



THE LATEST EDITION OF THE GENERATIONS PROJECT

# Strengthening Conversations

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A 2019 study of how high-net-worth (HNW) investors view their advisors and their financial plans.

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# Opportunities to enhance client relationships.

In 2019, we examined high-net-worth (HNW) investors' confidence in their advisors and the plans they have in place to meet their financial goals. It was the fourth year we have examined investor preferences,<sup>1</sup> with a particular focus on high-net-worth investors. The good news from the latest survey is that advisors are serving their clients well. That is evident in investors' high overall satisfaction with their advisors and how well their financial plans support their long-term goals. The sound guidance wealth managers provide is also apparent in how wisely investors reacted to recent market volatility. Still, the survey did identify a number of areas where advisors have an opportunity to enhance the conversations they have with clients – and thereby foster even greater success with their practices.

Our survey demonstrates the importance of having clear conversations with clients about goals for their finances and their families and thereby realizing Greater Possibilities Together.

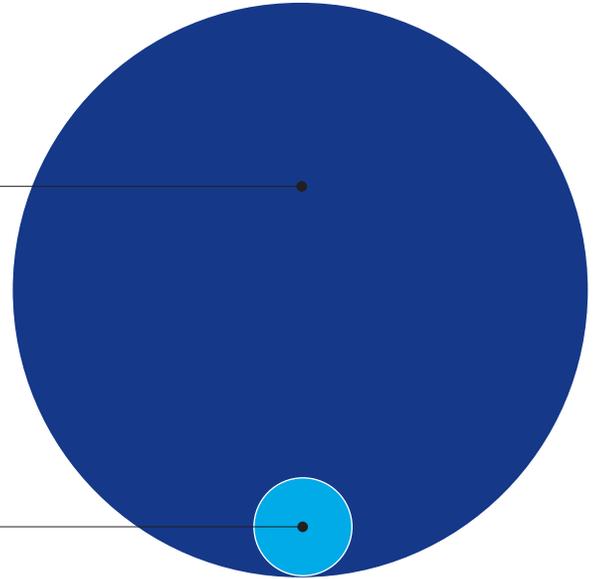
Few investors discuss personal finances with their children.

71%

of HNW investors have children.

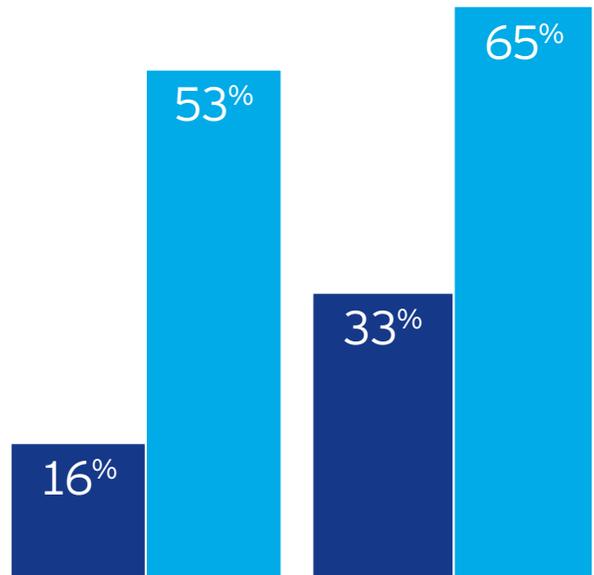
ONLY  
17%

of parents are discussing personal finances with their kids.



A large gap exists between the current vs. desired level of engagement advisors have with clients' children.

- Advisor currently engages with children
- Want advisor to engage with children



Adviser engagement with children under 18 (among those with children under 18)

Adviser engagement with children over 18 (among those with children over 18)

<sup>1</sup> On May 24, 2019, Invesco acquired Massachusetts Mutual Life Insurance Company's asset management affiliate OppenheimerFunds. All research for the Generations Project was conducted prior to May 24, 2019.

Even when they recognize avoiding the issue could create conflict, few investors prepare children for an inheritance.

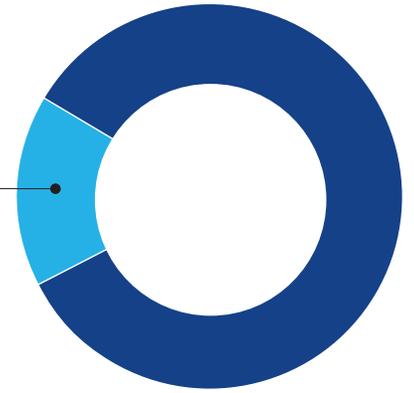
From previous Generations Project surveys, we know a majority of advisors have recognized disagreements about inheritances have become the number one family conflict over money.

Many advisors are taking steps, and increasing their training and access to resources, to help families resolve these conflicts.

**The concern is present:**

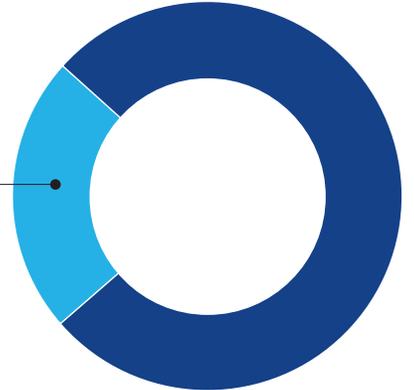
**16%**

of HNW investors have experienced family money conflicts over inheritance and legacy planning issues – an increase from past years of this survey.



**23%**

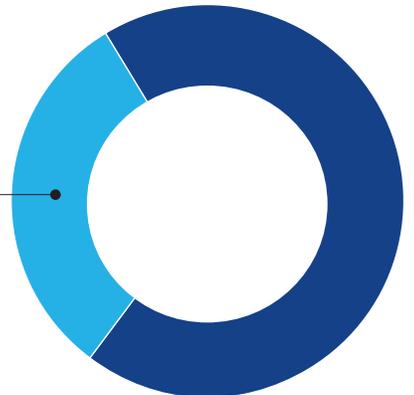
of HNW investors are concerned that conflicts could arise in the future about inheritance and legacy planning issues.



**But not many are willing to talk through their inheritance plans with advisors:**

**ONLY 31%**

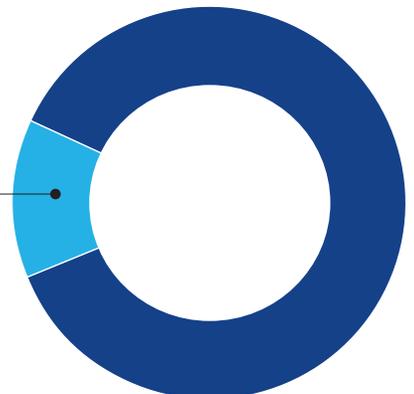
of HNW investors have discussed inheritance or legacy planning with their advisors.



**Few take proactive steps to involve advisors – even though they may provide a helpful perspective:**

**JUST 13%**

of HNW investors with an advisor have discussed family money conflicts with their advisor.



# Investors don't believe they are discussing key financial planning topics with their advisors.

Most advisors undoubtedly believe they know their clients well and have covered all aspects of financial planning with them. But this survey reveals that a surprisingly high number of wealthy investors perceive that their conversations with advisors have not covered a variety of critical financial planning issues.

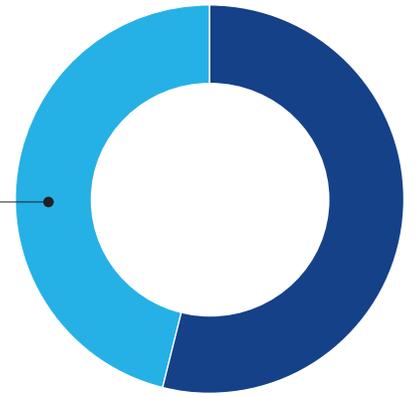
Interestingly, a majority of HNW investors – 54% – say they have discussed retirement planning broadly with their advisor. The low number for the health care topic suggests advisors may need to make sure their clients fully understand their entire plan to meet the full spectrum of financial obligations that arise in retirement.

## Meeting long-term financial goals:

ONLY  
**46%**

of HNW investors have ever discussed meeting their long-term goals with their advisors.

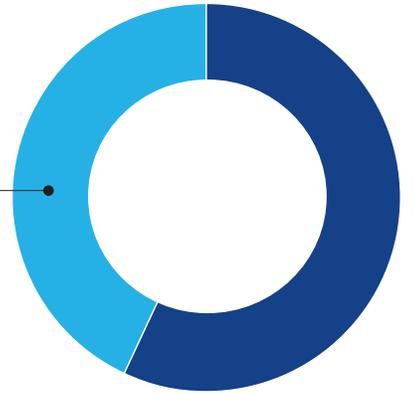
This means more than half have not. These relatively low levels among the wealthy are especially surprising, given that having a clear understanding of their goals is among the top three qualities investors look for in an advisor. (The other two are good investment performance and reasonable fees and commissions.)



## Investment strategies:

JUST  
**43%**

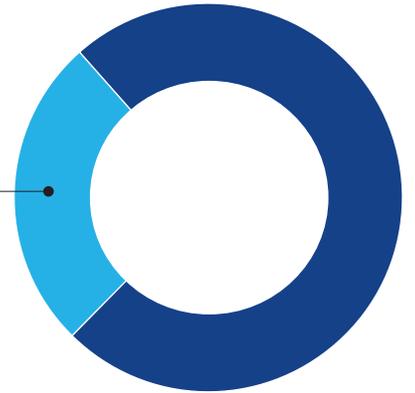
of HNW investors say they have ever talked about investment strategies with their advisor.



## Health care needs in retirement:

ONLY  
**26%**

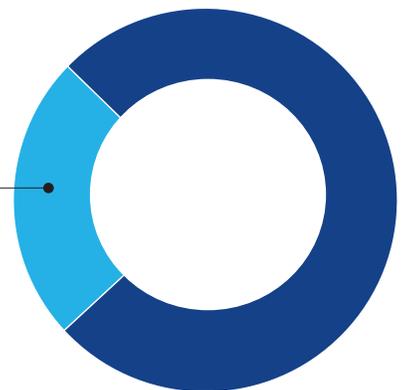
of HNW investors have ever had a conversation with their advisors about their health care needs in retirement.



## Tax planning:

ONLY  
**24%**

of HNW investors say they have ever discussed tax planning with their advisor.



The conversation shortfall may explain why even wealthy investors have doubts about their investment portfolios.

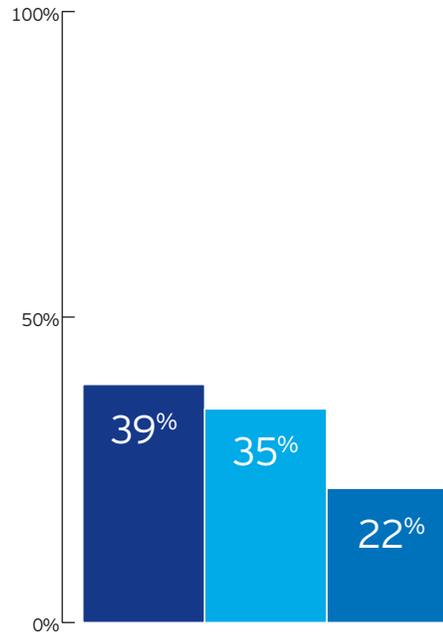
Good news: many investors say their investments support their long-term goals, and they handled volatility well.

Advisors can take heart in the fact that a majority of investors have faith in their investments' ability to support their long-term goals, and they heeded the guidance that advisors often give about the benefits of staying invested during bouts of market volatility.

**Only a minority of HNW investors with an advisor think their current investment portfolios are exceptionally well designed to:**

- 1 Manage risk exposure **39%**
- 2 Optimize tax savings **35%**
- 3 Support causes they believe in **22%**

The low number on support for causes suggests an opportunity for advisors to truly distinguish themselves by offering plans that help investors support their favored causes and social initiatives while also enabling them to pursue their financial objectives effectively.



**57%** of investors with an advisor believe their investment portfolios are exceptionally well designed to reach their long-term financial goals.

#### Calm amid the late 2018 market turbulence

HNW investors who took no action.

43%

HNW investors who purchased new investments while the market was down.

21%

**In combination, that means**

**64%**

of HNW investors had an even-handed response to the market's volatility.

HNW investors who sold investments to minimize losses.

11%

# Key takeaways for advisors.

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## Key facts about the survey's methodology of HNW investors:

- + 775 HNW investors were interviewed.
- + To participate, respondents had to have minimum net investable assets of \$500,000 for Millennials and \$1 million for all other investors.
- + The survey was conducted from January 16 to February 4, 2019.

Investors want you to be more engaged with their families.

- + Ask clients if they would like you to facilitate conversations with their children and provide your clients with tools on how to talk about money with their children. They may need your help in seeing the benefits of such conversations.
- + They need help with issues that extend beyond their financial plans. Delivering guidance on how to resolve family conflicts over money will address their concerns about the difficulty of having such conversations. If you're uncomfortable with negotiating family conflicts, partner with professionals who coach families on how to have productive discussions about family finances.

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You must constantly make sure that clients hear and comprehend the advice you are giving.

- + Too many clients seem to believe their advisors haven't discussed with them even the most basic aspects of financial planning – including long-term goals and tolerance levels for risk.
- + Be sure you communicate in everyday terms and avoid jargon.
- + Talk in specifics. Ask clients how they want to spend their time in retirement, where they want to live, how frequently they plan to travel, and what type of legacy they hope to leave their family or favorite causes. It will help them think about how they want to spend their money. Don't ask if they are conservative, moderate or aggressive and instead walk through scenarios of volatile markets and ask how they'd want to respond.
- + Make sure clients understand it is not just about accumulating a nest egg. Just as much planning needs to be given to finding effective ways to take distributions from their assets. They'll need to make sure they can meet all their expenses, not just the fun ones like vacations, but also the necessary ones, like health care.

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Just as frequently, check to make sure they are satisfied with their plans.

- + The low number of investors who think their investment portfolios are exceptionally well designed to meet several key investment objectives demonstrates the importance of frequently checking their level of satisfaction with the approach you've recommended.

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Clients who have not decided when they want to stop working need more help with retirement planning.

- + Having a set retirement date seems to focus people. Investors who don't have one may need more of your help with planning for retirement – and knowing how to take distributions from their accounts once they are in retirement.

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**Taking these steps will help your clients – and benefit your business.**

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This is the fourth annual high-net-worth study conducted by OppenheimerFunds, which commissioned CoreData Research to survey US investors to better understand investment behaviors and attitudes across all generations, the role of family dynamics, and how advisors engage investors. Additional analytical support was provided by Zeldis Research Associates.

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