How do you build value when clients want more than wealth?

2019 Global Wealth Management Research Report

The better the question. The better the answer. The better the world works.



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Wealth management is in high demand, yet clients are not fully engaged or loyal. Now is the time to redefine the value of wealth management.

Across industries, consumers around the world have changed where they shop, how they discover products and what they ultimately buy, thanks to new technologies, innovative business models and disruptive brands.

The wealth management industry is acutely experiencing these trends, presenting many challenges – and opportunities – to a wide array of service providers: from firms with rich legacies to innovative new entrants who are out to change the very definition of the industry.

An increasing number of clients are willing to pay for financial advice, but what they value is evolving rapidly. To help providers understand how best to deliver value, we surveyed 2,000 wealth management clients across 26 countries to understand what matters most to them. We believe the following are the five most important areas for firms to address:

- Know what clients want and when. Clients are switching providers to capture better value. They see the highest overall value for financial advice during major life events and as their wealth and level of investment knowledge increases.
- The wealthiest and youngest are most apt to switch. Overall, one-third of clients plan to move over the next three years. In their search for value, clients are forming relationships with multiple providers. Independents and FinTechs benefit the most.
- Solutions are more important than products and services. Clients want more advice and planning, but many are holding back. Most clients want simple, personalized and connected solutions over individual products and services.
- The future is voice. Client preferences are rapidly evolving toward digital and voice-enabled assistants for managing wealth and receiving financial advice.
- Pricing models need to change. Many clients do not trust that they are charged fairly by their provider, and a majority want to pay differently.

Wealth management providers must make the necessary changes to retain their current clients and win new ones. A clear opportunity exists to make financial advice more effective and impactful by better aligning to what clients truly value.

We invite you to read our findings and visit **ey.com/wealth2019** to learn more.



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Chapter 1

Turning client switching into an opportunity

One-third of clients plan to switch wealth management providers over the next three years. Firms need to act now to retain and attract clients. Shifting client demographics and preferences, as well as a flood of new digital offerings, are driving clients around the world to reconsider their wealth management relationships.

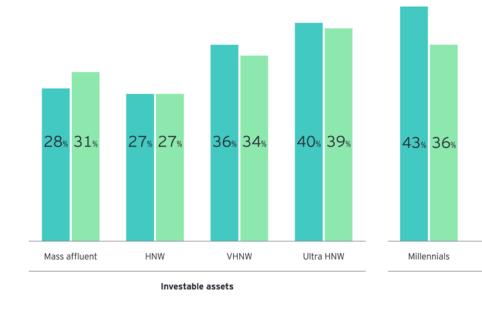
According to our recent global research study of wealth management clients, onethird of clients have switched providers or moved assets in the past three years and another third plan to do so in the next three years. These shifts are happening across client wealth levels and demographic profiles.

Clients are identifying specific providers to fill certain needs, resulting in an increased number of financial provider relationships. On average clients maintain relationships with five different types of providers, leading to a greater number of individual firm relationships and increasing complexity for the client. They are switching for value – most often at critical life moments and as the complexity of their financial lives evolves. Firms who can best create this value will be best positioned to retain their current clients and acquire competitors' clients who are planning to move.

Who is switching?

Our research shows that the wealthier clients are the most likely to change their financial relationships: 39% of ultra-highnet-worth (UHNW) clients say they plan to switch or move money from a wealth management provider in the next three years, compared with just over onequarter of high-net-worth (HNW) and just under a third of mass affluent clients. This is expected, as UHNW clients are most likely to diversify their assets among a greater number of wealth management providers. Firms face increased pressure to demonstrate value to younger generations, who represent the future of their businesses. Though wealth levels generally increase with age, the proportion of clients planning to switch decreases with age: boomers are 29% less likely to switch than millennials.

Wealth management providers have an opportunity to build trust and demonstrate the value of their services by providing education through thought leadership and financial coaching. Our research found that clients who selfidentify as having high investment knowledge are significantly less likely to switch over the next three years compared with those with low investment knowledge (only 19% of clients with high investment knowledge plan to switch, compared with 36% of clients with low investment knowledge).



Switching behavior, past three and next three years

Next three years

Past three years

28% 34%

Gen X

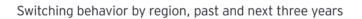
Age

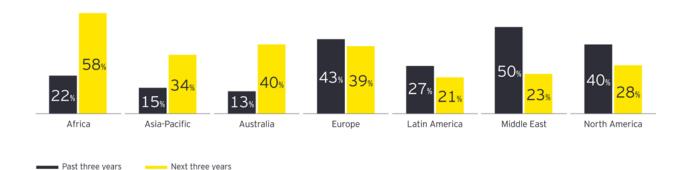
35% 26%

Boomers

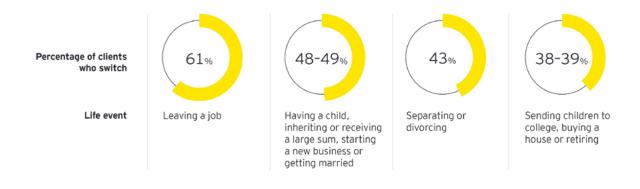
Shifting focus

The desire to move assets is varied across regions. Encouraging results in the Americas and Europe show fewer clients planning to switch providers in the next three years than have done so over the last three. Banking and wealth relationships in Asia-Pacific are in a period of change, particularly in China, where new, emerging digital methods and habits are being driven by fresh digital solutions. The percentage of clients expecting to transfer assets is expected to more than double in this region, from 15% over the last three years to 34% in the next three. The intensified competition among incumbents and new entrants presents clients with a multitude of options for wealth management providers, heightening the pressure on firms to continuously raise the bar for satisfying client demands.





Switching behavior of clients who experienced major life transitions, past three years



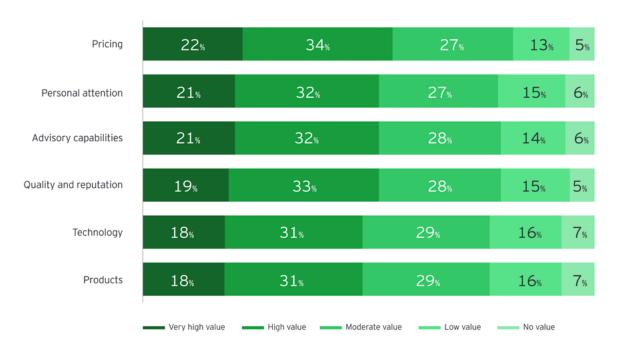
Why clients are switching

Moving money happens most often during major personal transitions, with approximately half of clients changing providers over the past three years during such life events. The increasing digitalization of wealth management activities and the rise of self-service offerings have made clients more empowered and willing to switch providers or shift assets for value.

To better understand what value clients are switching for, we asked them to identify the most valuable components of the wealth management relationship across six key service attributes: quality, pricing, products, technology, personal attention and advice. The client-provider relationship consists of an array of dimensions, ranging from activities with tangible value (measured by quantifiable returns or performance) to the intangible (activities such as planning and coaching, whose effects can be more difficult to measure). We found that clients broadly assign value across these dimensions evenly. Essentially, clients want everything and prefer not to make trade-offs.

However, there are nuances based on different demographic and psychographic factors. Our research indicates that the clients who typically see the highest value are the wealthiest individuals, as well as those with more knowledge and understanding of their finances. Those with more "in-depth knowledge" and awareness are more than twice as likely to realize the high value wealth managers provide than those with low knowledge, with three out of five clients self-identifying as having high investment knowledge seeing such value. There is much incentive to educating clients on the value of financial advice to achieve greater retention – just 20% of clients with "in-depth knowledge" would consider moving their assets elsewhere in the next three years, compared with 40% of clients with low levels of investment knowledge.



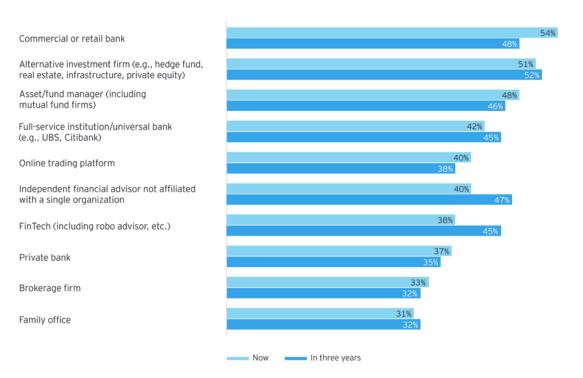




Where clients are going

Often client needs are not met by a single provider: our research indicates that clients currently use on average five different types of wealth management providers (not including multiple relationships with the same provider), which was largely consistent across regions. In looking out over the next three years, clients indicate maintaining this same number of relationships, suggesting that wealth managers are not yet providing the breadth of solutions needed to drive asset consolidation. While traditional wealth institutions – including commercial banks, asset management firms, online trading platforms and private banks – will remain a prevailing market force, our findings show their use by clients may start to peak.

Clients using each type of firm now and in three years



Accelerating growth of independents

The use of independent financial advisors is expected to rise rapidly, with an 18% increase in clients globally who expect to use independent advisors in the next three years, and a 14% increase for independent advisory firms – fueled by above average growth in Asia-Pacific. Historically, the wealthiest clients have made greater use of the independent advisory channel; however, the expected growth over the next three years will be highest in the mass affluent (34% today to 42% expecting to use) and HNW segments (34% today to 40% expecting to use).

Unconstrained by the terms set by large brokerages, independent advisors may have more flexibility to adapt solutions based on what their clients value, as well as how they charge their clients. Many major wealth management firms have introduced new independent channels or are considering creating a new independent distribution channel to stem the tide of their financial advisors going independent.

Growth in FinTechs

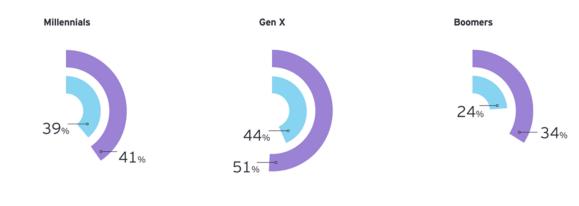
FinTechs (including robo advice and personal financial management tools) will also see an inflow of clients, even though the asset flow may not be as large as for independents. Although these new entrants still have relatively low amounts of assets under management, the percentage of clients using FinTechs is on a par with usage of long-established wealth institutions, such as universal banks, independent wealth advisors and mutual fund companies.

The percentage of clients expecting to use FinTech solutions will increase from 38% today to 45% in the next three years. Expected FinTech use over the next three years is expected to increase with each client wealth segment, with 35% growth expected among mass affluent clients (28% today to 38% expecting to use) and 41% growth among HNW clients (29% today to 41% expecting to use).

No single FinTech has been able to acquire a large enough client base to threaten the incumbent dominance yet – though total clients are growing, they still do not typically commit significant assets. The FinTech playbook has typically been to acquire clients with a niche offering, then expand to broader bundles and solutions once they own a critical mass of clients. However, this strategy will bring FinTechs closer and closer to incumbents as their offerings mature and they partner with traditional wealth management firms or established technology players. While younger clients will remain the stronger users of digital solutions, expected growth is highest among boomers. Gen X clients are the most likely to use FinTechs, and even more expect to use the offerings in the future.

These switching trends present both threats and opportunities for incumbents and disruptors, with independents and FinTechs poised to gain the most. To stem this tide and retain the most profitable and highest potential clients, traditional wealth institutions need to not only deliver on the dimensions their clients value (particularly at critical life events), but also clearly communicate the value delivered.

Clients using FinTech providers today and in the next three years



Use today Expect to use





Chapter 2

Delivering high-value solutions

A successful wealth management offering is more than a shop window for products and services.

Delivering high-value solutions

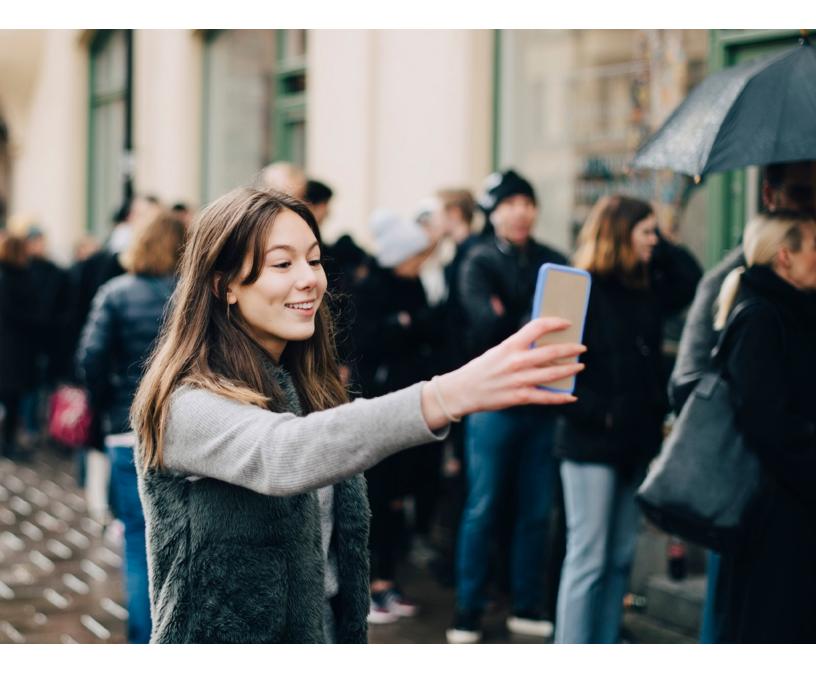
As individuals have increasingly gained more control over their financial lives in the last generation, they have turned to a diverse and complex mix of providers to help them manage this increased responsibility.

Wealth management clients are going to an average of five different types of providers to address their needs, often turning to niche providers to solve specific problems. While clients tend to want solutions that both anticipate and react to their complex changing circumstances, the fragmented nature of these relationships makes it difficult for providers to address them. Further, most clients do not engage in the planning or advisory activities necessary to build robust client profiles to make these solutions effective.

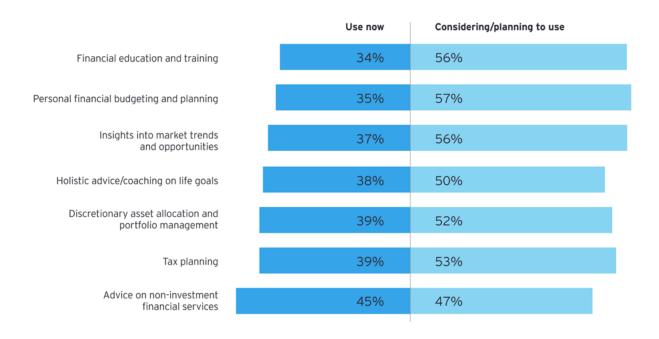
What can firms do to better engage clients in ways that solve problems, while still meeting the needs of clients demanding individual products and services?

Capturing clients on the sidelines

Wealth management clients overwhelmingly want advice and planning. Our research finds over 80% of clients express interest in financial advice and planning, yet half remain on the sidelines. These idle clients present a huge untapped opportunity for the industry: the providers who can engage them can lead the way in reshaping how wealth management is delivered to satisfy complex personal needs.



Clients using each type of planning or advisory service now vs. in three years

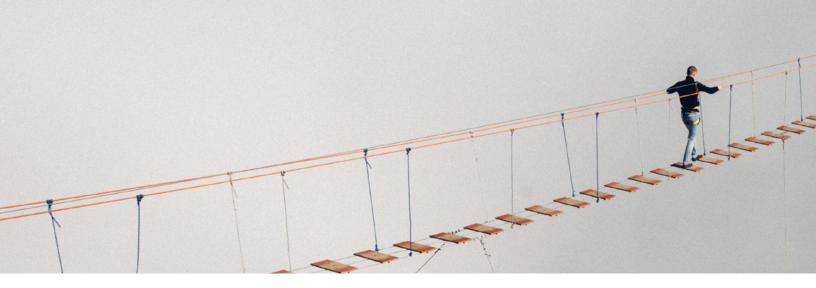


Clients are often hesitant to engage because of fragmented products and services, and complicated fee structures. But more fundamentally, these services often simply do not address a client's full set of financial needs.

Advice and planning services today more frequently focus on specific goals and objectives. Goals-based solutions have come a long way in helping to frame a client's objectives in actionable terms, tied to metrics that can measure progress and success. But working toward these goals – whether for college, retirement or estate planning – represents only a part of someone's financial life. Clients need greater help with the day-to-day management of their finances, as well as support in achieving the level of financial independence that enables their broader life aspirations.

Budgeting and savings are critical opportunities to engage clients in conversations about their everyday financial management, which is often overlooked: just 28% of clients discuss saving to meet goals with their wealth manager. While tools have emerged to nudge clients to save and increase automatic contributions, many clients struggle to understand how much and when to save. Providing clear and constructive savings advice based on a deeper understanding of income and expenses can be a significant step to improving a client's financial well-being – and can serve as a conversation starter to other financial needs.

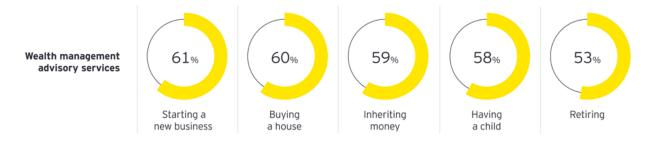
Beyond the everyday and specific objectives, clients aspire to reach a level of independence where their money empowers them – whether it helps to remove worry or achieve a greater purpose. Wealth management providers that can identify and enable these outcomes can create deeper bonds with their clients through guidance and coaching.



The best opportunities to engage clients in conversations about these topics arise during major life events. Our research shows the highest use of advice and planning during these moments (which, as chapter 1 discussed, are also the moments when clients are most likely to switch or move money). Clients often leave breadcrumbs on social media when they are anticipating major life changes, such as a new job or divorce. Wealth managers need to better harness the power of social media to proactively engage clients and become a trusted advisor during these life-changing events.

A third of wealth management firms we interviewed are moving beyond traditional profiling and are working to build more robust frameworks that address life events more holistically. Beyond providing specific products to respond to a new need, innovative firms are better integrating these events into client profiles that are recalibrated around the changing circumstances. They then can anticipate additional needs earlier and proactively address them.

Clients planning to use or considering using advisory services during major life stages





Providing solutions while meeting product desires

While many clients seek solutions agnostic of specific products, there are some client segments who value access to a breadth of products – and are willing to move money for them.

One in five clients is willing to switch for greater availability and access to products. This likelihood of switching specifically for products increases significantly with wealth, level of investment knowledge and risk attitudes, despite, as chapter 1 revealed, these clients are less likely to switch overall.

Our research indicates that the clients who typically see the highest value are the wealthiest individuals, as well as those with more knowledge and understanding of their finances.

Those with more "in-depth knowledge" and awareness are more than twice as likely to realize the high value wealth managers provide than those with low knowledge, with three out of five clients self-identifying as having high investment knowledge seeing such value. There is much incentive to educating clients on the value of financial advice to achieve greater retention – just 20% of clients with "in-depth knowledge" would consider moving their assets elsewhere in the next three years, compared with 40% of clients with low levels of investment knowledge.

Clients who indicated a willingness to switch for products



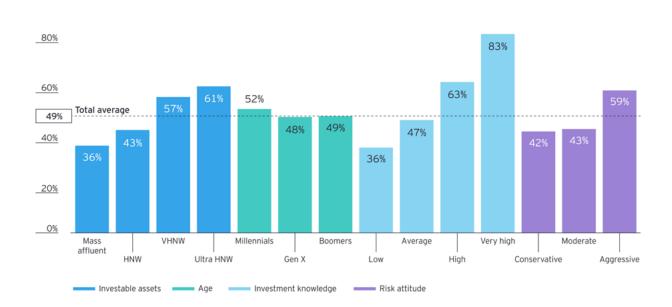
The wealthiest clients are three times more likely than the mass affluent to switch firms for products.



Clients who self-identified as having high investment knowledge are nearly three times more likely to switch firms for products than those with low investment knowledge.



Clients with the highest tolerance for risk are twice as likely as those with conservative and moderate risk attitudes to switch firms for products. 100%



Clients who rated the importance of product dimensions as high or very high when selecting and evaluating wealth management firms

Perception of value for investment products varied most based on a client's level of investment knowledge: four out of five clients who self-identify as having very high investment knowledge see high value in products. Similarly, client perception of value for products increases based on the level of investable assets, as clients with greater wealth tend to seek access to more exclusive products that meet complex needs.

Clients with the highest tolerance for risk see greater value over more conservative and moderate clients, which may result from an openness to try a breadth of products – including less traditional ones – to achieve greater results. Experimenting with different products is one driver for clients engaging with an average of five different types of providers. For example, millennials may have a checking account with one firm that offers no fees, a savings account at another firm with high yields, a brokerage with an online provider, a retirement account at a full-service institution and a micro-investing service with a FinTech.

The key challenge for wealth management providers is determining how to balance this interest in a diverse set of products with their clients' best interests and risk appetite, as well as the costs of providing access. On the investing side, offering more sophisticated options to mainstream clients is more challenging because of potential conflicts of interest, regulatory hurdles and minimum investment requirements.

Educating and empowering the clients who are demonstrating interest in specific products is a key factor in building greater trust, as well as to introducing broader discussions about their goals and desired outcomes.



Achieving clear outcomes for clients

While there is clear demand from specific segments for product breadth and choice, most clients in our research want advice and planning that is timely and built on an aggregate understanding of their personal financial lives. The future of wealth management will be focused on such solutions that are proactive, personalized and intuitive to use.

The challenges for firms wanting to excel in this space are significant: fragmented service models and platforms often stand in the way; providers struggle to enable and incentivize planning activities, as advisor compensation is often not adequately tied to financial planning; and advisor platform functionality is largely lagging client demand for holistic advice.

Significant advancements in managing personal data and the improved quality of technology-driven interactions are helping but can only go so far with limited information.

Platforms that connect data and aggregate accounts across providers are a critical first step. Firms are investing in an array of digital tools for advisors to turn data into richer conversations with clients. But data alone cannot solve this problem: providers must engage clients in discussions that build complete pictures of their life goals and aspirations, then focus on turning their individual products and services into the right solutions to meet these needs.

Wealth management providers are working with product manufacturers and technology companies to create the platforms to enable this. Newer platforms are shifting from products to solution delivery by integrating activities focused on outcomes for clients.

By better combining such capabilities, leading providers can ultimately make it easier for their advisors and technologies to deliver clear value to clients who are ready for the next generation of financial advice.



Chapter 3

The evolution of digital advice

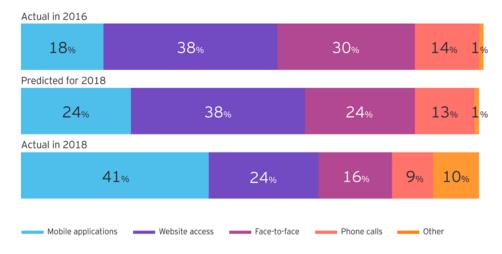
Voice-enabled tools and digital assistants are the channels that will take us into the future. The velocity of digital innovation in wealth management is causing unexpected shifts in client engagement, with client preferences for smart mobile apps already eclipsing traditional channels. Meanwhile, an accelerating preference for digital and voice-enabled assistants is quickly taking hold.

Clients are beginning to demand technologies that can listen, learn, process complex language and anticipate needs – not just for basic, transactional activities, but also to manage wealth and receive financial advice. The ongoing challenge for wealth management firms is how to balance such evolving high-tech solutions with "high-touch" advisory services that offer clients the seamless and personalized experience they demand. The pace of change should not be underestimated, as the move to new technologies is happening faster than most wealth management firms and their clients had previously predicted.

Keeping pace with digital change

Digital technology is evolving faster than wealth management companies – and even their clients – can anticipate. A comparison of results from our most recent global research study of wealth management clients and our 2016 survey highlights how challenging it is for wealth managers to accurately predict future changes. In 2016, clients vastly underestimated how quickly their preference for mobile applications would grow over other methods of engagement. On average, 18% of clients preferred mobile apps across wealth management activities and 24% projected to prefer apps in two to three years. The actual preference today is over double that: mobile apps are now the preferred channel for 41% of clients for engaging with wealth management firms, followed by websites, face-to-face interactions and phone calls.

Clients that prefer each channel as their primary method across all wealth management activities





Furthermore, clients are now preferring apps for a wider variety of wealth management activities. Nearly two-thirds prefer apps for executing transactions, while just over half prefer them for other basic tasks, such as monitoring and analyzing results and opening accounts. They are also starting to prefer apps for more advanced activities, such as portfolio rebalancing and receiving financial advice.

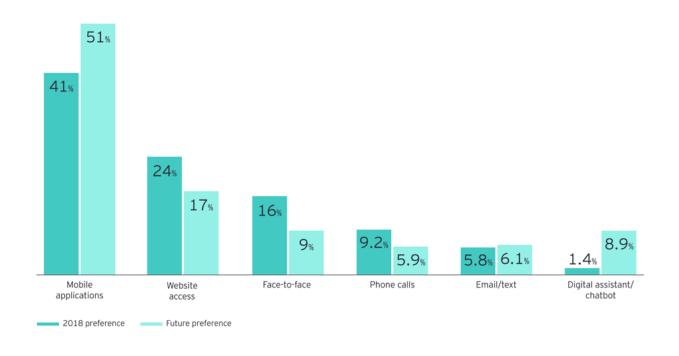
With clients gravitating toward mobile, the preference for first-generation digital channels such as websites has steadily declined since 2016, contrary to what clients had predicted. At the time, 38% of clients preferred websites as a primary channel across wealth management activities, with the same percentage believing they would prefer them in the future. Less than three years later, websites as a primary channel have declined dramatically – by about a third.

Chatbots are emerging as a preferred channel for financial advice

With many mobile technologies now commonplace, wealth management providers looking to differentiate must move quickly to capitalize on the next wave of client engagement: digital and voice-enabled assistants.

These assistants, commonly known as chatbots, can offer a more personalized and user-friendly experience than mobile apps. With their use of natural language processing and ever-advancing machine learning capabilities, chatbots can answer questions, monitor transactions, place orders, perform screening functions and link clients to human advisors. They can also support advisors in becoming more efficient in their daily activities, enabling them to spend more time with their clients.

While only 1.4% of clients prefer to use digital and voice-enabled assistants as a primary channel today, 9% of clients say they would prefer this channel in the near future. This trajectory indicates a considerable swing in momentum – but these numbers may be significantly underestimating growth potential, just as mobile app growth potential was underestimated in 2016.



Clients that prefer to use each method as their primary channel currently and in the future.

Most interestingly, the future demand for these technologies is not restricted to basic, repeatable activities. Our research shows that the preference for chatbots is greatest when seeking financial advice (18%) and learning about products and services (11%), as opposed to making transactions (2.5%).

These preferences increase with the level of investable assets, countering a common perception that automated, low-cost services should be reserved for the mass market and mass affluent segments only. Our research showed no discernable difference by age, indicating an openness across generations to these new technologies.

Given these trends, incumbent wealth managers must take a fresh look at how they will interact with clients in the coming years – from conference rooms to living rooms. As firms prioritize their digital investments among multiple channels such as mobile, website and voice, they need to pay close attention to where clients will be in the next few years. This may mean reallocating budgets from websites to voice-enabled tools sooner rather than later.

Blending high-tech with "high-touch"

Despite rapid demand for digital engagement, wealth managers must continue to balance building scalable, automated solutions with human interactions for those clients that desire the human touch.

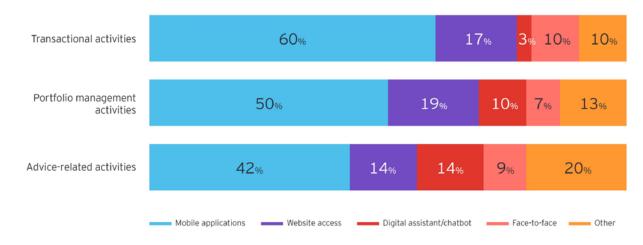
One-quarter of clients currently prefer face-to-face interactions or phone calls as their primary method of engagement; even more clients do so for receiving financial advice (42%). High-touch engagement is especially desired during periods of personal change or significant market turmoil, when clients are looking for a trustworthy advisor to soothe nerves. The demand for human interaction is steeper for some types of clients – particularly those with more complex financial situations or conservative risk attitudes. Risk-averse clients show a much stronger preference for face-to-face communication than those who are more risk-tolerant (23% vs. 7%).

To enable high-touch service, firms must harness technology to improve the productivity and quality of engagement from their own employees. Those who can eliminate mundane, repetitive tasks can free up time for their financial advisors to focus on providing highly personalized client service.

These trends point to exciting opportunities for wealth managers,

allowing organizations to serve clients in innovative ways. It also allows providers to reimagine the client relationship, with possibilities to leverage newer technologies, such as natural language processing and artificial intelligence at the heart of an evolving set of interactions. When digital engagement becomes commonplace, integrating high tech with high touch will become a true differentiator in wealth management.

Clients who prefer to use each method as their primary channel in the next three years for key wealth management activities.





Chapter 4

Aligning pricing with value

Firms must recalibrate their pricing models and do a better job of communicating their value to clients. Nearly half of discretionary wealth management clients are dissatisfied with the fees they pay and do not trust that they are being charged fairly. This dissatisfaction stems from a combination of uncertainty about what they are paying for and discontent with how they are paying. There is growing concern among clients that fees based on assets under management are not fair.

Wealth management providers cannot ignore this sentiment, as our research shows that pricing transparency and competitive fees are two of the top five most important factors for clients when evaluating and selecting wealth managers.

Firms have work to do to prove that their services are worth the fees they charge. The answer is not simply lowering fees, but rather a combination of increasing transparency and predictability, as well as improving how the value of their offerings and services is communicated to clients.

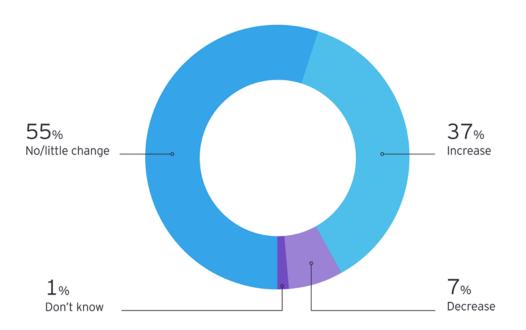
Many clients do not think they are charged fairly

Forty-five percent of clients do not trust their wealth manager or advisor to charge them fairly. The client segments that are most profitable today and most promising for tomorrow are unfortunately the ones that are most dissatisfied. Satisfaction is lowest among the youngest clients (who regularly comparison shop online) and among more knowledgeable clients (who have a better understanding of the nuances of pricing). Wealthier clients are also more troubled about pricing, particularly regarding asset-based fees that can rise with wealth levels without a proportionate change in service.

Despite this dissatisfaction, discretionary management clients overwhelmingly seem resigned to an expectation that their fees will remain the same or increase – for now. Only a small share (7%) expect them to decrease, and many of those anticipate paying less because of a reduction in service levels or a shift in assets to lowercost wealth management providers.

The emergence of less expensive alternatives, such as FinTech and passive investment options, is causing clients to question fees at a growing rate. This trend is most pronounced among younger and more knowledgeable individuals: 6 out of 10 millennials and 8 out of 10 clients with very high investment knowledge expressed this sentiment.

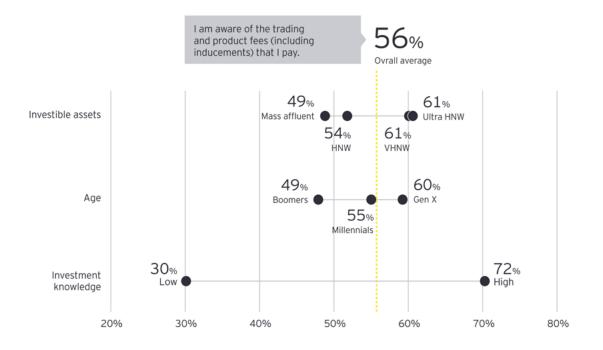
Clients who expect their fees to increase, decrease or remain unchanged over the next three years







Clients who are aware of all trading and product fees they pay



Clients want more clarity and simplicity

The lack of perceived value and fairness in the wealth management relationship is compounded by low awareness and understanding of wealth management fees. Our research shows that only 56% of clients say they fully understand the fees they pay. Fee awareness is lowest for older clients and for clients with low levels of wealth or investment knowledge.

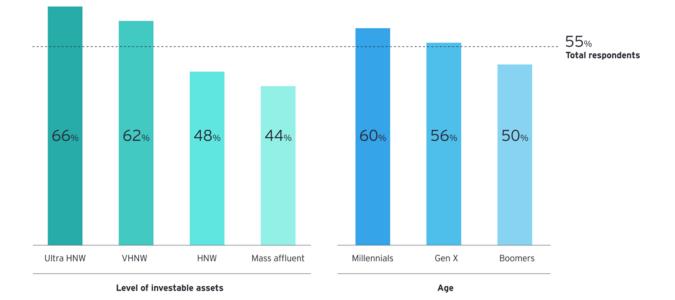
Wealth management executives realize that clients expect more than just strong investment performance. In conversations with executives from top global wealth management firms, we found they are focused on demonstrating value by providing exceptional client experience, goals-based solutions and financial coaching. By tracking and displaying a client's investment progress toward a goal, advisors can show clearly how they are assisting with tangible outcomes in the future. Going beyond just investment selection and assisting clients with budgeting or estate planning also exhibits value that is more difficult to obtain from automated or self-service platforms.

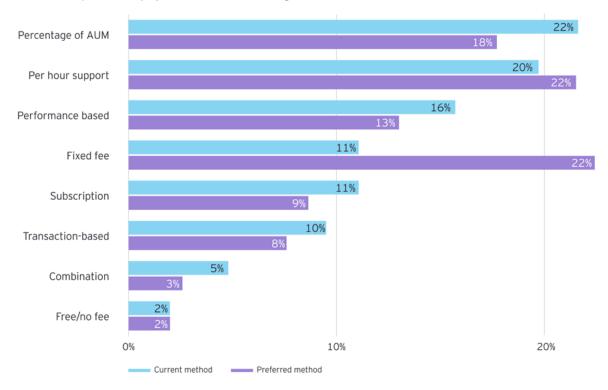
As chapter 2 discussed, fragmented products and services and complicated fee structures can deter clients from engaging with planning and advisory services they might otherwise want. This is why clearly communicating services and associated fees is crucial to demonstrating the benefits provided, as well as addressing expanded regulatory rules for greater disclosure. In addition to making disclosures as understandable and coherent as possible, firms can educate clients about fee structures, advisor compensation and incentives through videos or app notifications. But improving transparency cannot come at the cost of simplicity. Complex performance fee structures for funds have struggled to take hold. Recently, multiple large asset managers released funds that link fees to performance in response to investor demand for value-based pricing, but the asset flows into the funds have been disappointing. Although the funds sought to provide more transparency and fairness to clients, the operational challenges with distributing products with more complex and unpredictable fees caused uncertainty.

Demanding alternative pricing models

Although greater disclosure and simplification are important, for many clients it may not be enough. Most wealth management clients want to pay their wealth managers using a different payment method – often one that offers more transparency, objectivity and certainty. Dissatisfaction with payment methods increases with wealth levels, where percent-of-asset pricing models can amplify the size of fees. Younger clients also have a greater desire for change as they are accustomed to clear, simple and predictable purchase terms for everything from taxi rides to lending products: 6 out of 10 millennials indicate a desire for a different type of payment method than they are currently using. Percentage of assets under management is currently the most common payment method, but fixed fee and per hour of support methods are most desired. Wealthier and more knowledgeable clients show a higher preference for fixed fees, which help clients lock in costs and establish greater objectivity.

Clients who would prefer to pay for wealth management services using a different payment method than their current one





Current and preferred payment methods among clients

Forward-looking firms are already working to develop fee structures that offer clients more options and certainty. In addition to fixed and hourly fees, alternative models include pay-as-you-go and fee-forservice, where clients only pay for what they receive.

Some firms see opportunities to offer subscription-based models to clients for access to certain services – a trend seen in other industries such as video streaming and food delivery. Another theme we heard from executives was a trend toward unbundling fees for investment products and advice. By splitting fees more discretely, firms are experimenting with creating clearer delineations between receiving value from investment returns vs. personalized financial planning and advice. Independent advisors, who are not tied to fee structures mandated by large firms, are generally best equipped to offer personalization. They can select the payment method that works best for their clients and themselves, without having to apply discounts or explain certain service fees.

A key consideration when implementing alternative fee structures are the operational impacts. For some firms – especially smaller, independent providers – offering variety comes with greater back-office processing challenges. Enabling fee variety for different services requires a cohesive billing platform that clearly prices and charges for distinct services in a coordinated way, and that does not create confusion for clients. Balancing the economics and increasing efficiencies through technology will be critical to preventing margin erosion. By implementing new automation technologies and pooled resource models, firms can provide increased value to specific client segments without raising costs.

Methodology

2019 Global Wealth Management Research methodology

In the third quarter of 2018, we worked with ESI ThoughtLab to conduct a comprehensive survey of 2,000 clients in 26 countries to understand their changing investment needs, behaviors and value perceptions.

We profiled clients not just by traditional segments, such as age, gender, wealth and location, but also by level of education, profession, investment knowledge, risk appetite and psychographic profile.

We also asked respondents to rate their knowledge in managing their finances and divided them into low, average, high and very high categories depending on their knowledge of common and complex financial products.

To understand client movement in the wealth management industry for this article, we asked respondents whether they had switched or moved money from a wealth management firm over the past three years or plan to do so over the next three years.

We also conducted interviews with executives at leading wealth management firms around the world to understand how they are rethinking their value propositions and business strategies.

Levels of investible assets

Mass affluent: US\$250,000 to US\$999,999

High net worth (HNW): US\$1m to US\$4.9m

Very high net worth (VHNW): US\$5m to US\$29.9m

Ultra-high net worth (UHNW): US\$30m to US\$100m

Age categories

Millennial: born 1981-97 (age 21-37)

Gen X: born 1965-80 (age 38-53)

Boomer: born 1946-64 (age 54-72)

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