup>Pershing, *Study of Advisory Success*, 2013

# Who Is the Investor of the Future?

## Sampling Methodology

Harris Interactive Panel of Financial Advisors  
317 interviews were conducted:

- 101 among RIAs
- 109 among wirehouse advisors
- 107 among other advisors



# Perception vs. Reality

## What Do Today's Affluent Clients Look Like?

- More Caucasian and markedly older
- Marriage is more prevalent among clients in the broader affluent market

Demographic Segment	Advisors Reporting Their Affluent Client Base in These Categories (>\$250K HHI)	Advisors Estimating the Affluent Market in the U.S. (>\$250K HHI)	Actual Affluent Market in the U.S.
Married/Partnered	65%	56%	82%
White/Caucasian	84%	63%	82%
Investors Under Age 35	5%	10%	10%
Hispanic/Latino	3%	7%	5%
Asian/Pacific Islander	5%	13%	8%

<sup>1</sup>Pershing, *Investor of the Future*, 2013

# Future Shift: Which Segments Will Emerge as the Next Great Opportunity?

## Segments Already Prominent in Your Business

- Women
- Younger investors: 86% of heirs intend to fire the advisor used by their parents once they inherit their wealth<sup>2</sup>
- Single individuals have outnumbered married couples<sup>3</sup>

## Segments That May Not Be Prominent in Your Business

- Black/African American, Asian, Hispanic/Latino, Native American and
- LGBT – the fastest growing cohort of clients

<sup>1</sup>Pershing, *Investor of the Future*, 2013

<sup>2</sup>Rothstein Kass study. "Changing of the Guard" July 2009

<sup>3</sup>US Census Bureau. Web. 2 May 2013.

<sup>4</sup>Pew Research Center, 2012

# Future Shift: Which Segments Will Emerge as the Next Great Opportunity?

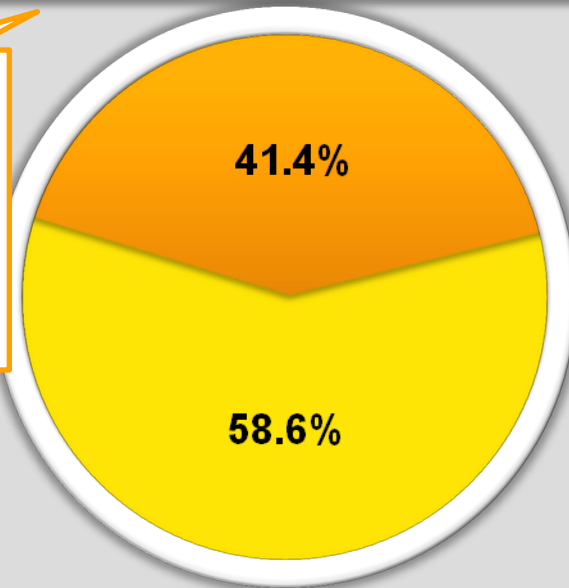
	1990 Buying Power	2014 Buying Power (Projected)	Increase between 1990 and 2014
African American	\$318 billion	\$1.1 trillion	246%
Hispanic	\$212 billion	\$1.3 trillion	513%
Asian American	\$117 billion	\$695.5 billion	495%
Native American	\$19.7 billion	\$82.7 billion	320%

<sup>1</sup> Pew Research Center, 2012

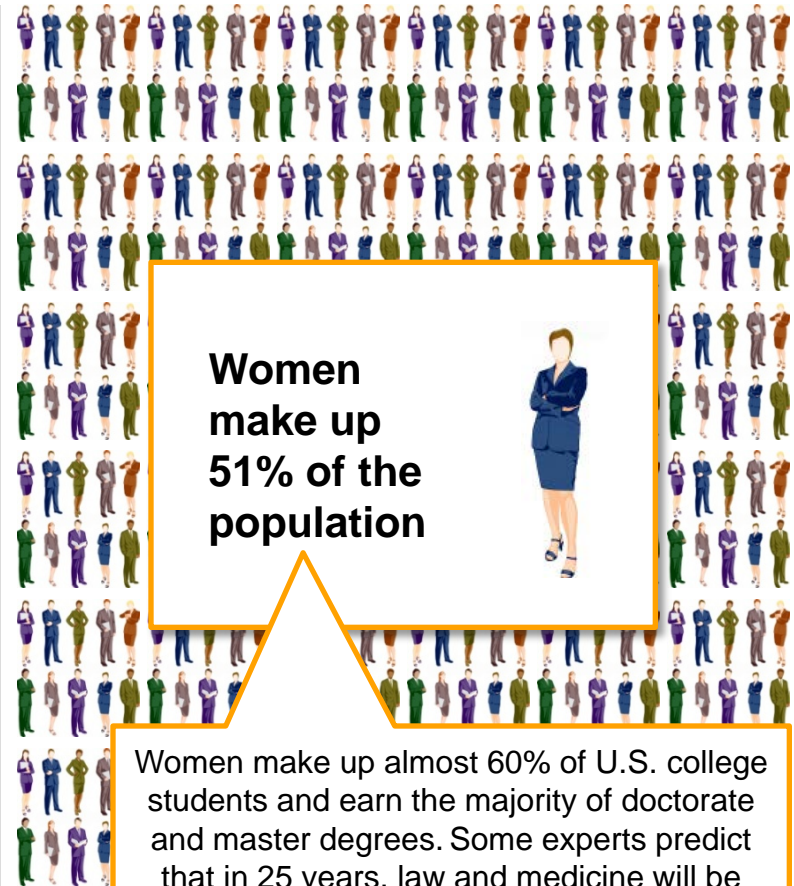
# How Can Women Possibly Be a “Niche” Market When Women Make Up Nearly Two-Thirds of the U.S. Workforce?

## Percentage of Males vs. Females in the U.S. Workforce

Four in 10 working wives outearned their husbands—an increase of more than 50% from 20 years ago<sup>2</sup>



**Women comprise nearly two-thirds of the U.S. workforce**



**Women make up 51% of the population**

Women make up almost 60% of U.S. college students and earn the majority of doctorate and master degrees. Some experts predict that in 25 years, law and medicine will be female-dominated professions<sup>3</sup>

\*Source: U.S. Census Bureau, 2010



# Women Investors: Not Satisfied and Ready to Leave

INVESTOR SATISFACTION SCORES BY GENDER		Total	Men	Women
COMMUNICATION	Clarity of communications	72%	76%	68%
	Communicating in a sincere way	72%	76%	69%
	Providing perspective on the economy and markets	58%	60%	57%
	Acknowledging they know how I feel	60%	62%	58%
	Making me a smarter investor	55%	60%	49%
	Helping me with financial topics beyond investing	52%	56%	48%
	Demonstrating how working with them is better	57%	60%	54%
MANAGEMENT	Leaders of the firm being visible	58%	59%	56%
	Leaders of the firm being open and honest	65%	68%	63%
SERVICE	Proactively reaching out to me	57%	60%	55%
	Addressing concerns promptly	75%	78%	72%
	Taking time to review my portfolio and suggest changes	60%	62%	58%
PRODUCTS	Clearly articulate downside risks of investments	62%	66%	57%
	Alerting me to products that may meet needs	63%	65%	61%
	Educating me on what products I am buying	64%	67%	61%
	Being transparent about all product fees and charges	70%	72%	67%
Mean Satisfaction Score		63%	65%	60%

Significantly Higher

Women rated advisors and their firms lower in every category of performance.

More than 70% of married women fire their advisors within one year of their husbands' death\*

Chart: Sullivan Trust Study. Conducted online from December 2010 to January 2011, with input from 1,290 investors across the U.S. who had minimum total investable assets of \$100,000 (not including workplace retirement plans). Data weighted to reflect the U.S. population of \$100K+ investors, based on the 2007 Survey of Consumer Finance

\*Financial Advisor Magazine. "The Emerging Profile of Women Investors."

# Where Many Advisors Miss Out...

**Advisors commonly make two missteps in their approach to women clients:**

- Failing to acknowledge that women are a distinct, important group that requires specific focus

- Acknowledging the importance of this group, only to then go about pursuing their business in ineffective ways, most commonly “targeting” or “selling” to women—a strategy doomed to fail



**“If Something Were  
to Happen to Him,  
Would She Call Me?”**

# It's Not About the Nail



# Younger Clients: Generation Y Largest and Wealthiest Generation

## \$41 Trillion

will be passed to the next generation before 2052 from Baby Boomers<sup>1</sup>

## However, up to 86%

of those who inherit a client's assets will take the money and leave the current advisor to invest with a new one<sup>2</sup>

## 35%

of advisors have spoken to the clients 18+ children about their finances<sup>3</sup>

<sup>1</sup>Estimates developed and revisited periodically by Paul Schervish and John Havens, of the Center on Wealth and Philanthropy at Boston College.

<sup>2</sup>Rothstein Kass study. "Changing of the Guard" July 2009

<sup>3</sup>Pershing, Investor of the Future, 2013

# Opportunity for Guidance: Generation X and Y Need Advice

70%

of high-net-worth families lose their wealth in the generation that succeeds the family member who created it<sup>1</sup>

90%

of high-net-worth families lose their legacies by the third generation<sup>1</sup>

86%

of heirs in global family offices said they intended to fire the registered investment advisor used by their parents once they inherited their wealth<sup>2</sup>

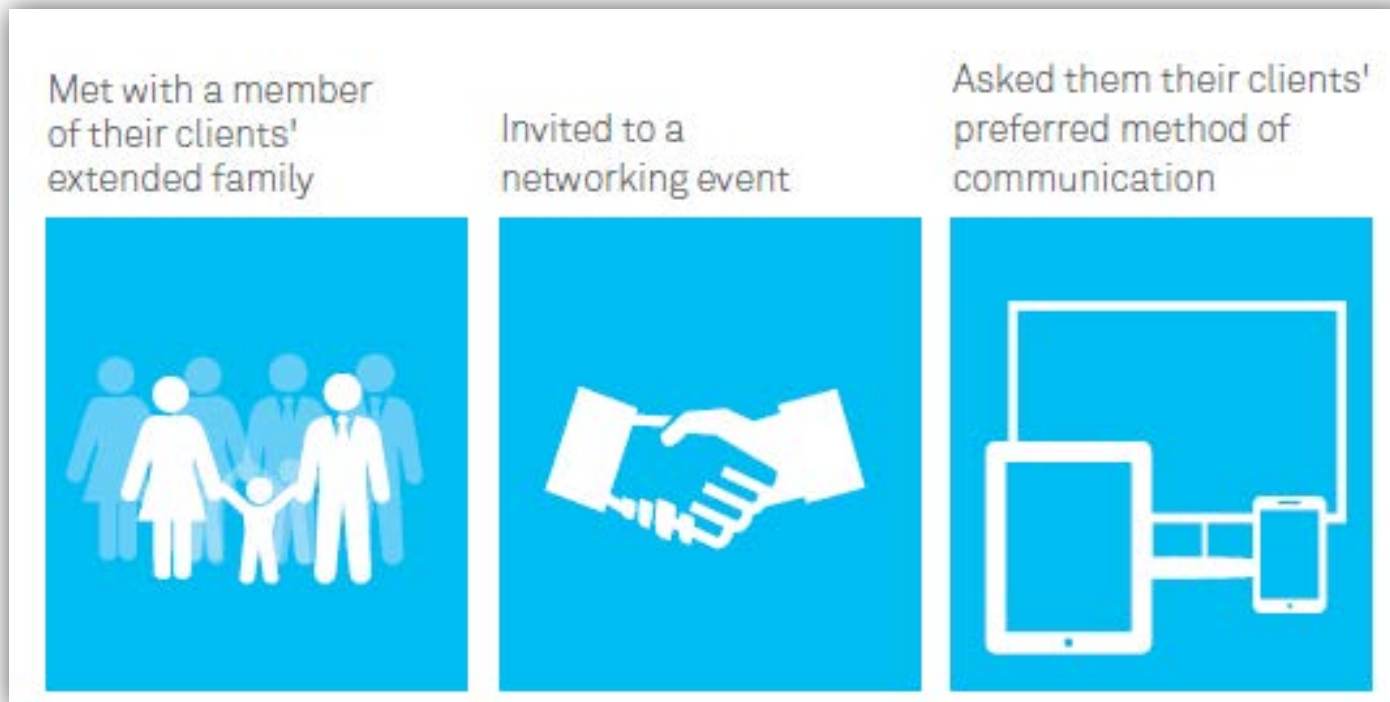
**Advisors may be excluded if they do not proactively connect with heirs when a family business transitions to the next generation**

<sup>1</sup> Investment News. "Protecting families from their wealth." November 13, 2011.

<sup>2</sup> Rothstein Kass study. "Changing of the Guard." July 2009.

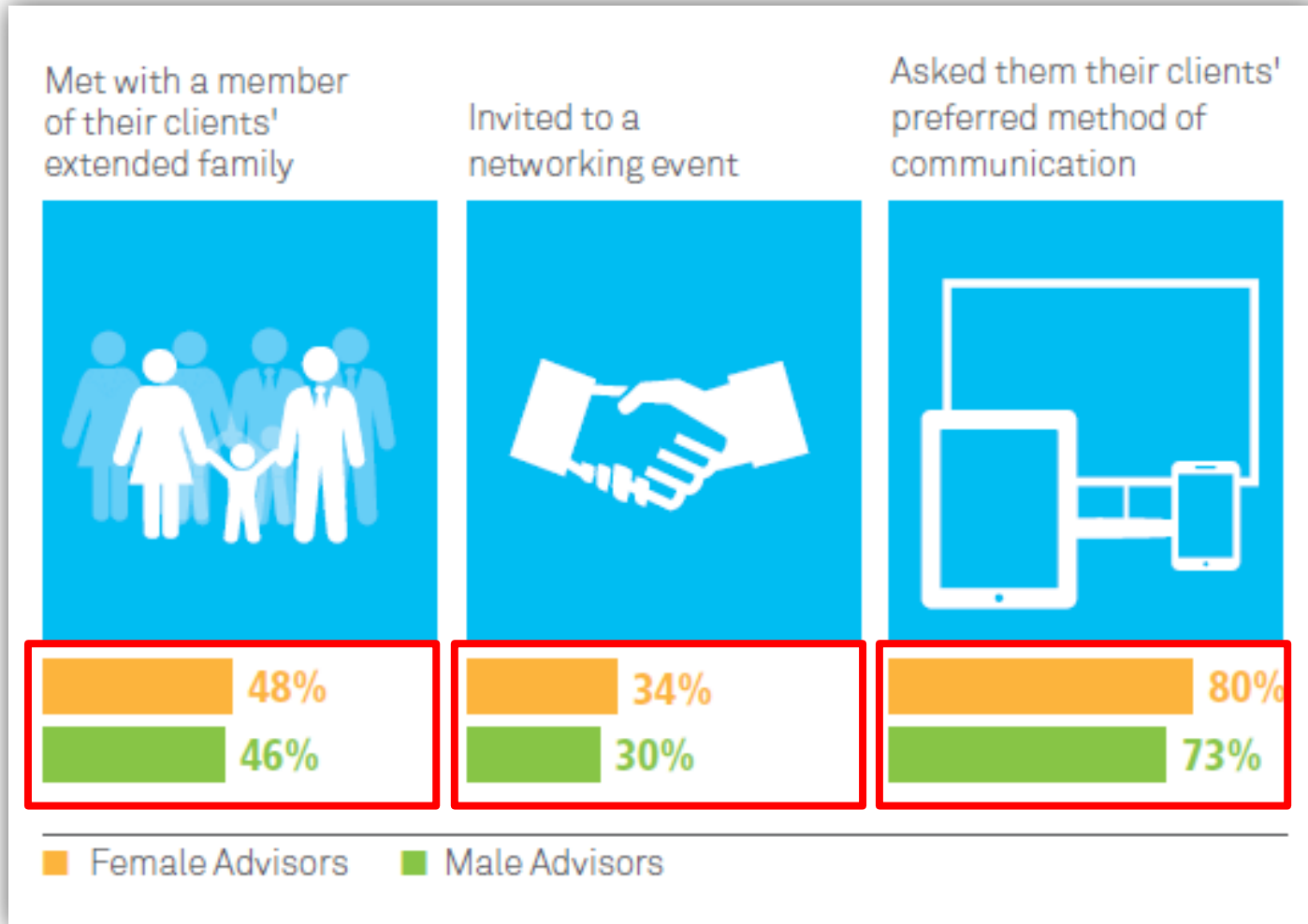
# Benchmark Yourself!

## Ask Yourself These Questions



*\*Investor of the Future, Pershing. Data in the report is based on survey results conducted online from February 14 to March 1, 2013, among U.S. advisors at least 25 years of age, sampled from the Harris Interactive Panel of Financial Advisors.*

# Show of Hands...



*\*Investor of the Future, Pershing. Data in the report is based on survey results conducted online from February 14 to March 1, 2013, among U.S. advisors at least 25 years of age, sampled from the Harris Interactive Panel of Financial Advisors.*



# How to Reach Out to Gen X and Gen Y Investors

## Gain Access Through Trusted Counselors

- Encourage them to bring family members, both spouses and adult children
- Invite a young investor to your office for consultation
- If your client agrees, bring the children into the conversation about family governance as early as possible

## Invest in a More Powerful Web Presence

- Real estate does not impress young investors as much as a dynamic website

## Deliver Information in Customized, Electronic Form

- Off-the-shelf newsletters with commoditized statistics will turn off younger investors who have little patience
- Customized communication works best
- Make contact via mobile devices

## Welcome Younger Advisors onto Your Team

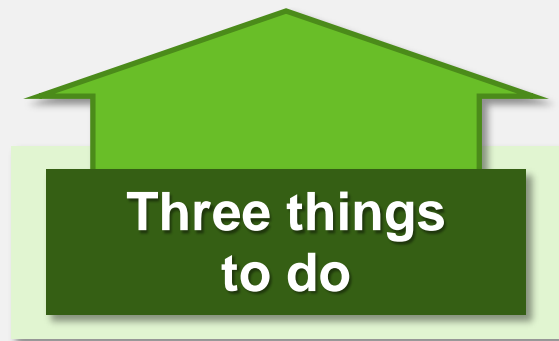
- Age diversity is a challenge in the advisory industry, with Gen X and Y advisors significantly under-represented in the field
- Young investors are looking less for oversight from an older advisor and more for peer validation from someone with whom they can relate

## Build Flexibility in Your Strategies

- Discussing financial matters with Generation Y investors can demonstrate your interest in their complete financial picture, even if it does not relate to their ability to invest
- For Generation X investors, aging parents are often a persistent concern

# Key Takeaways

- Evaluate your business. Do you know your clients' children? Make a plan to be introduced
- Google yourself. Build your web presence. The first thing a young investor will do is look at your credibility online. You do not want to make a bad first impression
- Consider building your team with younger advisors. Investors often seek out advisors that are more like them. Younger advisors will help attract a younger investor base



- Ignore technological advancements. Gen X and particularly Gen Y grew up with the latest and greatest technology and are quick adopters. If you are not communicating electronically, you aren't reaching them
- Ignore multi-generational planning. Up to 86% of those who inherit your clients' assets will move them to another firm, since they have no relationship with you<sup>1</sup>
- Ignore all young investors without significant assets today. They can very quickly turn into the ultra high-net-worth client of tomorrow



<sup>1</sup> Rothstein Kass study. "Changing of the Guard." July 2009.

# Where Are the Mass Affluent?

## Top 10 Markets

San Francisco  
Washington, D.C.  
Hartford and New Haven  
Boston  
New York  
Honolulu  
Baltimore  
Monterey-Salinas, CA  
San Diego  
Santa Barbara

# Diversify Your Relationships

## Top Five Markets With >\$100K in household income

### African Americans

Washington, D.C.  
Baltimore  
Atlanta  
Norfolk, VA  
New York

### Asian Americans

Honolulu  
San Francisco  
Los Angeles  
Washington, D.C.  
San Diego

### Hispanics

Miami/Ft. Lauderdale  
Los Angeles  
San Antonio  
San Francisco  
San Diego

# Never Assume...



# Client Insights

## African Americans

### Priorities

Reducing debt, retirement saving, building an "emergency savings" account

### Service Providers

Banks, insurance firms, brokerage firms

### Insights

- More likely to have some type of debt (94%) than the general population (82%)
- Multi-generational households—with parents, adult children and grandparents—are more common among African Americans
- Emphasis on life insurance protection, debt, expenses and health care, and less emphasis on assets and macroeconomic factors like interest rates and inflation

(Findings from Prudential's 2013-2014 study *The African American Financial Experience Study*)

# Client Insights

## Asian Americans

### Priorities

Healthcare coverage, comfortable retirement, estate planning, college savings

### Service Providers

Banks, insurance firms, brokerage firms

### Insights

- Knowledgeable, sophisticated investors
- Place emphasis on advisor knowledge, experience, expertise
- Trust, respect for privacy, cultural and language sensitivity highly valued
- 80% more likely than the general population to use both college-advantage tax-savings accounts and trust and estate planning services
- Strong family influences. Likely to live in multi-generational households
- Prefer accessing accounts online more than any other group

(Findings from Prudential's 2010 *Asian Americans on the Road to Retirement* and Nielsen's *The Asian American Consumer 2013 Report*)

# Client Insights

## Hispanics and Latinos

### Priorities

Saving for retirement, household expenses, health care costs, savings and debt level

### Service Providers

High preference for advisors who understand their goals and explain financial options clearly. Prefer financial services firms/advisors that demonstrate cultural and language sensitivity, and advisors who are involved in the local community

### Insights

- Family finances are often multigenerational and global, as evidenced by one in six supporting parents and 42% of non-U.S. born sending money to relatives in their home country
- Culturally, there is a strong, negative stigma attached to personal debt, so in general, Hispanics seek to avoid it
- Tend to have higher allocation of cash and real estate

(Findings from Prudential's 2014 study *The Hispanic American Financial Experience*)



# Client Insights

## Lesbian, Gay, Bisexual, Transgender (LGBT)

### Priorities

Financial planning, retirement planning, estate planning, future health care coverage

### Service Providers

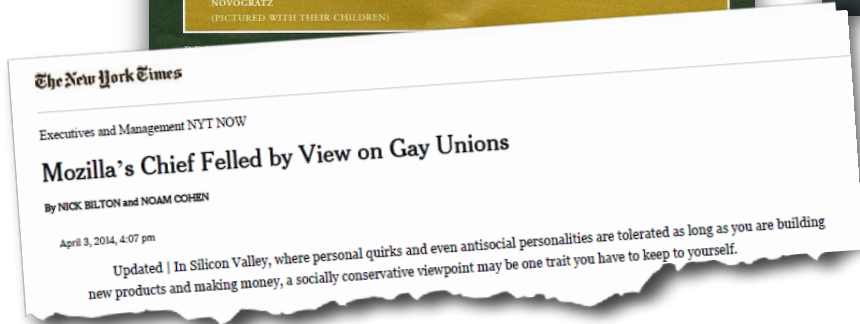
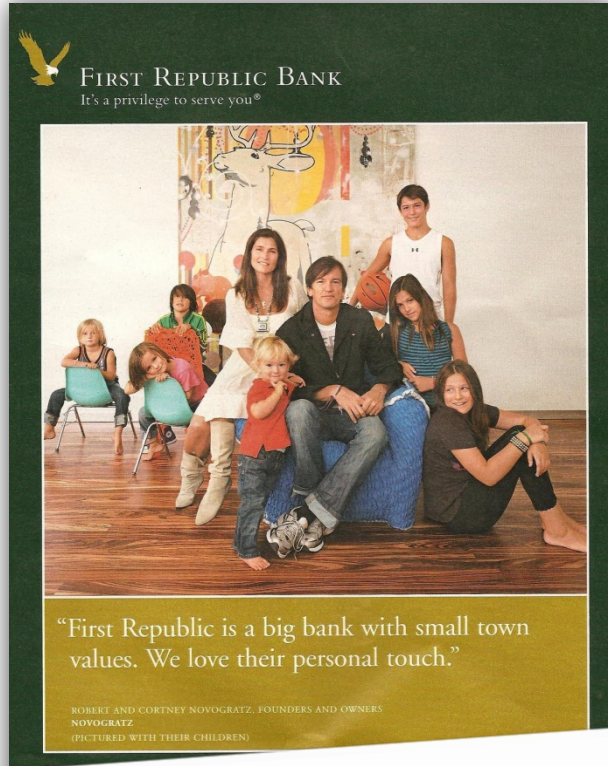
Values open communication. Majority of LGBTs are more likely to choose a firm that supports LGBT causes and equal rights. LGBTs do not require that financial professionals be part of the LGBT community, but that they have an understanding of the unique needs of LGBT individuals

### Insights

- Values financial independence more than the general population
- Majority believe their financial needs are different than the general population
- Tend to have a higher confidence level in maintaining household finances
- Extremely concerned with having equal benefits
- Confidence in the future increasing as strides towards equality are made

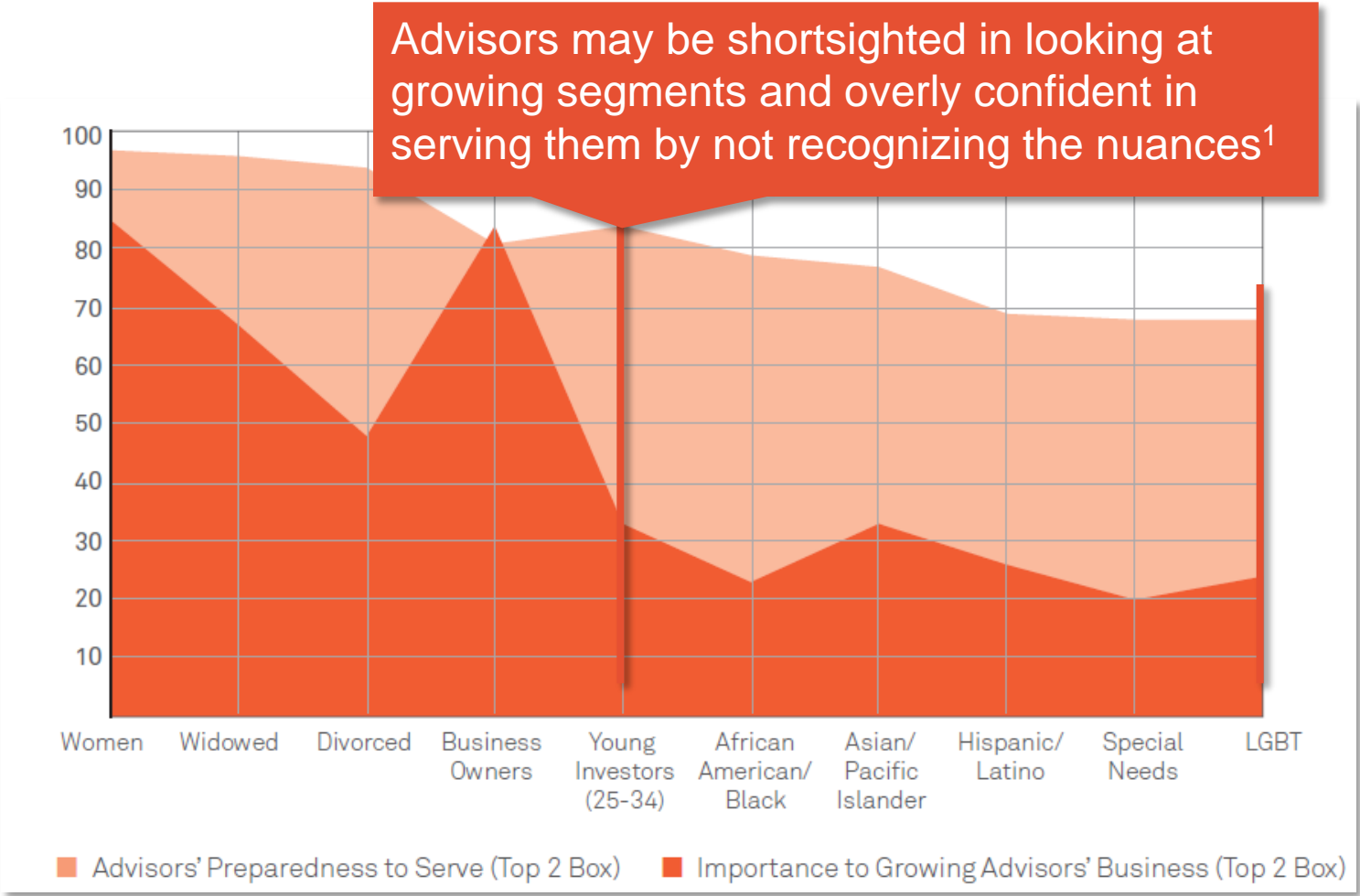
(Findings from Prudential's 2012-2013 study The LGBT Financial Experience)

# Who Gets It?



# Advisors' Preparedness vs. Segments' Importance

## Missing Opportunities? Overly Confident?



<sup>1</sup>Pershing, *Investor of the Future*, 2013

# Examples of Actions Taken



Among married clients, advisors who have the phone number or emails of both members in a relationship

Female: **88%**

Male: **78%**



Among married clients, advisors who often meet with both clients in the relationship

Female: **80%**

Male: **71%**



Among clients in same sex relationship, advisors who communicate equally with both members in the relationship

Female: **73%**

Male: **61%**



Among their clients who are business owners, advisors who are more likely to have visited their client's place of business

Female: **67%**

Male: **56%**

*\*Investor of the Future, Pershing. Data in the report is based on survey results conducted online from February 14 to March 1, 2013, among U.S. advisors at least 25 years of age, sampled from the Harris Interactive Panel of Financial Advisors.*

# Top 10 Takeaways

**Identify your value proposition and ideal client**

**Be your client's partner and advocate**

**Partner closely with lawyers**

**Educate your client**

**Be the super-connector**

**#FindNewOpportunities**

**Build it and they will come**

**Identify untapped potential clients**

**Conduct intergenerational meetings**

**Invest time and resources in community involvement and improvement**



# Disclosures

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