

Advisors Tackle the Challenge of Client Acquisition

Despite high client satisfaction, potential new investors remain hesitant, fearing costs, opaqueness



Summary

Advisors typically receive high levels of client satisfaction, primarily attributed to their integrity, transparency, and low costs. However, despite this satisfaction, advisors face challenges in acquiring new clients, as hesitant investors often feel unsure about what a potential relationship with an advisor involves.

Key Points



Most clients report being satisfied with their primary advisor, and those with more assets report the highest level of satisfaction.



More than half of advisors identify new client acquisition as a challenge, and nearly one-third struggle with building multigenerational client relationships.



Nearly two-thirds of investors are willing to pay for financial advice.

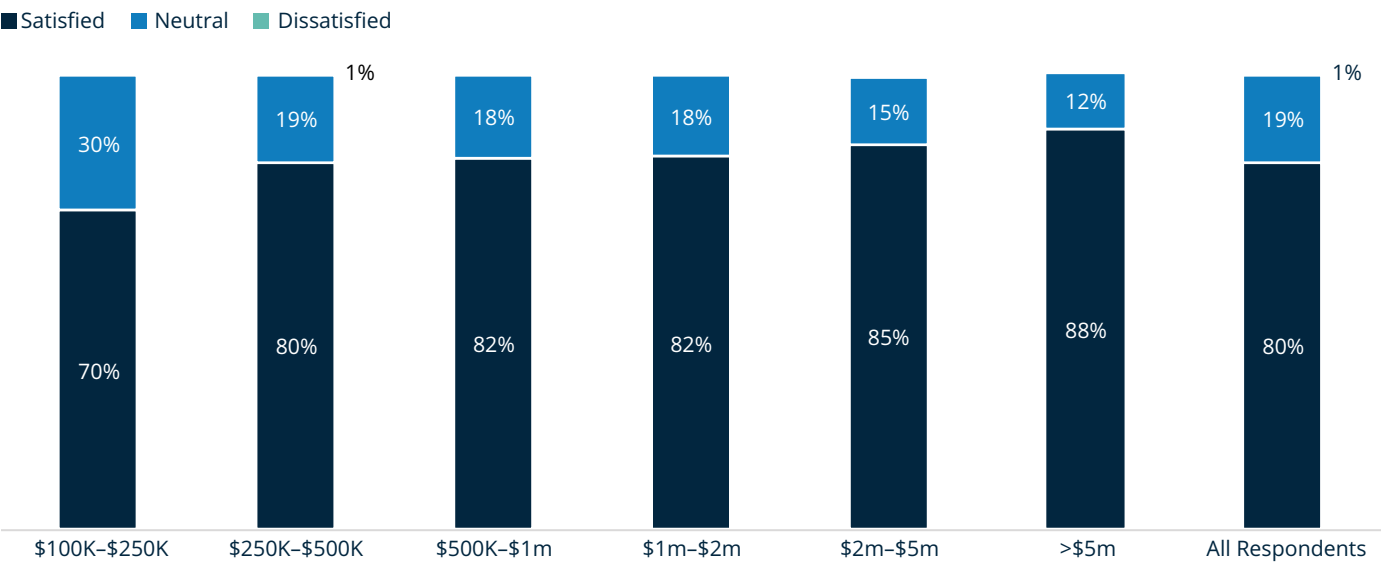
Financial advisors overall have successfully met the needs of their current clients, especially their wealthier ones. Most clients (80%) report being satisfied with their primary financial advisor, and clients with more than \$5 million in investable assets report the highest level of satisfaction (88%). Client satisfaction is critical for advisors, since unsatisfied clients typically do not stay with their advisors for long; less than 1% of clients report dissatisfaction with their primary advisor. More than one-third of satisfied clients rate personal integrity—which includes trustworthiness, professionalism, and a client-centered focus—as the reason for their satisfaction. Since the pandemic, some advisors and clients have preferred the more convenient virtual meetings and email communications. However, financial services is a relationship-based business at its core, and in-person interactions between advisors and their clients remain essential for building trusting and transparent relationships. Advisors report having an average of just over three in-person meetings annually with each client, with most advisors conducting in-person meetings on an annual or semiannual basis.

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Level of Satisfaction with Primary Advisor by Investable Assets, 2Q 2024

The majority of clients (80%) say they are satisfied with their primary advisor. Clients with higher household investable assets are more likely to be satisfied with their advisor.



Sources: MarketCast, Cerulli Associates

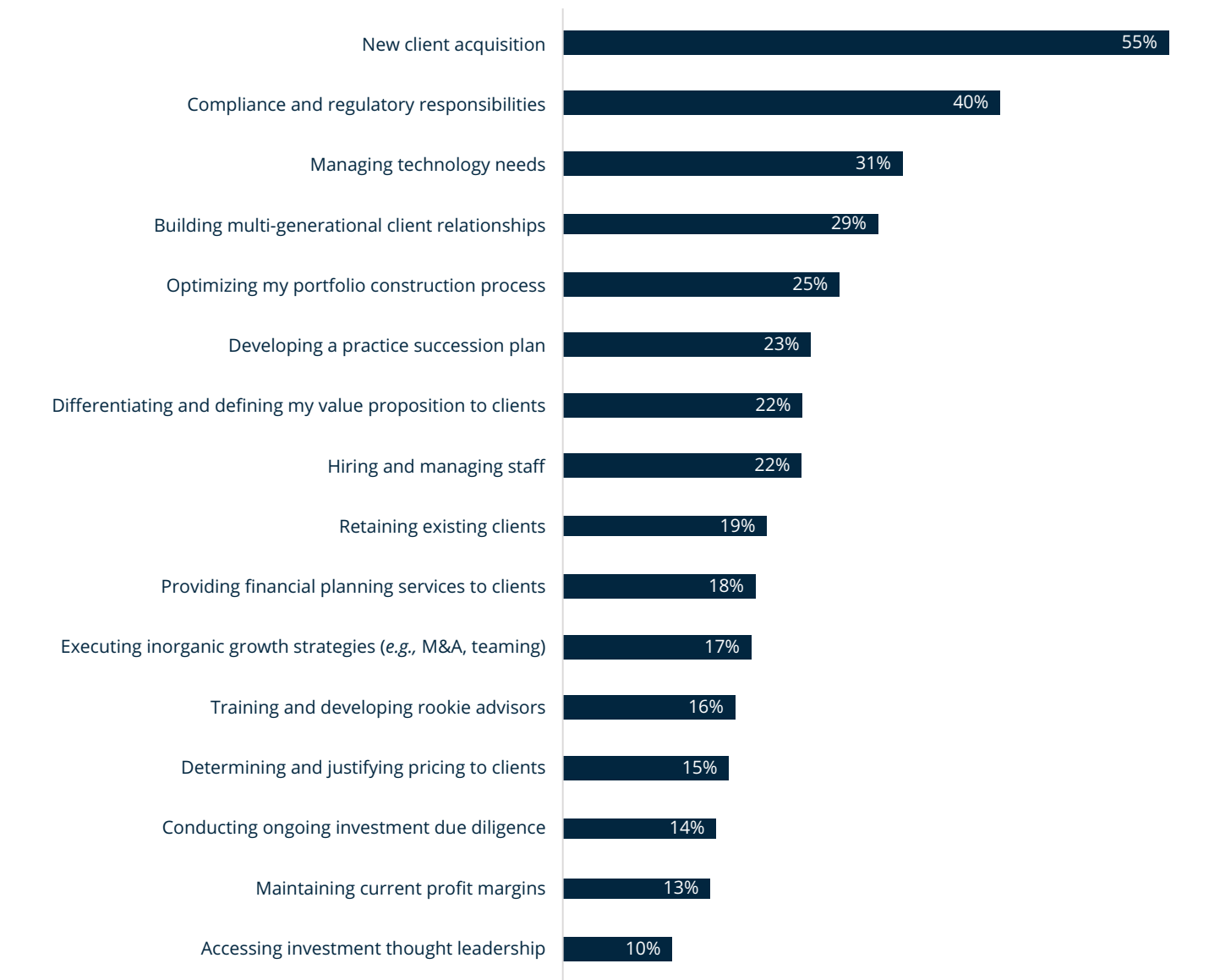
This overall satisfaction ideally should translate to new clients via personal referrals from clients to their friends or family, which nearly one-third of affluent respondents cite as the origin of their advice relationships. However, despite high client satisfaction, more than half of advisors (55%) still consider new client acquisition a challenge, and nearly one-third (29%) find it difficult to build multigenerational client relationships. Organic growth through client acquisition is a key aspect of growing advisor practices. Building multigenerational client relationships can be especially difficult for advisors who have switched channels or been impacted by recent M&A activity. Other client-based challenges advisors face include differentiating themselves, retaining existing clients, and justifying their prices to clients.

In order to market themselves more effectively, advisors must understand why unadvised investors are not using their services. Most unadvised investors do not share the same positive view of the experience as do current advised clients. Unadvised investors

perceive a lack of transparency in personal interactions and the costs associated with advisor-client relationships. Transparency is crucial, not only for maintaining good relationships with existing clients, but also for attracting new ones. Transparency is an essential aspect of service advisors must exhibit and includes consistency in communication, being upfront about any substantial changes to a client's portfolio, and being explicit about costs. For affluent investors, transparency is the most important factor when choosing an advisor, even more so than demographic or performance-based considerations. Many unadvised investors are unsure about the price of hiring an advisor and often perceive them as too expensive. There also is confusion among those who use advisors about how they are compensated; one in four advised clients do not understand the fee structure, and one in five believe they do not pay their advisor at all. Increasing cost transparency will help advisors retain existing clients who value openness and honesty from their advisors, while attracting new clients seeking someone they can trust.

Advisors: Greatest Challenges, 2024

More than half of advisors (55%) identify new client acquisition as a challenge, and nearly one-third (29%) struggle with building multigenerational client relationships.



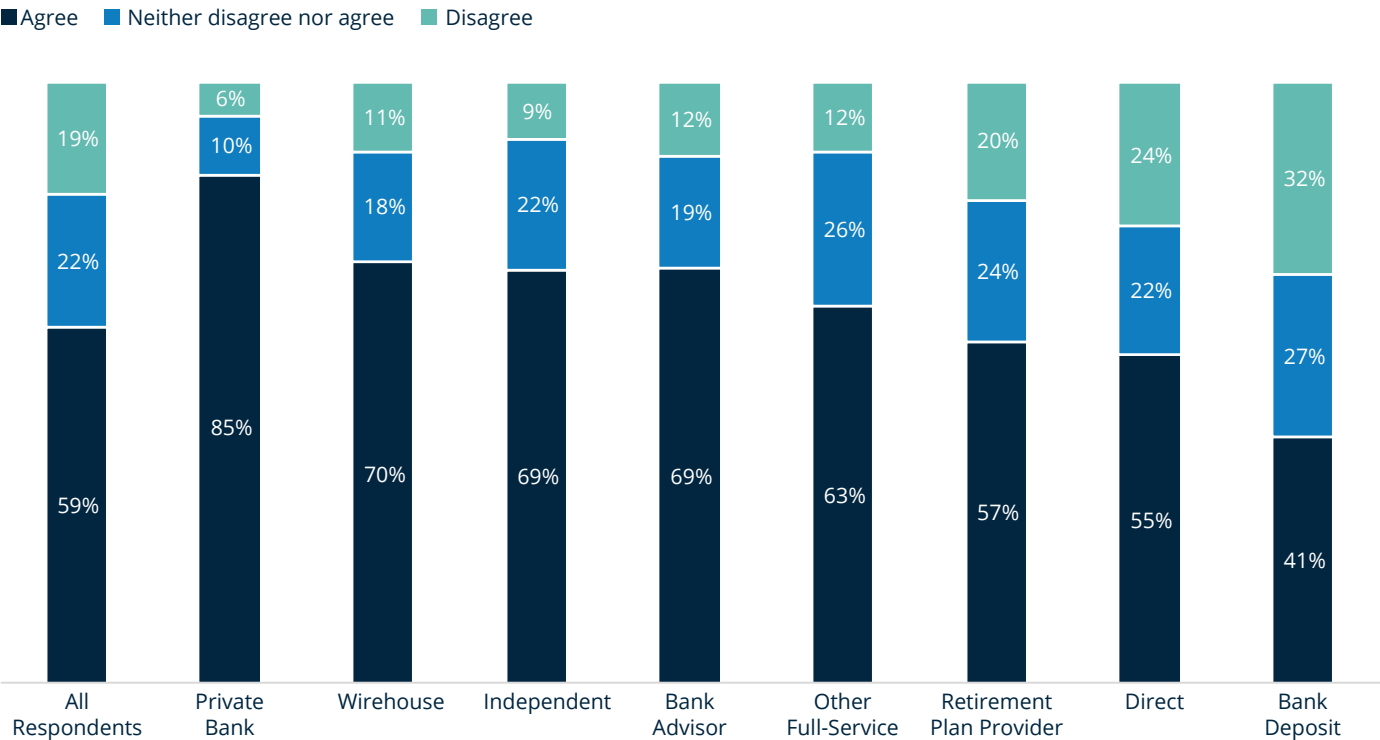
Analyst Note: Advisors were allowed to select multiple challenges. | **Source:** Cerulli Associates

Asset-based fees are advisors' primary source of compensation, and they expect these fees to continue to make up most of their revenue in the future. However, additional fee structure options also help advisors appeal to a broader and younger base of prospective clients. Some advisors offer one-time financial planning sessions for a reasonable fee, which is an effective way to get in the door with hesitant clients who want to see what an advisor offers without signing contracts or paying hefty fees. Advertising

affordable fees and planning options also may appeal to younger investors seeking one-off planning help, and these interactions could turn one-time clients into long-term clients down the road. Although unadvised investors perceive a lack of advisor transparency, they still are willing to pay for financial advice. This willingness to pay for advice may stem partly from current client satisfaction, as advised clients believe in their advisor's high integrity and find the value provided worth the expense.

Willingness to Pay for Financial Advice by Primary Provider Channel, 2Q 2024

Nearly two-thirds of affluent respondents (59%) are willing to pay for financial advice. Investors with private bank providers are the most willing to pay for advice.



Sources: MarketCast, Cerulli Associates

Investors are hesitant to engage with financial advisors because they fear potentially high costs and a lack of transparency. Despite these concerns, most still express a willingness to pay for advice. According to Cerulli, 59% of affluent respondents are willing to pay for financial advice, up from 45% in 2015. Investors with private bank providers are the most willing to pay for advice (85%), as typically they have more investable assets and require a full range of services, unlike typical investors with bank advisors or retirement plan providers. Investor uncertainty about paying for financial advice stems from confidence in their own financial decisions and the perception of prohibitive or opaque costs. Investor self-confidence is exhibited especially by investors with direct providers, as just over half of such investors are willing to pay for financial advice, the second lowest among provider types.

Clients are mostly satisfied with their advisors and value their integrity and trustworthiness. However, a disconnect exists as potential clients who are likely willing to pay for financial advice do not see advisors or their costs as transparent or trustworthy. Marketing plays a key role in this endeavor, and advisors should market their transparency, low cost, and fee options to reluctant investors. This increases visibility and helps drive unsolicited clients to contact firms directly, which is how nearly one in five clients begin their relationship with their primary advisor.

In-person communication also is valuable in building relationships with potential clients and maintaining relationships with current clients. Integrity and cost transparency go a long way in the minds of hesitant investors, and advisors who prioritize and effectively market these aspects of their service will find success attracting and retaining clients.



Advisor Research Collaborative

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