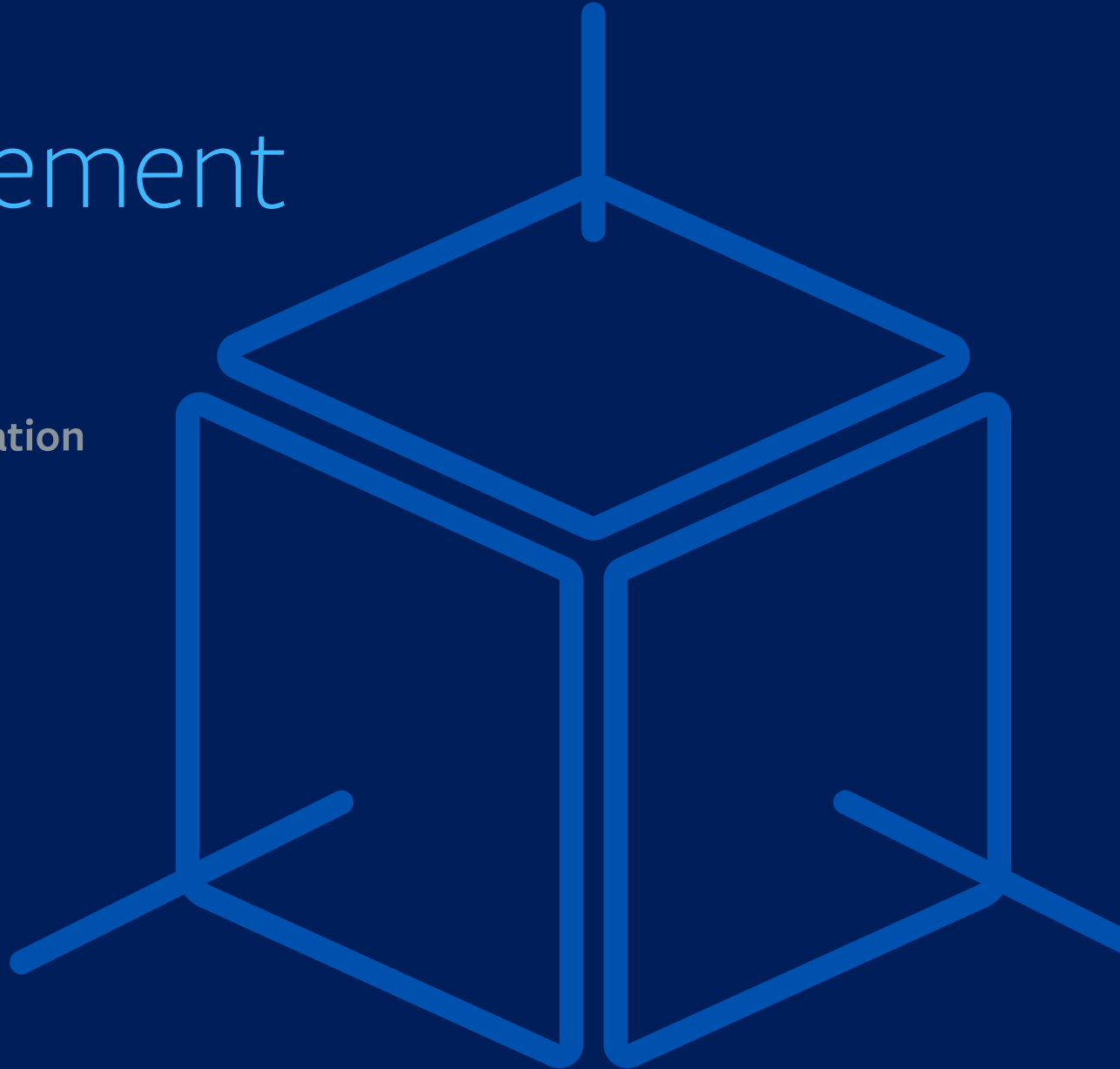


# Asset Management Perspectives

**The evolving role of personalization**





Much has changed since we last surveyed advisors and investors. The toll taken by market and geopolitical uncertainties are reflected in our latest results.

In the face of turbulence many key trends persist. The financial advisors' role is more important than ever. A shift to more holistic advice continues. Amidst all of this, one key trend remains clear: Advisors and investors expect more personalized investment experiences.

This report quantifies the attitudinal impact of rising interest rates and volatile markets. It explores the ongoing evolution of products, insights and data-driven engagement. And it uncovers ways in which asset managers can better support advisors and their clients.

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Engagement	9
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### ABOUT THE STUDIES

This eBook includes findings from three research efforts:

#### The Broadridge Financial Advisor Survey

This survey was conducted in September 2022. Advisors were invited to participate via email and the survey was administered online. 400 financial advisors with \$10M+ AUM and a minimum of 20% of AUM in ETFs and/or mutual funds participated. Conducted by independent marketing research firm 8 Acre Perspective.

#### The Broadridge Investor Survey

Conducted during August 2022. Polled 1,000 U.S. investors through an online quantitative survey. Investors met the following screener criteria: Age 25+, primary or shared decision-maker for household decisions about money, \$25K+ in household income and \$10K+ in investable assets (not including workplace plans), and they invest outside the workplace (annuities, ETFs, individual securities and/or mutual funds). Conducted by independent marketing research firm 8 Acre Perspective.

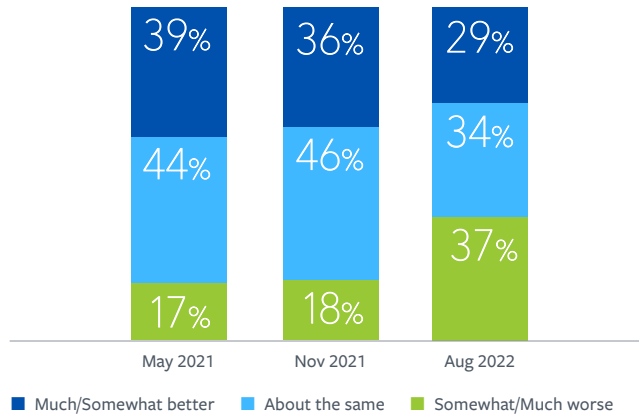
#### The Broadridge + IMEA All-Council Members Survey

Conducted October 2022 among 42 council members of the Investment Management Educational Alliance (IMEA).

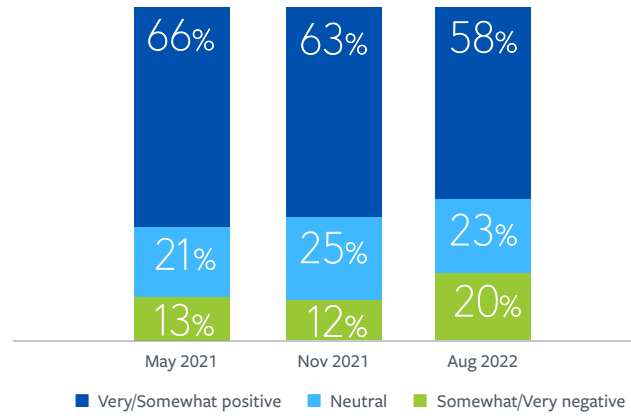
# A CHALLENGING TIME

More than a third of investors report their financial situation is worse than 12 months prior, twice as many as in November and May 2021. Their outlook for the coming 12 months worsened as well.

**INVESTOR FINANCIAL SITUATION VS. 12 MONTHS PRIOR**  
(% of investors)

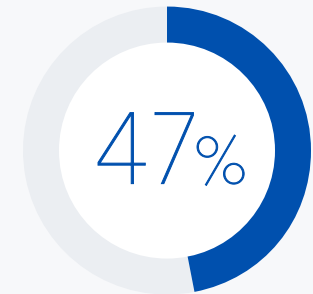


**INVESTOR OUTLOOK FOR 12 MONTHS FROM NOW**  
(% of investors)

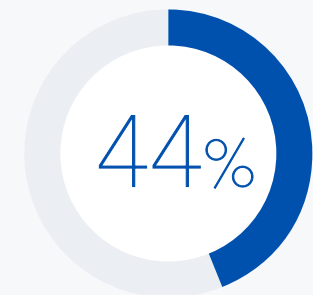


Financial advisors (FAs) are feeling the brunt of the downturn as well, perceiving unrealistic client expectations and fee compression as two of the greatest threats to their businesses.

**KEY THREATS TO ADVISORS' BUSINESSES**  
(% of advisors; multiple responses allowed)



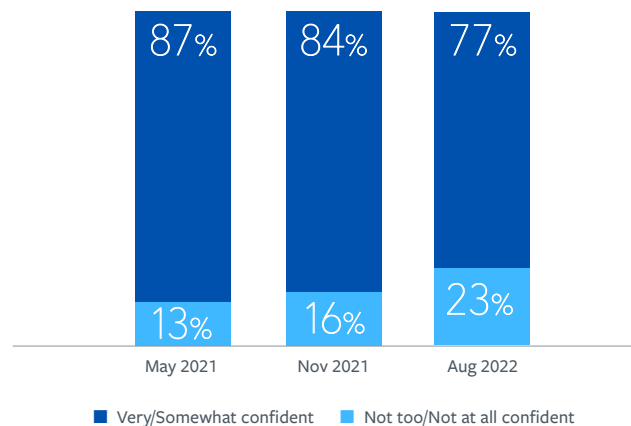
Unrealistic client expectations



Fee compression

Investor confidence continues to decline.

**INVESTOR CONFIDENCE IN ABILITY TO ACHIEVE FINANCIAL GOALS**  
(% of investors)

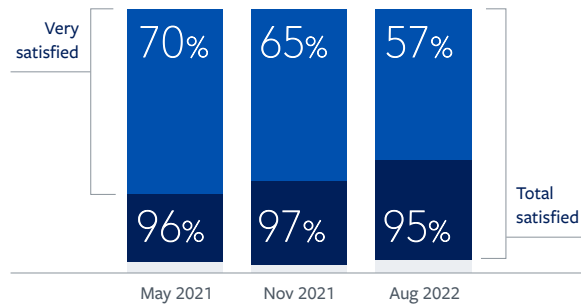


# FINANCIAL ADVISORS REMAIN A CRITICAL RESOURCE

Nearly two-thirds of investors work with a financial advisor. While fewer of these investors report being “very satisfied” with their advisors than in prior surveys (not a surprise in a down market), nearly all of them report some level of satisfaction.

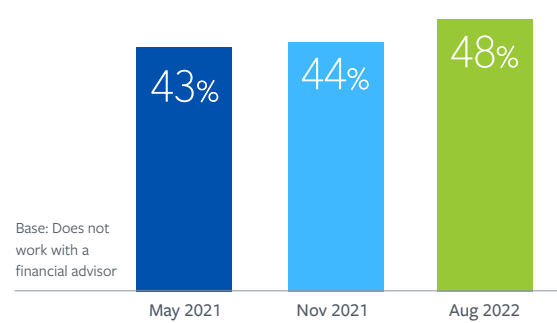
## SATISFACTION WITH FINANCIAL ADVISOR

(% of investors)

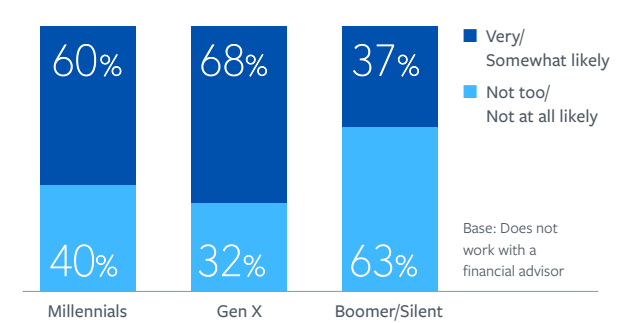


During this challenging period, there has been an increase in the percentage of investors who express a desire to start an advisor relationship. Likelihood is highest among Millennials and Gen X.

## LIKELIHOOD TO USE AN FA IN NEXT TWO YEARS — OVERALL



## LIKELIHOOD TO USE AN FA IN NEXT TWO YEARS — BY GENERATION



## Why turn to an advisor?

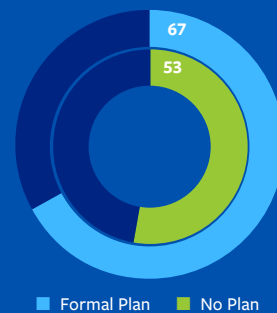
Top reasons advisor-less investors would use an FA in the next two years: a chance for better investment performance (52%) and peace of mind/reducing financial stress (41%).

## HOLISTIC FINANCIAL PLANS MAKE A DIFFERENCE

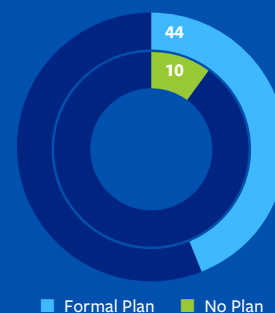
Investors who have a formal, written financial plan are significantly more likely to be “very satisfied” with their advisors. They also have a higher degree of confidence in their ability to achieve their financial goals.

Asset managers who provide products, insights and materials to support robust, personalized planning can help advisors boost investor retention and practice growth.

## PERCENT OF INVESTORS WHO ARE VERY SATISFIED



## PERCENT OF INVESTORS WHO ARE VERY CONFIDENT

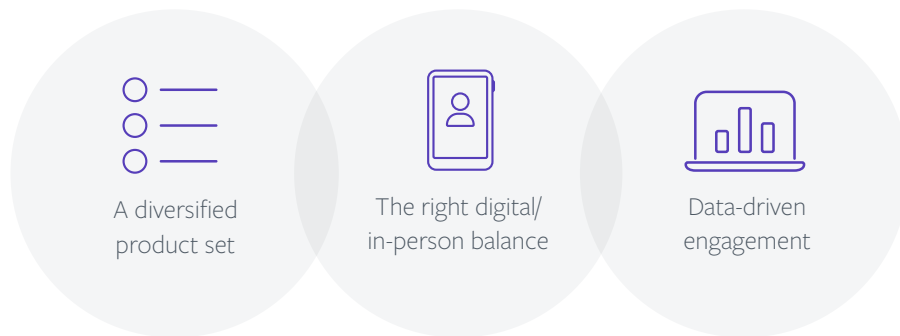


“Advice is still a growth business.”

—Matthew Schiffman  
Principal, Distribution Insight  
Broadridge Financial Solutions

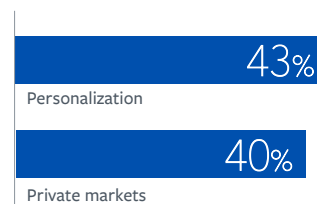
## KEY ACTIONS ASSET MANAGERS MUST TAKE

To effectively support FAs and their clients, personalization is key. Asset managers can strengthen their advisor relationships by addressing individual needs in a variety of ways.

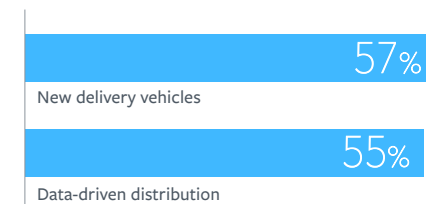


Leaders in the asset manager community see new delivery vehicles and data-driven distribution as the largest opportunities to compete through 2027. They cite greater personalization as the most disruptive trend over the same period.

### MOST DISRUPTIVE TRENDS IN U.S. RETAIL ASSET MANAGEMENT THROUGH 2027 (% of respondents)



### LARGEST OPPORTUNITIES TO COMPETE IN U.S. RETAIL ASSET MANAGEMENT THROUGH 2027 (% of respondents)



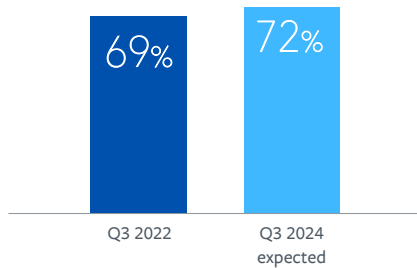
# 1 Expanding product set for a more holistic approach

Faced with fee pressure and investors' desire for more holistic advice, advisors are expanding their solution sets.

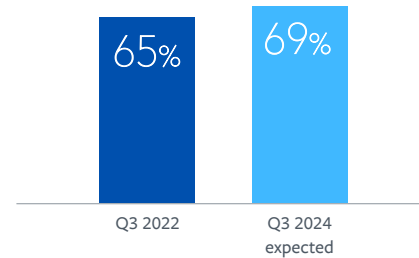
## SMAs and model portfolios continue to gain traction

Usage of SMAs and models is expected to continue to grow as FAs increasingly outsource investment management, shifting their focus to client engagement and acquisition.

SMAs (% of advisors using)

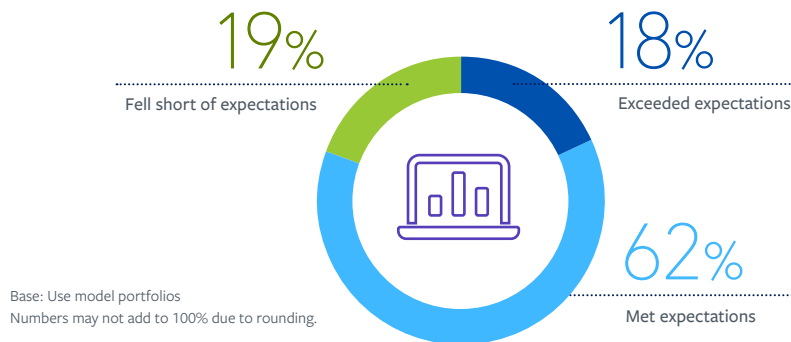


MODELS OUTSOURCED (% of advisors using)



Even faced with the market declines of the last 12 months, advisors report that model portfolios are meeting/exceeding expectations.

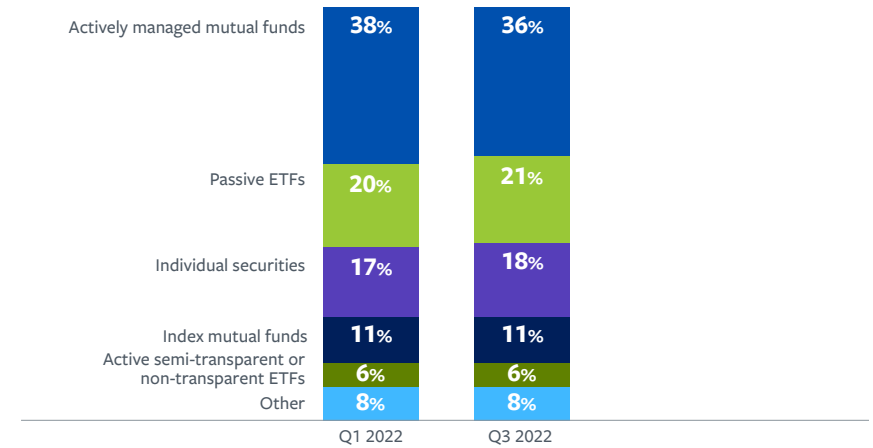
## MODEL PORTFOLIO PERFORMANCE DURING MARKET DECLINES OF THE PAST 12 MONTHS



## ETFs prove their staying power

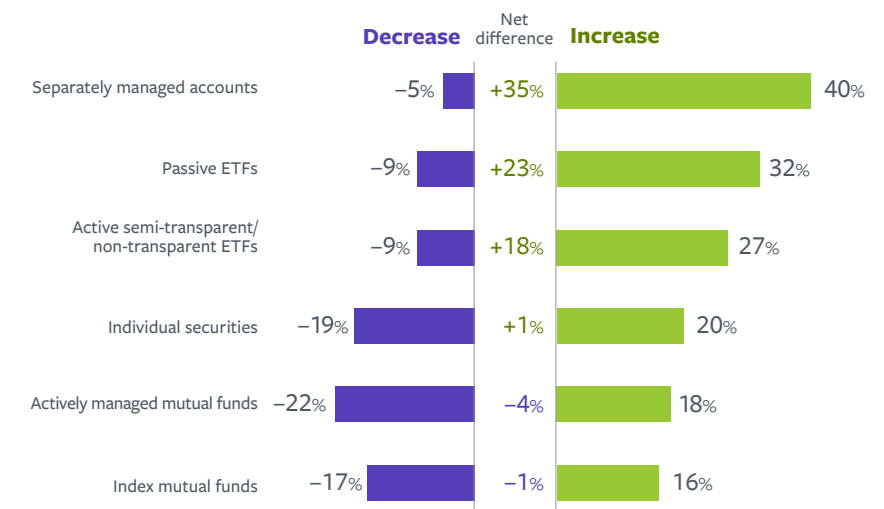
These low-cost, tax-efficient building blocks continue to capture share from mutual funds. Their growth has been propelled largely by their use in model portfolios.

AVERAGE PERCENT OF AUM BY PRODUCT



## ALLOCATION CHANGE EXPECTED OVER THE NEXT TWO YEARS

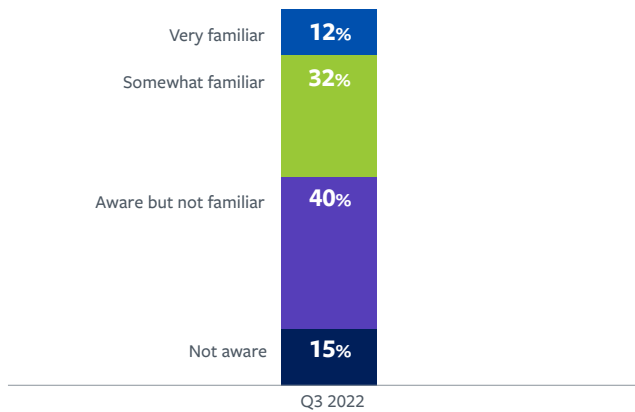
(% of advisors planning to increase or decrease usage as of Q3 2022)



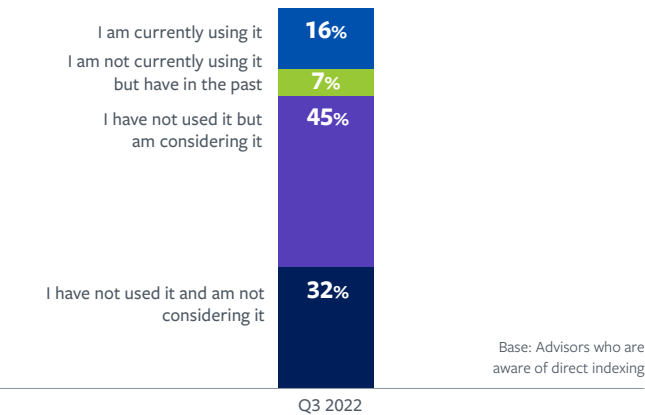
## Direct indexing: An untapped opportunity?

It is still early days for direct indexing: Advisors report a low degree of familiarity and use. However, specialized investor interests and access to fractional shares may make direct indexing increasingly attractive. Whether or not asset managers choose to offer direct indexing, they can add value by providing the insight and education required.

### ADVISOR AWARENESS AND FAMILIARITY WITH DIRECT/CUSTOM INDEXING (% of advisors)



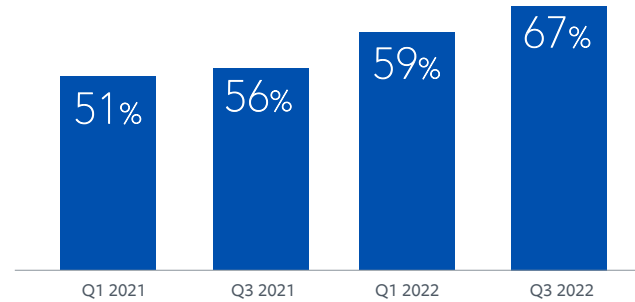
### HAVE USED/CONSIDERED USING DIRECT/CUSTOM INDEXING WITH CLIENTS (% of advisors)



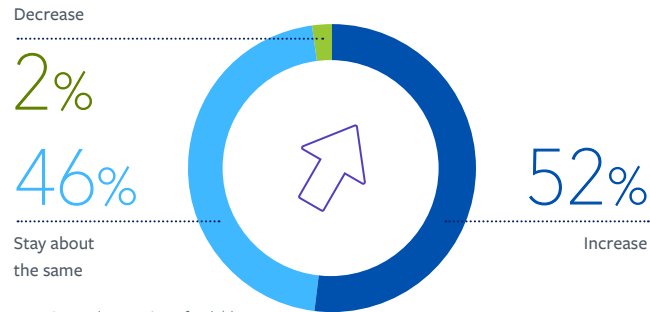
## Alternative investments on the rise

Seeking diversification, more FAs are turning to alternative investments including private funds. Usage is expected to rise further over the next two years.

### USE PRIVATE FUNDS/ALTS (% of advisors)

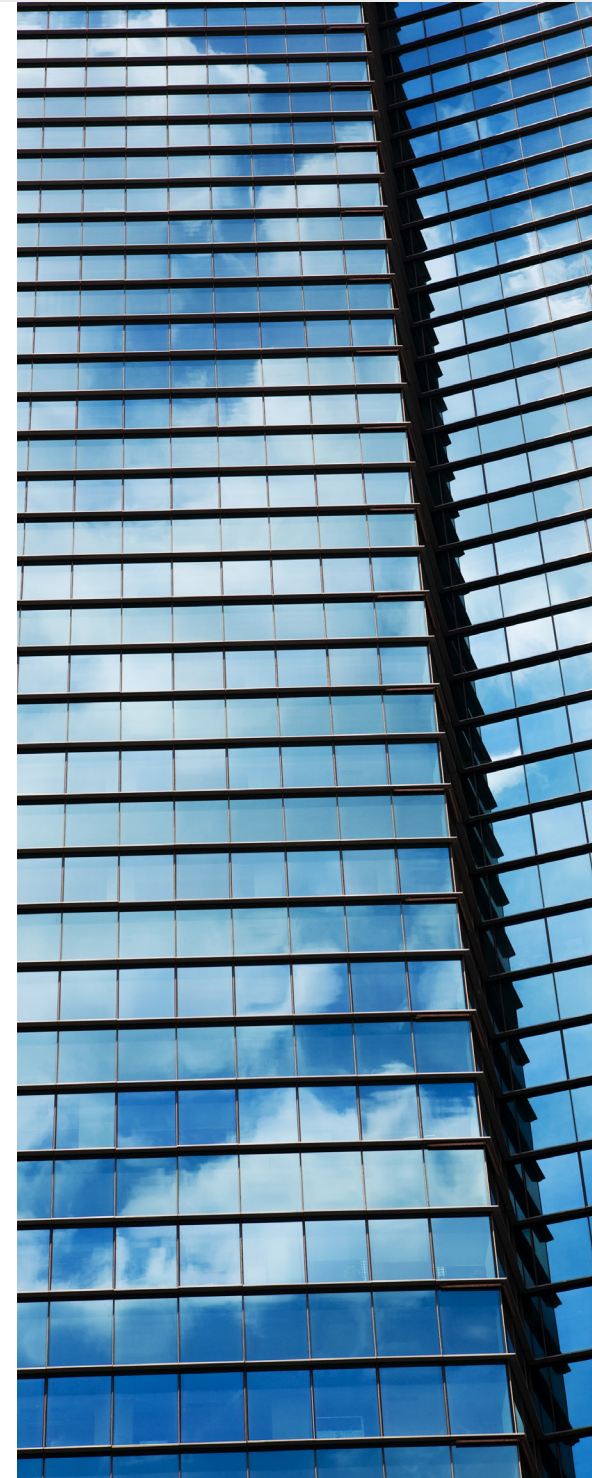


### USE PRIVATE FUNDS/ALTS IN NEXT TWO YEARS (% of advisors)



15% |

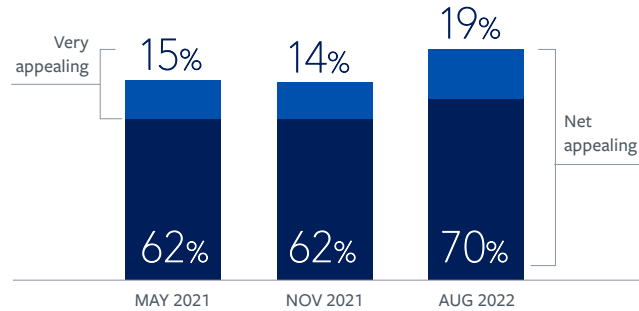
A fraction (15%) of advisors is dissatisfied with private fund/alternative investments products and resources. “Not enough options” is the most cited reason for their dissatisfaction.



## ESG: An important conversation

ESG represents a small share of investments. However, awareness, familiarity and appeal of ESG are up considerably since November 2021. This is another opportunity for personalized discussion and product selection according to investor ESG preferences.

### ESG APPEAL TRENDS (% of investors)

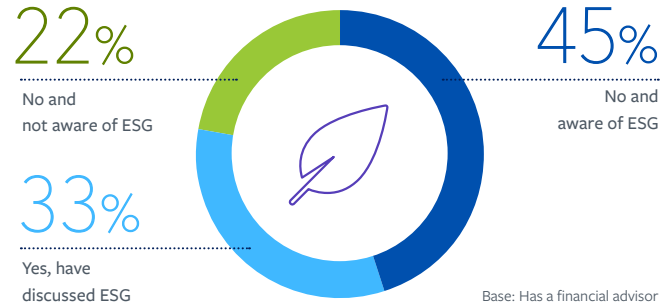


While ESG appeals to a higher percentage of Millennials and Gen X, nearly **two-thirds** of Boomers now also report it to be appealing.

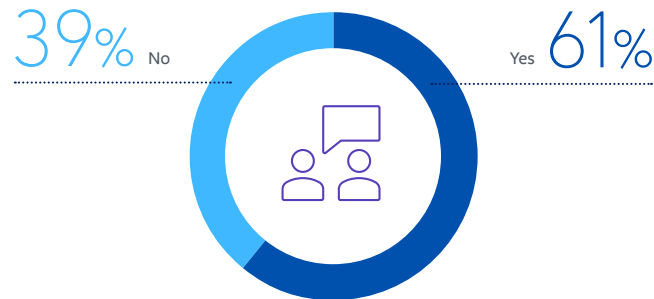


ESG is a topic that matters to financial advisors' clients. One-third of investors report discussing ESG with an FA while an additional 27% would like to do so.

### DISCUSSED RESPONSIBLE/ESG INVESTING WITH FINANCIAL ADVISOR (% of investors)



### INTERESTED IN FINANCIAL ADVISOR DISCUSSING RESPONSIBLE/ESG INVESTING (% of investors)



### “E” MATTERS MOST

Advisors and investors are most focused on the “E” (environmental) aspect of ESG.



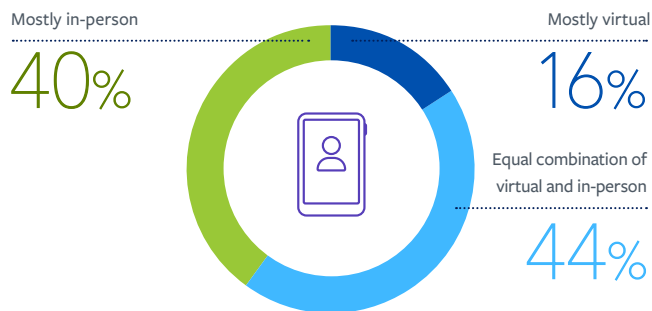




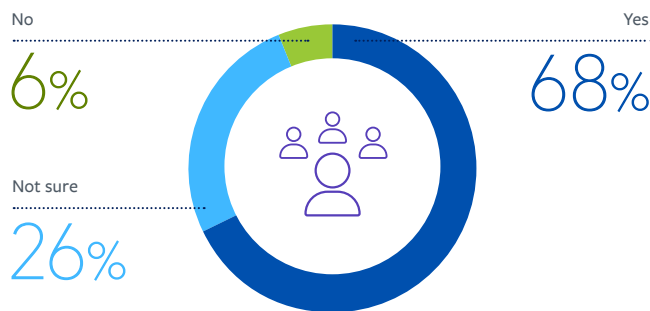
## 2 Engagement: The new hybrid reality

Comfort with digital engagement and technologies accelerated during the pandemic. Many advisors are now optimistic about the return of in-person interactions and industry events, yet envision an enduring place for virtual engagement. Asset managers must incorporate this new hybrid engagement reality into their distribution strategy.

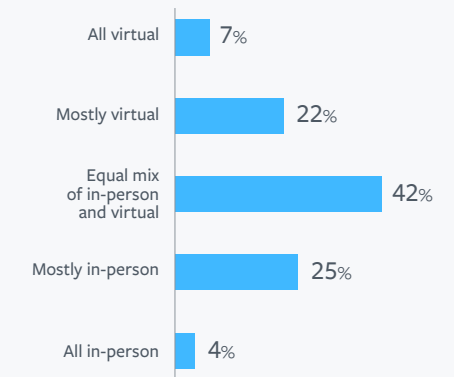
### EXPECTATIONS FOR FORMAL CLIENT MEETINGS A YEAR FROM NOW (% of advisors)



### PERCENT OF ADVISORS GOING BACK TO IN-PERSON INDUSTRY CONFERENCES/EVENTS IN NEXT 12 MONTHS (% Attending industry conferences/events pre-pandemic)



### HOW ADVISORS IDEALLY WANT TO ENGAGE WITH EXTERNAL WHOLESALERS (% of advisors)



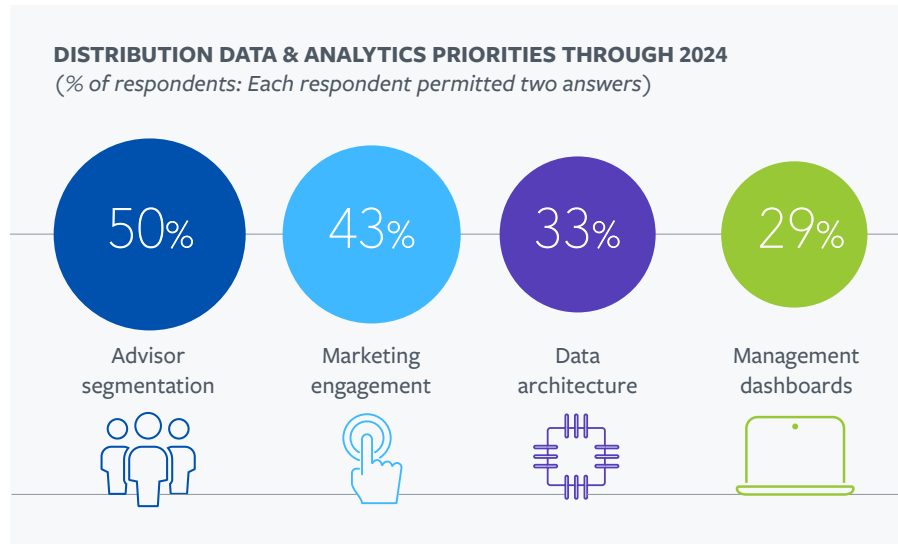
Base: Interact with external wholesalers

More specifically, FAs prefer a mix of in-person and virtual engagement with external wholesalers. Three in 10 want wholesaler engagement to be mostly or completely virtual. Wholesalers will benefit from tailoring their approach to advisor preferences, perfecting the different skillsets required for more effective virtual interaction.

### 3 Data-driven personalization

Asset managers have ample data with which to gain a competitive edge: scoring prospects, suggesting best next actions and optimizing client journeys. The challenge lies in putting that data to work.

Among asset managers, advisor segmentation is the most frequently reported data and analytics priority.



With the right data capabilities, asset managers can drive personalized advisor experiences that directly address product usage, channel preferences, demographics and more.



## ASSET MANAGERS: ADDING VALUE

*“It’s no longer a one-size-fits-all world. Asset managers who can ‘flex’ to delivering personalized solutions and interactions stand to gain more ground going forward.”*



—Andrew Guillette, VP, Global Insights, Broadridge



To gain an edge with financial advisors, asset managers must provide tools for effective, personalized interaction.

Use timely, highly accurate data for:

- Developing the right educational content.
- Charting key trends.
- Selecting the right products.
- Developing personalized financial plans.

Leverage technologies and education that:

- Bring accuracy, efficiency and relevance to engagement.
- Attract and retain clients.
- Exceed investor expectations.

The demand for advice is alive and well—and increasingly personal. Asset managers who effectively embrace this trend will forge more powerful relationships with their advisor clients.

**For more insights, contact [Matthew.Schiffman@Broadridge.com](mailto:Matthew.Schiffman@Broadridge.com) or visit us online >>**



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