How Can Advisors Better Communicate with Clients?

Comparing the State of Advisor-Client Relationships Pre and Post-Pandemic

YCHARTS

Executive Summary

The wealth management industry has experienced some monumental changes since 2020.

Already in the midst of transformation thanks to the rise of robo-advisors, investing apps, and zero-commission trading, the global Covid-19 pandemic triggered new challenges for advisors. Not only are significant volatility, bear markets, and inflation weighing on portfolios, but virtual meetings and communication challenges are also further hindering the connection between advisors and their clients.

As advisors search for ways to deliver more value—and differentiate themselves in the process—their clients' need for meaningful, compelling, and actionable communication has never been greater.

In December of 2019, YCharts surveyed clients of financial advisors about their advisors' communication styles and related preferences. In our latest survey, we polled 671 individuals to learn about what they want from their advisors and what has changed about those relationships since Covid-19.

Our survey results revealed three insights:

1

Clients have switched advisors since 2020 in search for more

- A quarter of surveyed clients considered switching to a new advisor since the onset of COVID-19, with an additional 21.8% actually making the jump—and an even larger percentage of higher net-worth clients made a switch.
- Portfolio performance was the most important factor for a client's satisfaction with their advisor, and even more important than indicated in 2019 survey results.

2

Advisors' success can be directly impacted by their communications strategy

- More than a third of advisors' clients say they are contacted infrequently, rarely, or never, while 1 in 5 clients feel their advisor contacts them very frequently—these levels have remained largely unchanged through the Covid-19 pandemic.
- 88.2% of advisors' clients would consider their advisors' frequency and style of communication when deciding to retain their services, and 89.7% do so when making a referral.

3

Less frequent contact can negatively impact clients' confidence and comprehension

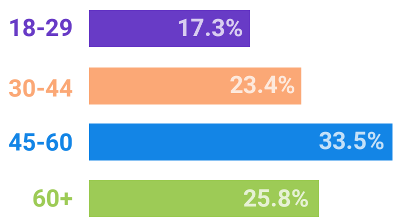
- Frequent communication reinforces concepts from regular meetings—clients who said they're contacted frequently or very frequently understood 73.3% of meeting material, on average, compared to just 63.9% for clients who are infrequently contacted.
- Infrequently contacted clients are more than twice as likely to use social media or other news sources to answer their questions, rather than go to their advisor.

Background, Information and Demographics

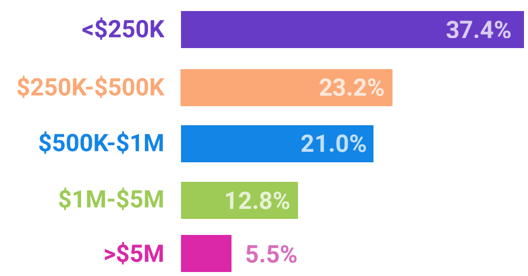
671 Respondents

who work with a professional financial advisor. Responses were sourced via Survey Monkey and screened to ensure their validity.

Age

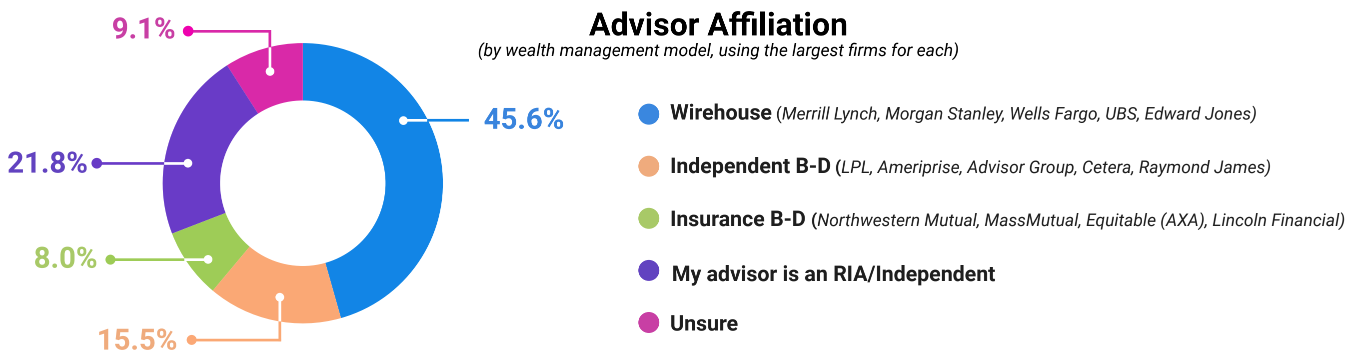


Assets under Advisor's Management

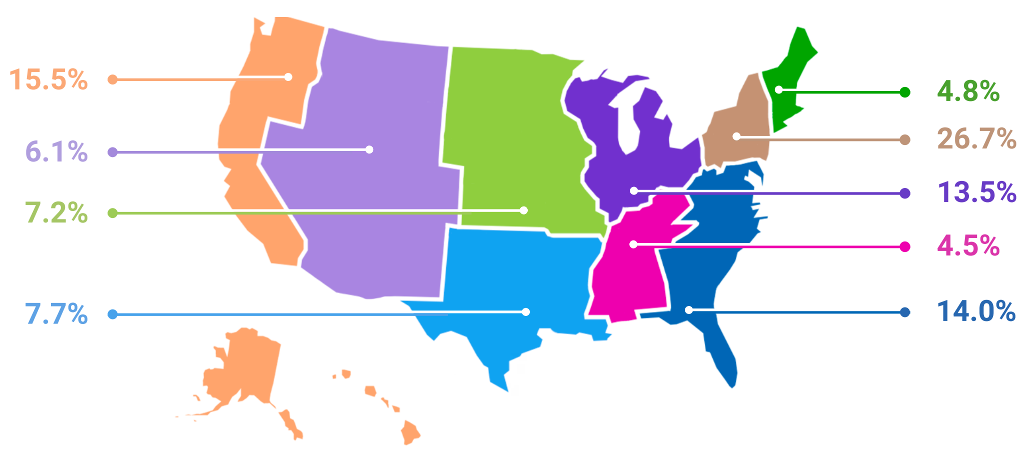


Advisor Affiliation

(by wealth management model, using the largest firms for each)



Geographical Region



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The Covid-19 Pandemic Led Many Clients to Seek a New Advisor & Accelerated Other Changes

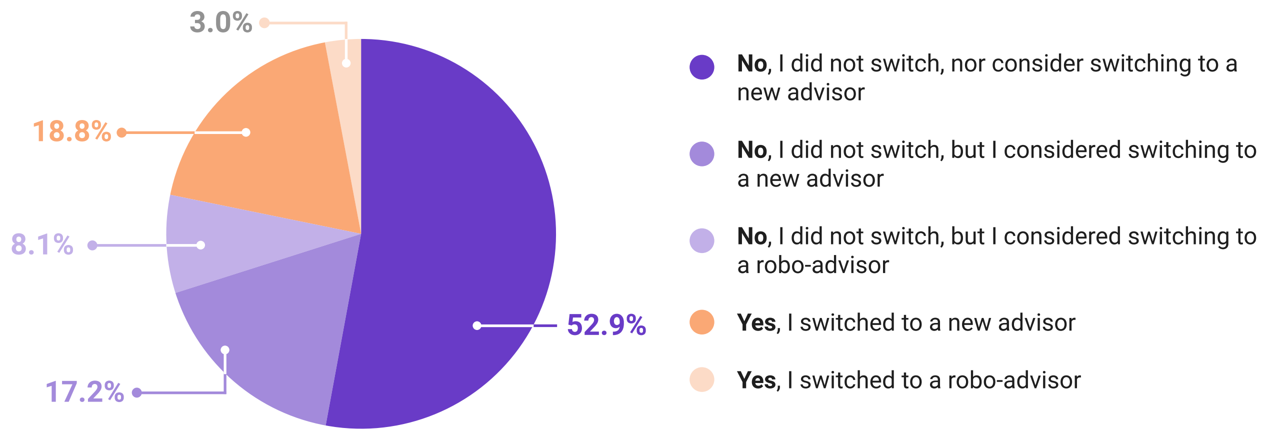
Since the onset of the Covid-19 pandemic, many individuals working with financial advisors have been reconsidering where their money is managed. A quarter of surveyed clients considered switching to a new advisor, with an additional 21.8% actually making the jump to a new human advisor or a robo-advisor. A little over half of surveyed clients (52.9%) did not switch, nor considered switching.

Clients under the age of 60 were even more likely to make a change, with 27.3% switching advisors and 29.8% considering it.

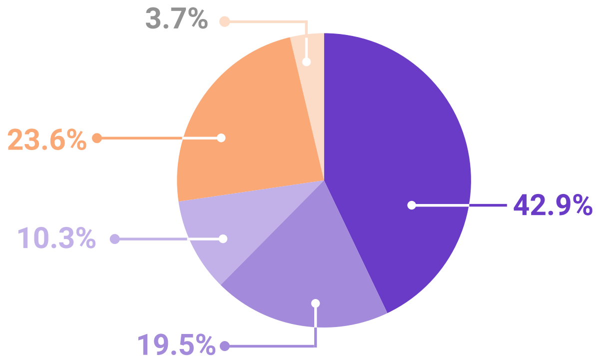
Also of note, 28.7% of respondents reporting greater than $500,000 under an advisor's management switched advisors since the onset of COVID-19, compared to just 14% for clients with less than $500,000 invested.

Given the market's volatility and drawdowns since late 2021, plus ongoing communication challenges throughout the pandemic, it's not difficult to approximate why clients have turned over in such large numbers.

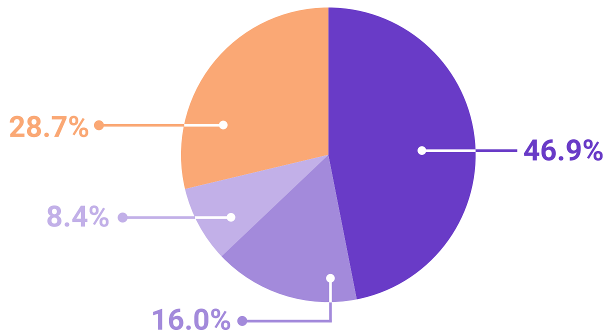
Do you work with a financial advisor, wealth manager or similar? Since the COVID-19 pandemic, did you switch to a new advisor, or a robo-advisor?



Respondents Under 60 Years Old



Respondents with >$500K Being Managed



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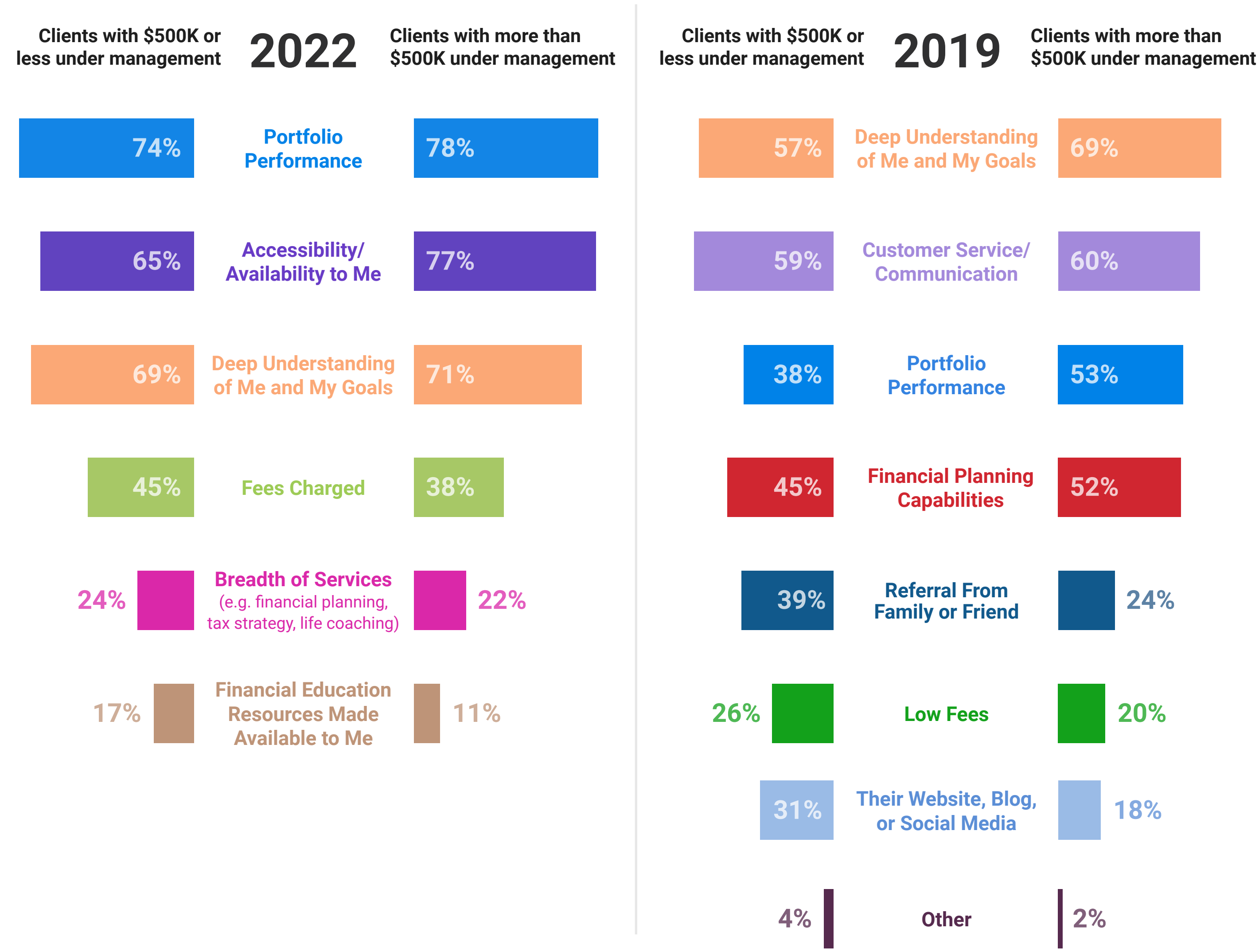
The Covid-19 Pandemic Led Many Clients to Seek a New Advisor & Accelerated Other Changes (continued)

When asked to rank the factors most important to them when selecting a financial advisor, surveyed clients of advisors said the three most important factors are:

1. **Portfolio performance**
2. **Accessibility or availability to me**
3. **Deep understanding of me and my goals**

This marks a change from our 2019 edition of this survey, in which respondents ranked "portfolio performance" as their third most important factor. What's more, clients with over $500,000 under management, as well as those over 60 years old see an even stronger connection between portfolio performance and satisfaction. Given the market conditions witnessed in 2022, these findings are especially understandable for those with more at stake.

Figures shown represent the percentage of all respondents who included a given factor in their top three most important factors.

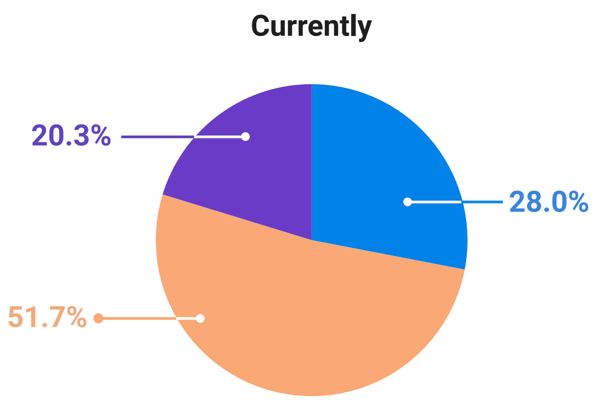


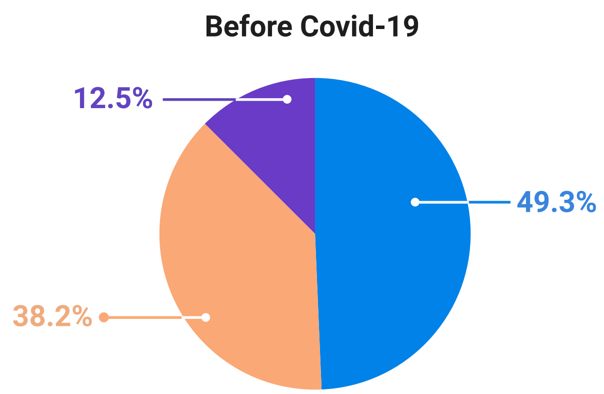
Virtual and Digital Communication Trends Accelerate

Another consequence of the Covid-19 pandemic has been a shift in the way advisors meet and communicate with their clients. As of surveying, 51.7% of clients meet with their advisor both virtually and in person, up considerably from 38.2% pre-Covid. Meanwhile, the number of clients meeting with their advisor exclusively in-person has fallen from 49.3% to 28% in recent years.

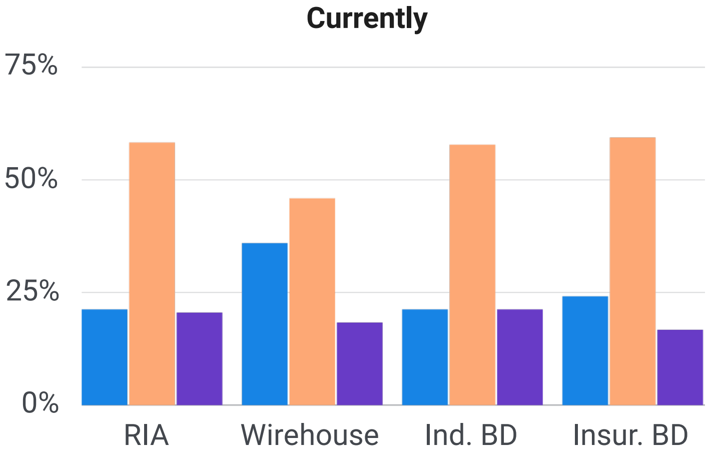
While virtual meetings seem like a viable path to scaling the number of meetings an advisor can handle, perhaps the reduction in face-to-face contact has contributed to client feelings of reduced communication. Additionally, responses indicate that Wirehouse advisors are prioritizing in-person meetings more so than their Broker-Dealer and independent advisor counterparts, who are more likely to favor a hybrid or virtual-only approach.

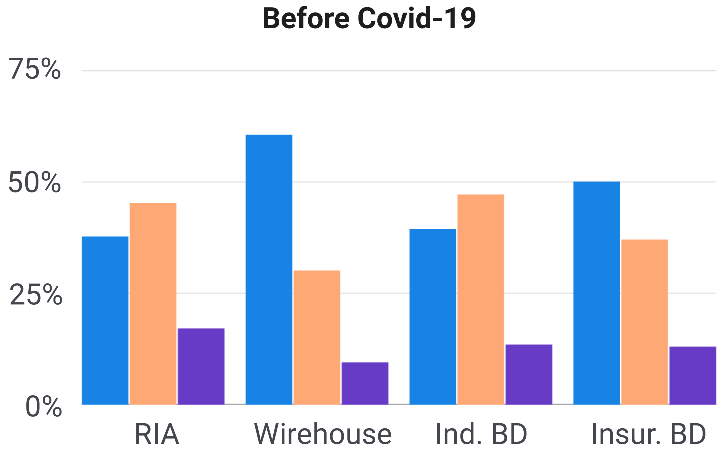
Which best describes the means in which your financial advisor meets with you regarding your financial plan and progress toward your goals?





Only in-person Virtually and in-person Only virtually





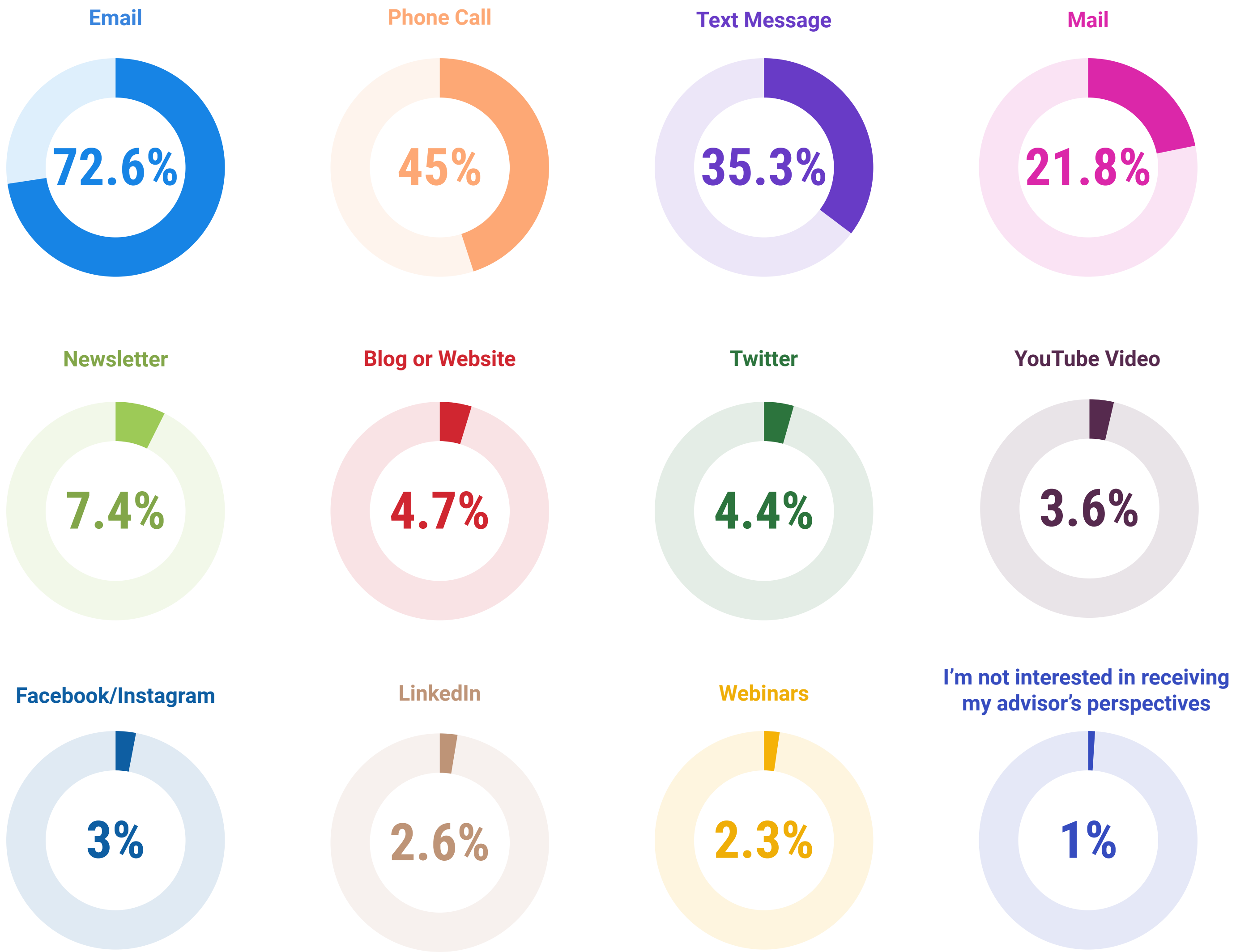
Only in-person Virtually and in-person Only virtually

Virtual and Digital Communication Trends Accelerate (continued)

Outside of scheduled meetings, which channels should advisors prioritize for engaging their clients?

Email is still the most preferred medium—73% like to receive updates from their advisor via email, up from 66% according to the 2019 survey. Seeing a similar boost post-pandemic, 35% of surveyed clients prefer text message communications with their advisor, compared to 31% a few years ago.

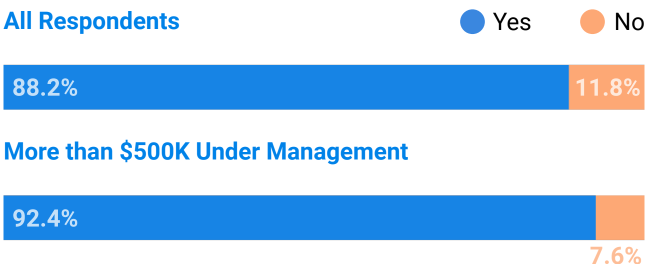
How would you prefer your advisor to send to you his/her perspectives on the market and economy, saving and planning tips, or other financial recommendations?



Your Success Can Be Directly Impacted by Your Communications Strategy

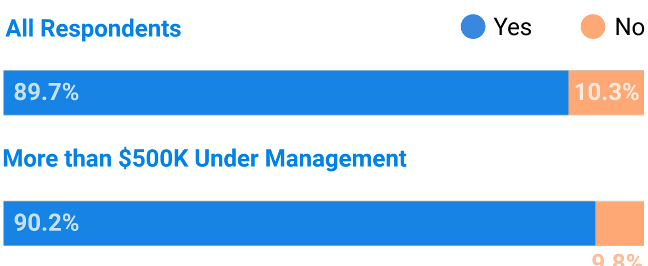
Aligning with the trend of client attrition since 2020, 88.2% of surveyed clients would consider their advisors' frequency and style of communication when deciding to retain his/her services. For clients with more than $500,000 under management, the figure rises to 92.4%, and both of these percentages have increased since the 2019 survey.

Would you consider your advisors' frequency and style of communication when deciding to retain his/her services?



Advisors know that referrals are a key driver of growth, and our findings suggest the vast majority of their clients keep communication top-of-mind when making such referrals. **Nearly 9 out of 10 respondents (89.7%) considered communication style and frequency** when recommending an advisor to family or friends. Especially when looking to add higher-AUM clients, the connection between quality communication and word-of-mouth marketing is clearly very strong.

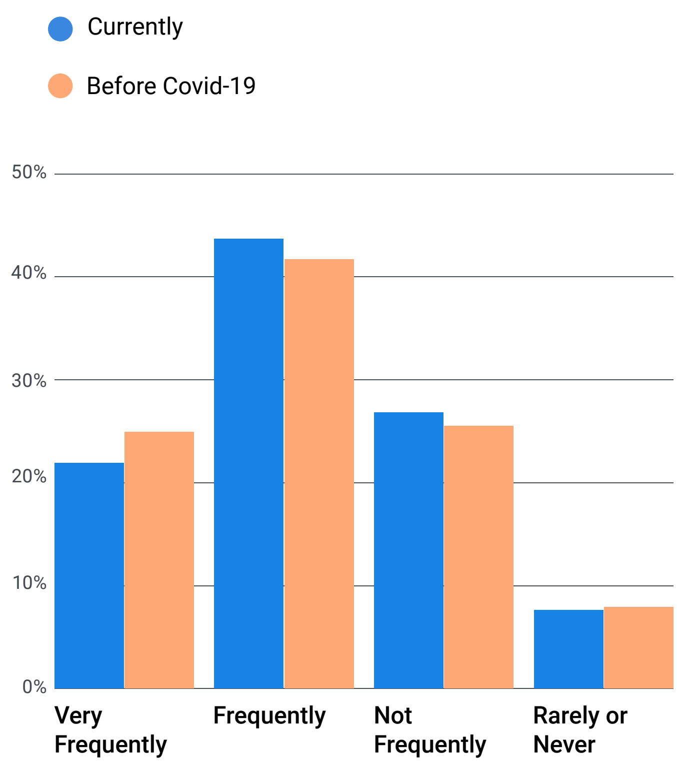
Would you consider your financial advisors' frequency and style of communication if you recommend his/her services to a family member or friend?



So how have advisors adjusted their communication strategies in light of 2022's market upheaval? While it shouldn't be overlooked that advisors have at least maintained pre-Covid communication levels, these updated responses post-Covid highlight that little to no improvements have been made during a critical time frame.

21.9% of surveyed clients said they are currently contacted *very frequently* by their advisor, three percentage points lower compared to pre-Covid levels. On the flipside, **just over a third of clients say they are contacted infrequently, rarely, or never.** The pandemic's impact on the market, and clients' portfolios, triggered some to search for a new advisor. Now, what might be looming if advisors fail to improve communication with their clients?

Which best describes how frequently your financial advisor contacts you regarding your financial plan and progress toward your goals?

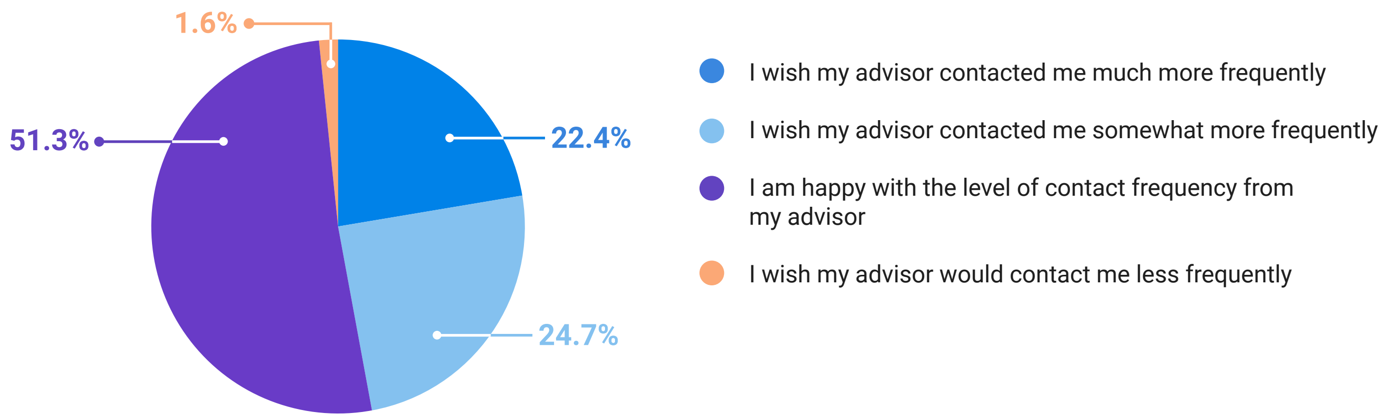


Your Success can Be Directly Impacted by Your Communications Strategy (continued)

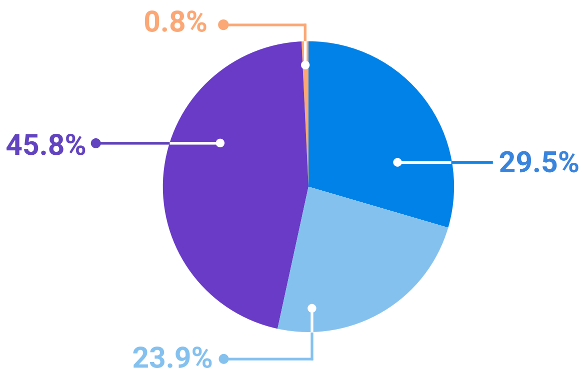
Adding even more weight to the significance of these responses, about half (47.1%) of surveyed clients wish their advisor would contact them more frequently. Drilling a layer deeper, an even greater percentage of both the higher net-worth and under 60 demographics wish their advisors contacted them more frequently. 53.4% of clients with over $500,000 under management expressed a desire for more frequent communication. These numbers align with the rates in the past three years at which the two groups switched or considered switching advisors, further emphasizing the importance of ensuring clients feel supported.

Responses also hinted that firm size and resources are benefits to Wirehouse and Broker-Dealer advisors in this area. 54.8% of RIA clients say they are contacted frequently or very frequently, while no less than 70% of clients with a Wirehouse or Broker-Dealer advisor reported the same.

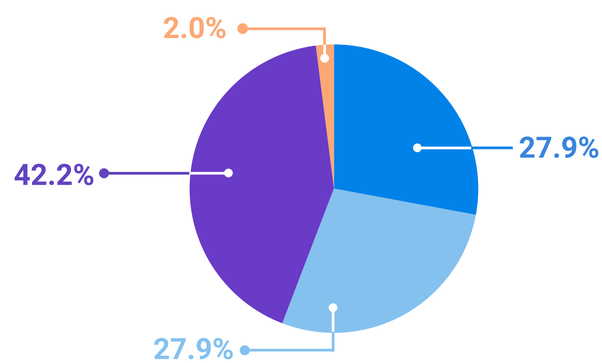
Which best describes how frequently YOU WISH your financial advisor contacted you regarding your financial plan and progress toward your goals?



Respondents with >$500K Being Managed



Respondents Under 60 Years Old



Less Frequent Contact Can Negatively Impact Clients' Confidence and Comprehension

Advisors received decent marks from their clients on how clearly they communicate. The average respondent said ~70% of the content in a typical meeting with their advisor resonates or "clicks" for them. However, those who said previously in the survey that they are contacted infrequently or very infrequently averaged just 63.9% compared to the frequently and very frequently contacted clients for whom 73.3% of the material "clicked".

It goes to show that frequent communication reinforces concepts discussed during client meetings, which can reduce further uncertainty down the line. Based on responses from clients under 60, the earlier innings of each individual's financial journey is especially important for building an understanding of investment concepts.

When talking with your advisor about your investments, how much of a typical conversation "clicks" (resonates with you) versus how much is less clear to you?

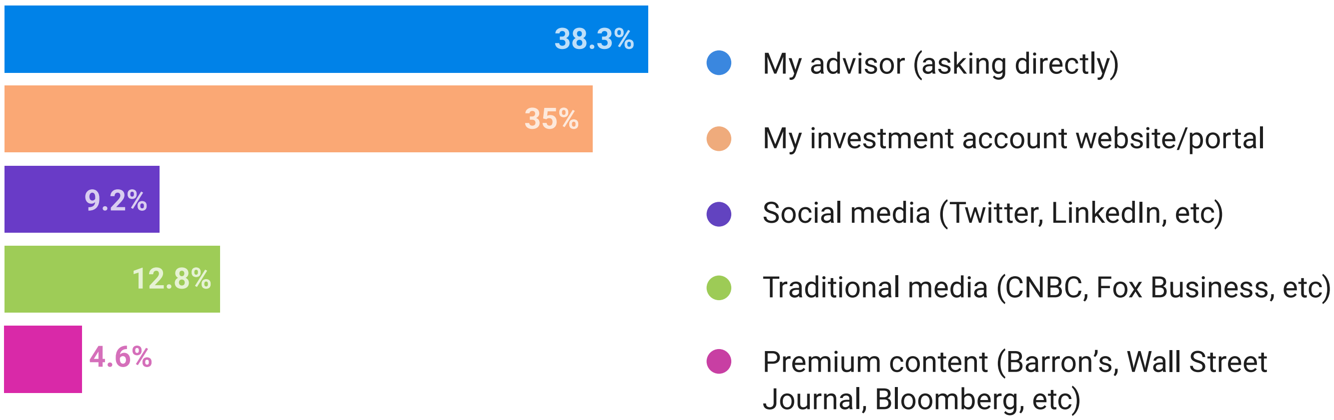
Less Frequent Contact Can Negatively Impact Clients' Confidence and Comprehension (continued)

With Twitter and countless media outlets at one's fingertips, any question can be answered easily in real-time. Nevertheless, the financial advisor is still the go-to for clients seeking information on the markets and the performance of their portfolios. 73.3% of surveyed clients leverage their advisor or an account portal as their primary source of information.

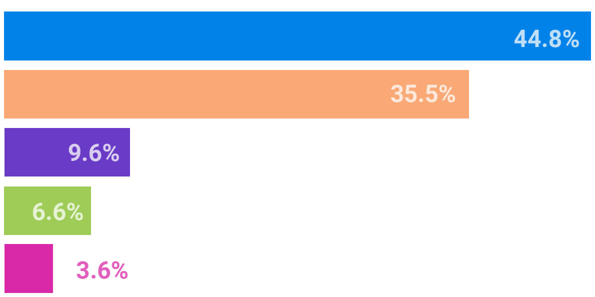
However, when factoring in frequency of contact, clients who say their advisor contacts them infrequently are about four times more likely to consult media sources for answers, rather than going to their advisor. Increased contact might help position an advisor as their client's go-to resource, creating opportunities to add value and reducing the chance that their clients pursue potentially misleading advice from outside sources.

Additionally, about 90% of respondents indicated that they would like to receive more information about the market and economy from their advisor, suggesting that advisors can better position themselves as the primary source of truth and information.

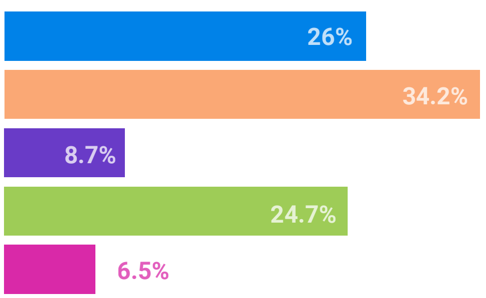
Clients' primary source of information on the markets and performance of their investments



Clients answering that they are contacted frequently or very frequently



Clients answering that they are contacted somewhat or very infrequently



The Bottom Line

Just as it has for their clients, the aftermath of the Covid-19 pandemic is proving critical for financial advisors. The pandemic's impact on the market and portfolios triggered clients of advisors to seek alternatives. If advisors fail to improve their client communication, how will clients respond post-Covid?

Here's what's changed the most post-pandemic:

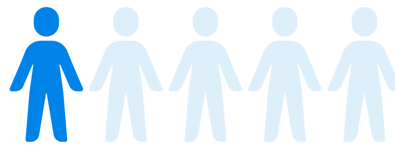
Of surveyed clients, more than 1 in 5 switched advisors since 2020, and more than 1 in 4 considered switching. The potential for client attrition is too big of a threat to ignore, especially as portfolio values and collected fees declined throughout 2022. According to survey results, clients are watching portfolio performance more closely than they have in years prior, when markets were much more forgiving.

Acquiring new clients is the ultimate way to combat the headwinds advisors face post-Covid-19, and an improved communication strategy can help. Nearly 9 of every 10 clients answered that they consider their advisors' communication frequency and style when deciding to retain their services, and when making referrals—the lifeblood of many advisory firms.

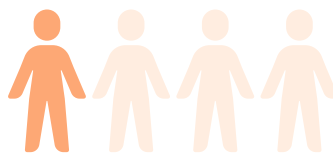
Finally, building wealth for your clients is closely tied with building trust and understanding. With a more thorough and regimented communications plan, confidence in financial plans and understanding of investment concepts can be boosted meaningfully.

Though some things may have changed since the start of the pandemic, it remains true that advisors are consistent with their client communication efforts, but more can be done to ensure that clients are satisfied and advisors retain business.

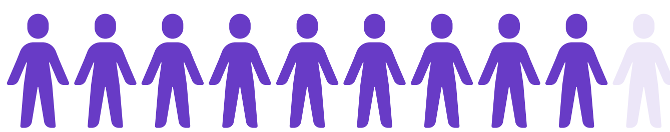
More than 1 in 5
switched advisors since 2020



More than 1 in 4
considered switching



9 of every 10 clients
consider their advisors' communication frequency & style when deciding to retain their services, and when making referrals



Building wealth for your clients is closely tied with building trust and understanding

Improving Your Communication Strategy Doesn't Have to Be a Major Undertaking

Here are four actionable recommendations for advisors seeking better client communication:

1 Commit to a cadence

Nearly half of surveyed clients wish their advisor would contact them more frequently. An advisor's communication style was also a factor for retention and referrals among an overwhelming majority of respondents. A consistent communications strategy requires ongoing effort and continuous improvement; after all, Rome wasn't built in a day.

To create accountability for increasing touch points, define a cadence for client outreach that improves upon current efforts, but is also achievable. Example goals might include: writing a bi-weekly blog post, emailing a monthly newsletter, or calling each of your high net-worth clients once a quarter.

2 Create new touch points and opportunities

You might have a communication strategy in place already, but are you engaging with your clients on their preferred terms? 73% of surveyed clients prefer email communications from their advisor, while 45% indicated a preference for phone calls and 35% like text messages.

If you currently communicate with clients via just one of these channels, consider expanding your strategy to include a variety of contact mediums—every client is different, and this approach offers more options for engagement. Per our survey's findings, ongoing contact outside of scheduled meetings can increase a client's comprehension in those meetings.

3 Serve some clients champagne, others sparkling water

Clients with more money under their advisor's management strongly indicated a desire to hear from their advisor more. Adding urgency, higher-AUM clients also switched advisors at an elevated rate in the past three years. Your most important clients deserve the highest level of service, but that can be challenging to maintain. Enter: the "champagne or sparkling water" analogy.

It would be time-consuming to send a personal note to every client over any period of time. But serving those higher-value clients champagne (a lot of personalized communication) shows how much you value your relationship with them. Other clients might not warrant as much personalized contact, but would still appreciate a sparkling water every now and then. This strategy aligns your communication efforts with the value of each client on your book, while also positioning yourself as a resource to everyone.

4 Prioritize knowing your clients and their goals

Clients ranked "a deep understanding of me and my goals" as the third most important factor when selecting a financial advisor. Though relegated by the most-selected answer, portfolio performance, advisors would be well-served to understand their clients and respective goals. Portfolio performance is important, but what about stability? Income generation? Or values-based investing?

Understanding your clients better means you're better-equipped to help them reach the goals along their plan to financial success and security. If advisors acutely focus on connecting with their clients, they can then explain how they support their clients' goals, and ultimately provide a better client experience.

Connect With YCharts

We are on a mission to enable smarter investment decisions and better communication between financial advisors and their clients. YCharts provides research and presentation tools, actionable resources like this guide, and outstanding support to advisors, asset managers and other investors.

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