

# Advisor relationships and changing advice requirements

Five key findings and action steps for advisors

We've partnered with Spectrem Group, an industry leader in primary investor research, to bring you the latest trends in the outlook and behavior of

**more than 10,000**

mass affluent, millionaire, and ultra-high-net-worth respondents.



**SpectremGroup**  
*Voice of the Investor*

This report draws on investor insights gathered during the second half of 2017.



## We've distilled these findings into Key insights and tips for advisors

### Affluent populations in the United States

Million households<sup>1</sup>

30.5 

**Mass affluent:**

\$100,000 to \$1 million in net worth

9.4 

**Millionaire:**

\$1 million to \$5 million in net worth

1.3

**Ultra-high-net-worth (UHNW):**

\$5 million to \$25 million in net worth

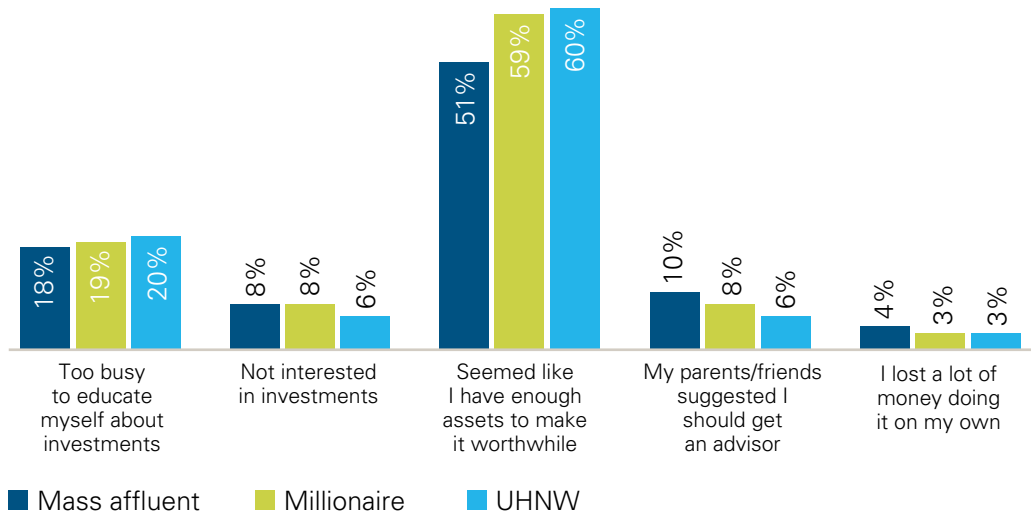
Note: Net worth does not include primary residence.

<sup>1</sup> As of December 31, 2016. Populations were calculated using Spectrem's proprietary models and multiple public, third-party sources.

1

## Investors see the value of a financial advisor

Investors often don't perceive value in hiring an advisor until they've built up their savings.







## ACTION STEPS

- Create a value statement that showcases the value of your services.
- Emphasize all the services you provide that extend beyond what investors think of in terms of traditional retirement planning (portfolio construction, etc.).

## Resources to learn clients' complete financial picture

### Behavioral coaching kit

Materials for you and your clients

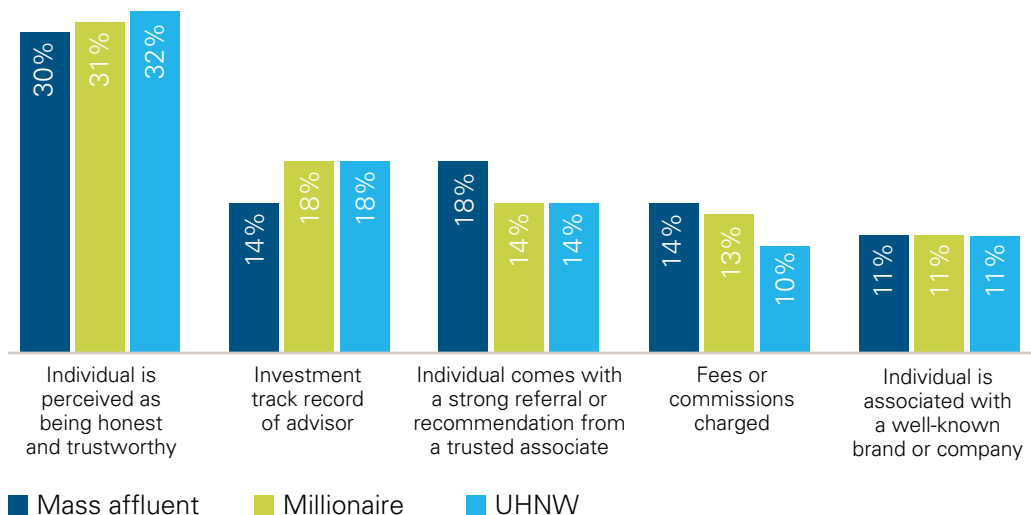


Vanguard  
Advisor's  
Alpha®  
tool kit

## 2

# Trust is the critical component in the advisor-client relationship

Reputations of both the advisor and the firm are important.





## ACTION STEPS

- Evaluate your opening pitch. Do you emphasize the factors that matter most?
- In the early stages of the client-advisor relationship, ask questions to gain a better understanding of clients' goals and financial needs. Getting to know clients on a deeper level will serve to build trust, increase loyalty, and generate referrals.

### Resources to educate clients

Advised  
Investor  
Insights  
Trust



Advised  
Investor Insights

How investors  
select advisors

# 3

## Estate and long-term care planning offer opportunities

Advisors often overlook services affluent investors plan to seek in the future.

	Rank		
Establishing an estate plan	1	2	2
Planning for long-term care	2	1	1
Implementing tax-advantaged strategies	3	3	T4
Establishing retirement income streams	4	4	3
Planning for retirement	9	T8	T7
Evaluating insurance to determine appropriate coverage	T5	5	T4
Selecting alternative investments	7	6	6
Diversifying assets	8	T8	T9
Selecting individual stocks and bonds	10	10	T7
Creating a written financial plan	T5	7	T9
Using credit effectively	11	11	T9

■ Mass affluent   ■ Millionaire   ■ UHNW

T to the left of some numbers indicates a tie in rank.

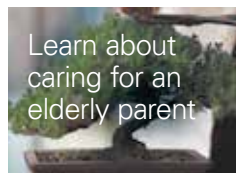




## ACTION STEPS

- Estate planning and planning for long-term care offer two opportunities for advisors to provide services to clients without selling products.
- Initiate client conversations that help them anticipate future needs.

### Resources to broaden your services



Learn about  
caring for an  
elderly parent



Learn about  
estate planning

Investor  
education  
guides

## 4

## Communication remains critical in maintaining client relationships

The top reasons clients left their advisors centered on the advisors' failing to effectively communicate with their clients.

	Rank		
Not returning phone calls in a timely manner	1	1	1
Not returning emails in a timely manner	3	4	2
Not being proactive in contacting me	4	3	3
Not providing me with good advice	2	2	4
Underperforming compared with the market	5	5	5

■ Mass affluent

■ Millionaire

■ UHNW

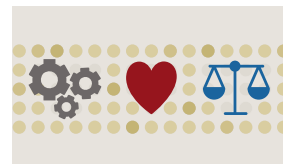


## ACTION STEPS

- Consider using model portfolios, which can help scale your practice and free up time previously spent on investment-related tasks.
- Proactively communicate with clients during periods of market volatility. Reinforce long-term investing perspective.

## Resources to free up time for client interaction

Advised  
Investor  
Insights  
Trust



Vanguard ETF® strategic  
model portfolios

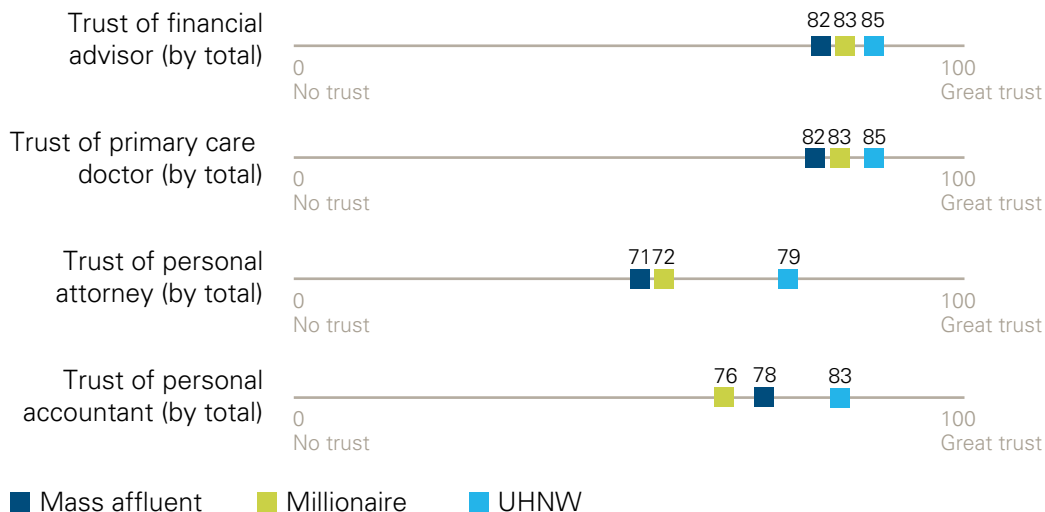




5

## Investors trust their advisor more than other professional service providers

Greater trust can lead to positive business results.





## ACTION STEPS

- Pursue your clients' goals as if they were your own. Our research shows clients who had high trust in their advisors had a 70% likelihood of giving them more money to invest, and a 94% chance they would recommend their advisor.
- Describe how your compensation insulates clients from conflicts of interest.

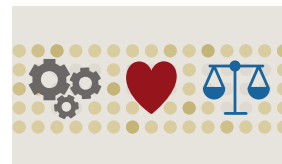
## Resources to enhance client trust

### Behavioral coaching kit

Materials for you and your clients



Advised  
Investor  
Insights  
Trust





For a full analysis of Spectrem's findings  
and ways Vanguard can help, contact  
Vanguard Financial Advisor Services™:

**800-997-2798**

[advisors.vanguard.com](https://advisors.vanguard.com)







**Vanguard®**

**Vanguard Financial  
Advisor Services**

P.O. Box 2900  
Valley Forge, PA 19482-2900

**Connect with Vanguard®** > [advisors.vanguard.com](https://advisors.vanguard.com) > 800-997-2798

**For more information about Vanguard funds or Vanguard ETFs, visit our website or call 800-997-2798 to obtain a prospectus or, if available, a summary prospectus. Investment objectives, risks, charges, expenses, and other important information are contained in the prospectus; read and consider it carefully before investing.**

*Vanguard ETF Shares are not redeemable with the issuing Fund other than in very large aggregations worth millions of dollars. Instead, investors must buy and sell Vanguard ETF Shares in the secondary market and hold those shares in a brokerage account. In doing so, the investor may incur brokerage commissions and may pay more than net asset value when buying and receive less than net asset value when selling.*

Diversification does not ensure a profit or protect against a loss.

All investments are subject to risk, which may result in the loss of principal.

Source: Spectrem Group, 2017.

© 2017 The Vanguard Group, Inc.  
All rights reserved.  
Vanguard Marketing Corporation,  
Distributor. U.S. Patent Nos. 6,879,964;  
7,337,138; 7,720,749; 7,925,573;  
8,090,646; and 8,417,623.

FASARSP 122017