When volatility causes complexity, how can wealth managers create opportunity?

2023 EY Global Wealth Management Research Report

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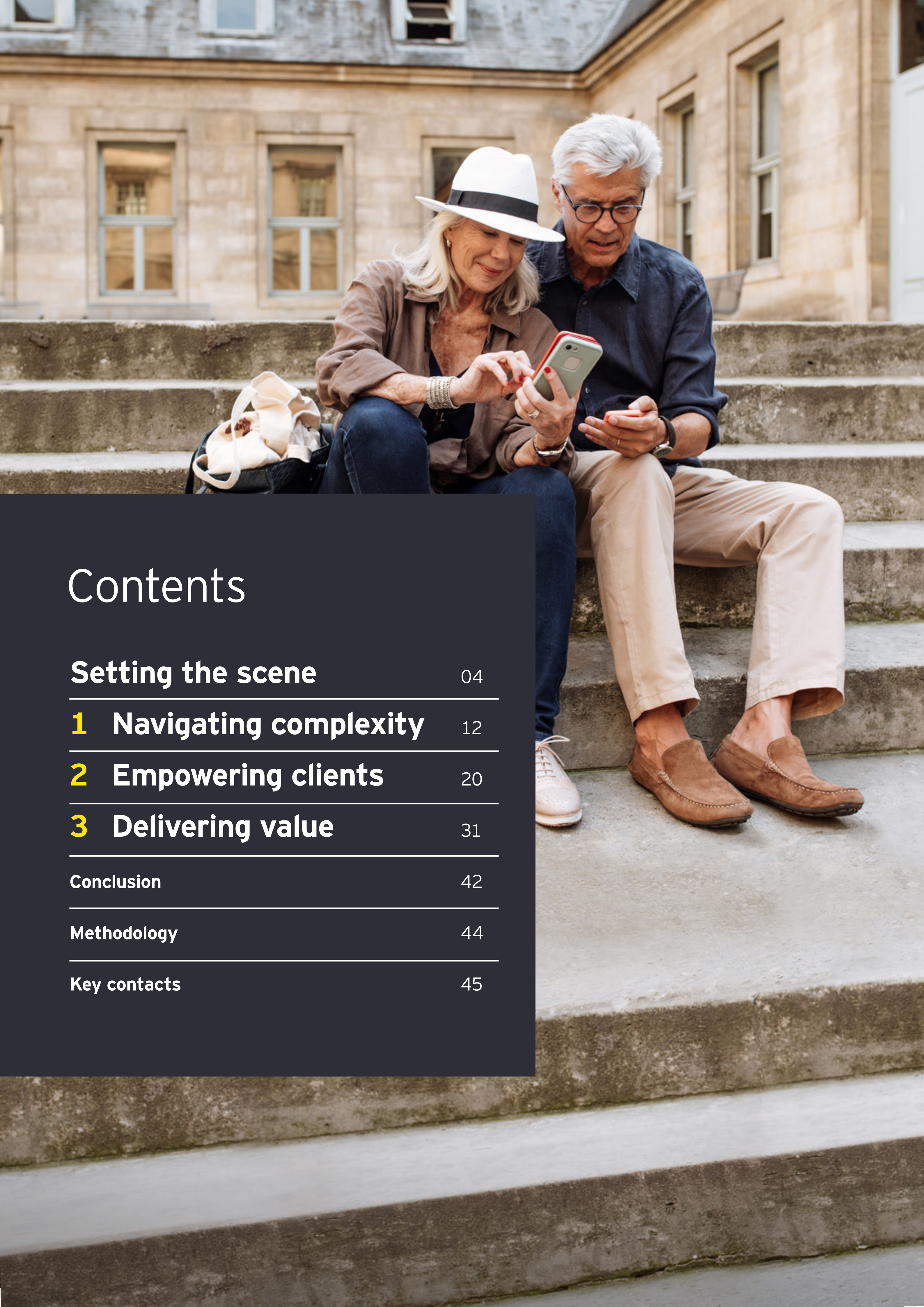

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Welcome

Wealth managers – like their clients – are facing a complex and uncertain world. Economic and geopolitical instability is heightened, investment strategies are evolving at pace and industry practices are being rapidly transformed by technology.

The research shows that volatility and complexity are having a profound impact on investors' needs and behaviors. Clients of all types are seeking out additional advice and investment strategies. They're hungry for support and expertise and are increasingly willing to work with new providers.

Engagement preferences, influenced by the pandemic and social media, are changing too. There is much greater appetite than before for virtual interactions such as video calls. The rapid pace of innovation is creating opportunities to prioritize hybrid models, introducing new collaborative features that will help to educate clients and involve them in the management of their own wealth.

These trends are particularly marked in fast-growing regions and, above all, among younger investors. Millennials and those expecting to inherit wealth feel a greater sense of uncertainty, have an above-average appetite for advice and education, and show heightened willingness to try new ideas and to switch providers.

To explore these themes in depth, EY surveyed over 2,600 wealth management clients in 27 geographies. This report sets out our key findings, grouped under three priority areas for wealth managers:

- **Navigating complexity**: Clients are changing their investing approach in response to uncertainty. The need for a trusted advisor is high, and clients plan to work with more providers than before, seeking out the options and expertise they need to navigate complexity. Providers need to "do more for less," creating challenges – and opportunities.
- **Empowering clients**: Personalized engagement, especially at key moments, remains crucial to building client confidence, but how it is delivered is rapidly evolving. Refreshed hybrid models enhanced with digital collaboration tools will strengthen accessibility and interactivity, boosting client empowerment.
- **Delivering value**: Strengthening product choice and education, creating closer connections with clients, strengthening tax and succession planning and providing greater clarity over costs and benefits will not only increase transparency, but they will also play a critical part in building greater client satisfaction, trust and value.

Helping clients achieve their goals amid growing complexity holds the key to lasting success in wealth management. We hope you'll enjoy reading the key findings and recommendations on how this can be achieved. Alternatively, please visit ey.com/wealthresearch to learn more.

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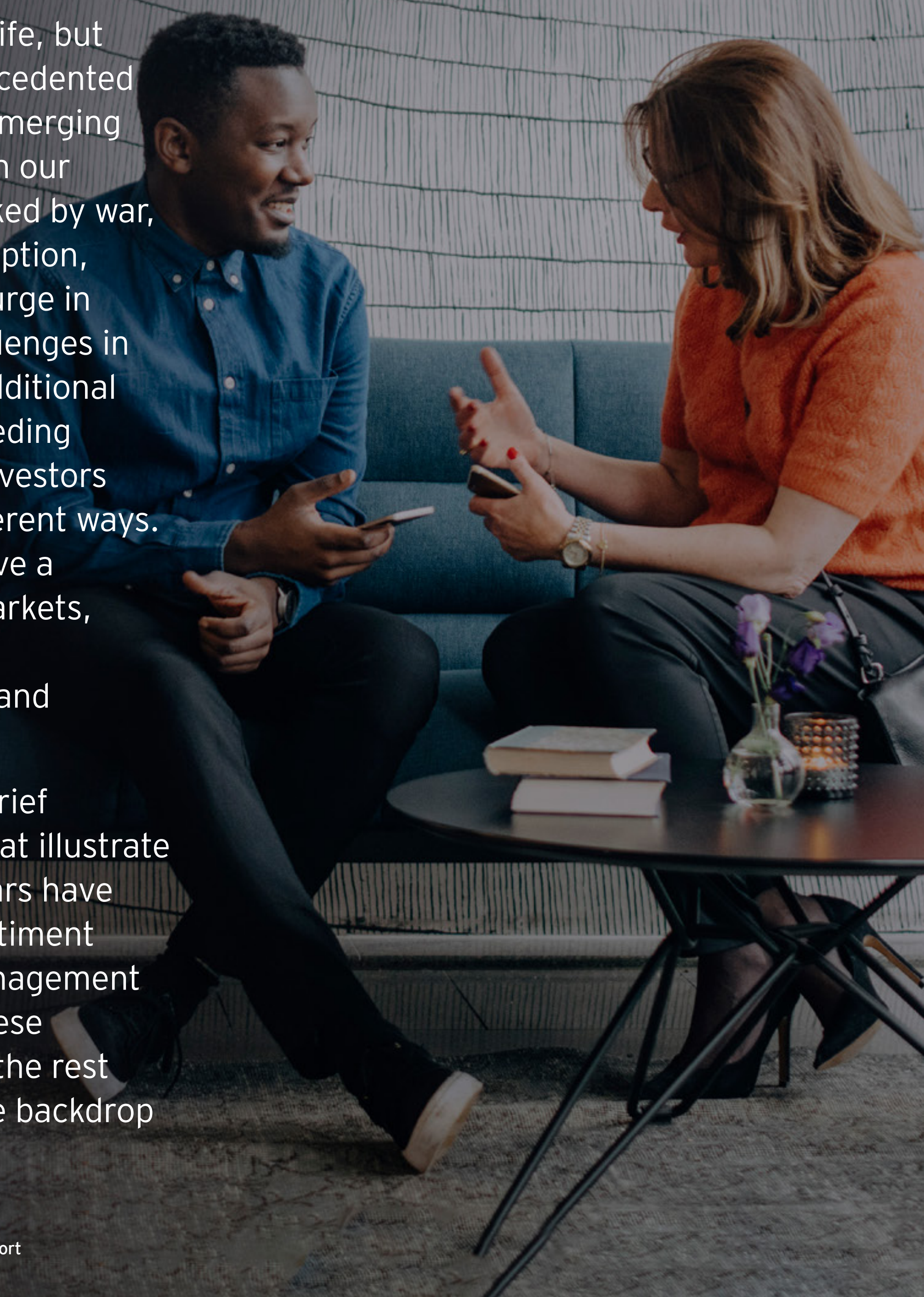
Setting the scene

There are few certainties in life, but the last year has seen unprecedented instability. The world — still emerging from the biggest pandemic in our lifetimes — was further shocked by war, continued supply chain disruption, an energy crisis, a sudden surge in inflation, and attendant challenges in the banking industry. This additional impact compounds the preceding events, affecting markets, investors and wealth managers in different ways. These events continue to have a direct impact on financial markets, the investment environment and the actions of investors and wealth managers.

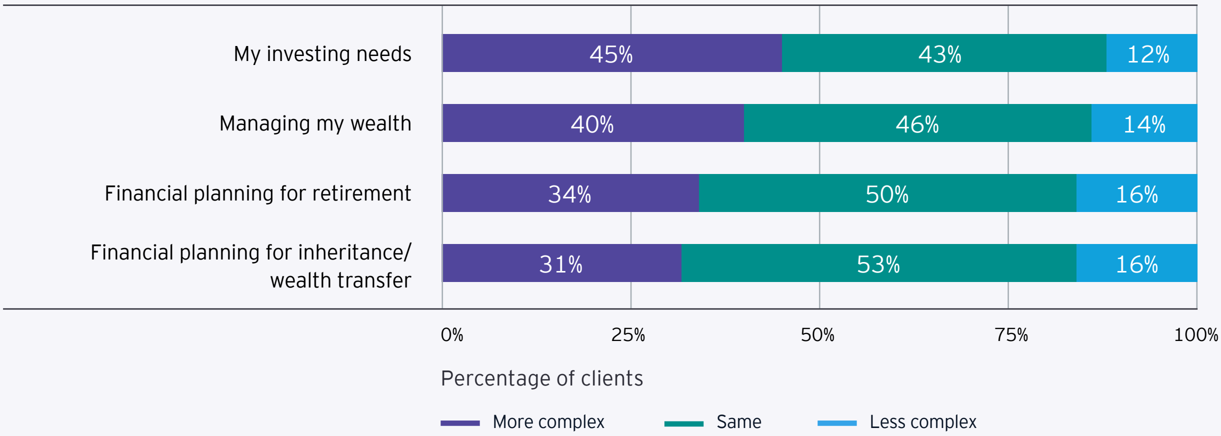
We begin the report with a brief overview of six key trends that illustrate how the events of recent years have affected the experience, sentiment and intentions of wealth management clients around the world. These important themes underpin the rest of the report and provide the backdrop for the key findings.



Market volatility and complexity are making wealth management feel harder for clients

Forty percent of clients think that managing their wealth has become more complex over the last two years, while only 14% say it has gotten easier.

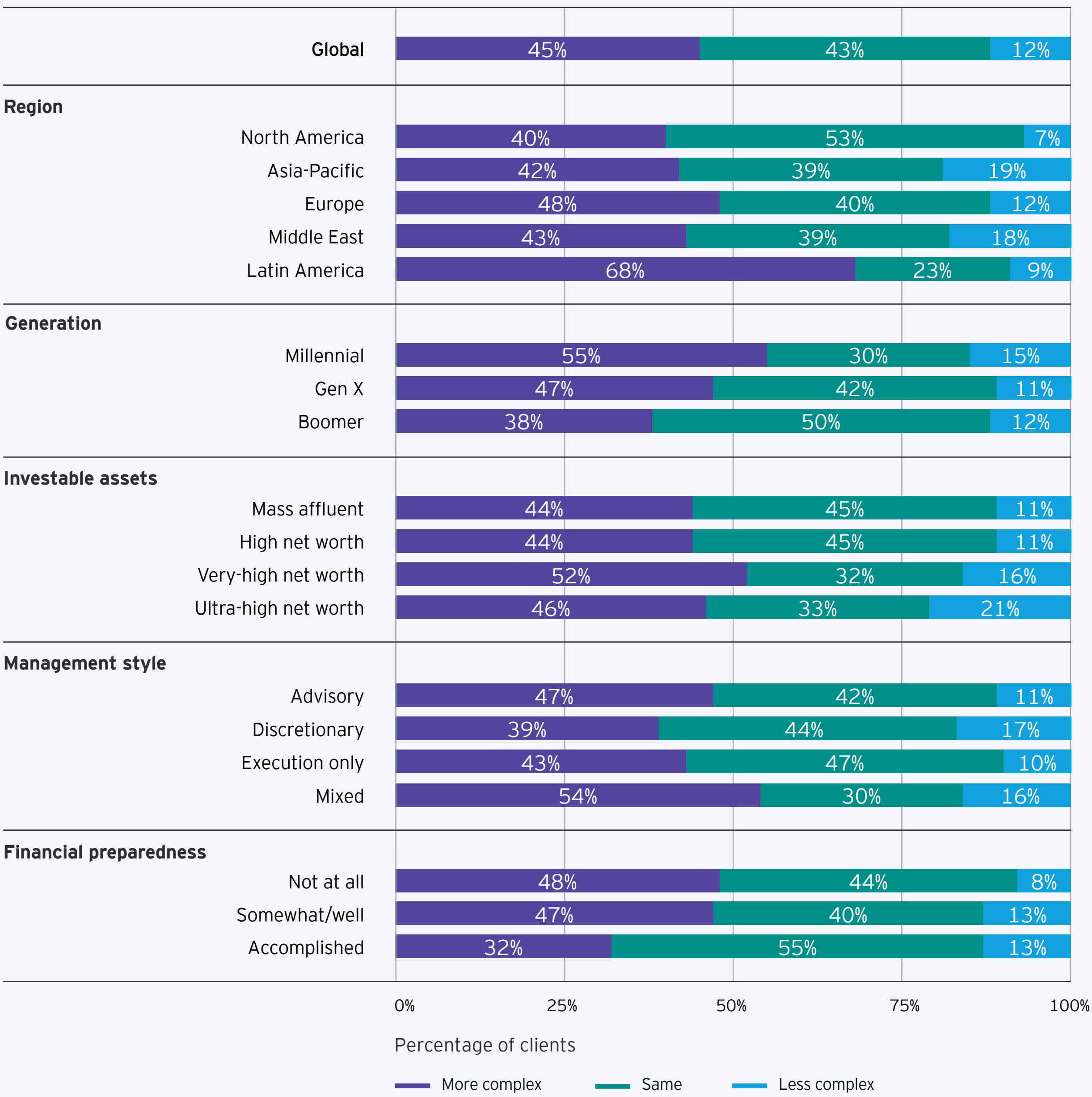
Complexity in the last two years



This sense of complexity is not only in response to the political and economic shocks of recent months. It also reflects the rise of new investment products such as digital assets and the growing availability of online and hybrid offerings and the increasing complexity of the wealth management industry itself as FinTechs and other new entrants expand, and incumbents adapt their business models.

Among clients who feel either unprepared or somewhat unprepared to meet their goals, a majority (57%) view market volatility as a reason for their lack of financial security. This rises to 69% among Boomers, who are more likely to have retired or are close to retirement.

Complexity around investing needs

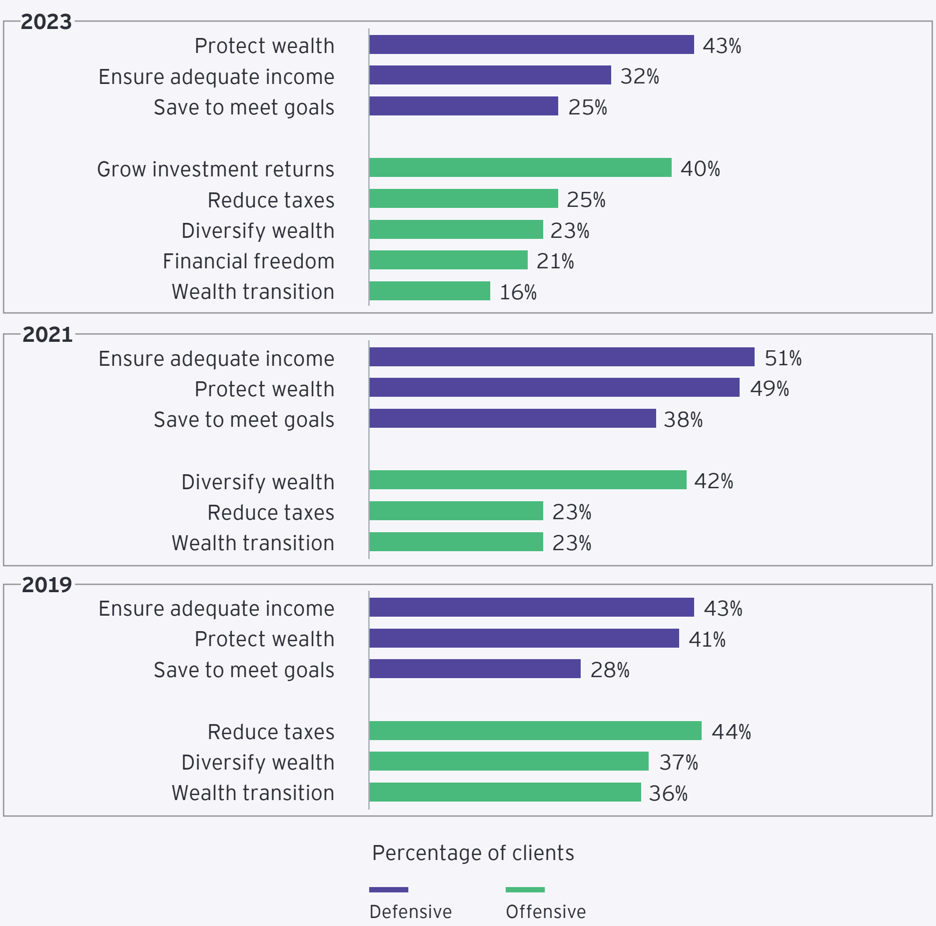


Investors’ financial goals remain defensive, but with less emphasis on purposeful financial legacies

The volatility and uncertainty of recent years have reinforced the defensive focus of wealth management clients’ financial goals.

Investors’ three leading goals are now protecting against inflation, strengthening investment returns and ensuring financial security. Over the past two years, there has been a 30% decrease in the importance placed on purposeful financial legacy goals, such as transition of wealth to family and charity.

Top financial goals



These are universal priorities, with limited variation between different age groups or levels of wealth. It’s also notable that clients’ need for protection and security is increasing their desire for expert advice on emerging threats to their portfolio — and on opportunities for recovery and growth.

Interaction preferences are evolving fast, with clients increasingly drawn to virtual channels

The research confirms that clients have a heightened appetite for advice at times of market volatility, but also highlights changing contact preferences.

When it comes to the type of interaction that clients want, there are key moments in their financial journey – such as opening a new account or creating financial plans – when face-to-face consultation with advisors remains highly valued.

However, the pandemic years have had a clear impact on client behavior, with appetite for virtual advisor interactions – including via video call – increasing dramatically over the past two years. In fact, virtual collaboration is now preferred for a number of key "in-flight" advisor interactions such as receiving financial advice and account management. Wealth managers need to ensure they can meet client expectations for increasingly frequent – and more virtual – interactions.

Satisfaction with traditional asset classes is high, but less apparent for newer investment types – encouraging clients to seek more advice

Overall levels of client satisfaction with traditional asset classes and strategies such as actively managed funds and passive investments are relatively high, despite the impact of recent market volatility.

In contrast, clients are less satisfied with more innovative asset classes, including digital assets and alternative investments such as private equity or real estate.

Self-directed investors, those drawn to FinTechs by their ability to deliver specialized services at relatively low cost, and investors with significant exposures to innovative asset classes, exhibit above-average appetite for more advice from their wealth management providers.

Clients looking for more advice

Current use of product(s) by clients

Types of services	Newer providers/ asset classes			Traditional providers/ asset classes								
	FinTech	Digital assets/ crypto trading platform	Alternative investment firm	Family office	Commercial or retail bank	Full-service institution	Private bank	Asset/ fund manager	Individual financial advisory firm	Brokerage firm/ platform	Annuity	Other
Investment services	72%	67%	63%	57%	54%	54%	52%	52%	52%	50%	48%	23%
Banking and insurance services	61%	57%	56%	53%	44%	46%	44%	43%	42%	38%	40%	24%
Financial planning services	68%	63%	59%	56%	53%	51%	52%	52%	50%	52%	49%	40%
Specialized services	65%	63%	59%	53%	52%	48%	50%	48%	48%	46%	44%	8%

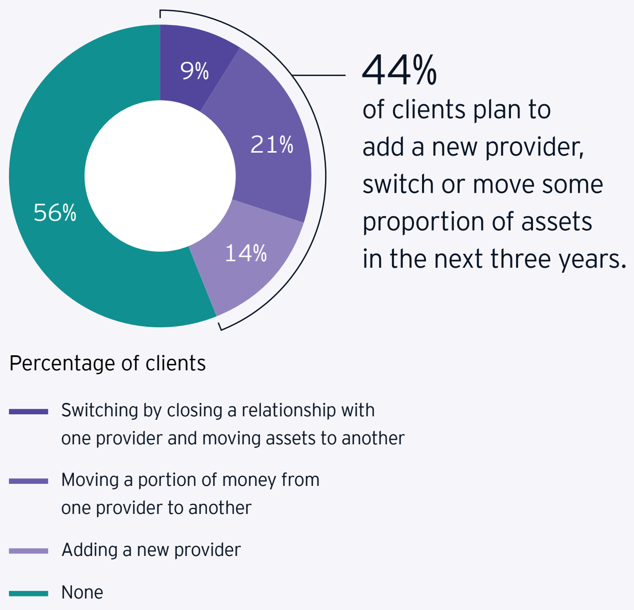
Percentage of clients looking for more advice in each type of services

Appetite to work with multiple providers remains high, especially among younger investors

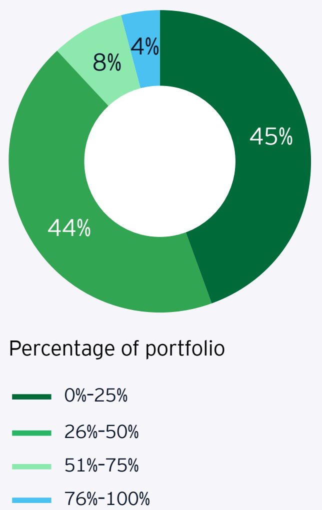
Despite their defensive goals, almost half of all clients (44%) plan to add a new provider (14%), move money to another provider (21%) or switch altogether (9%) over the next three years. As in prior years, North American clients are less likely to make some kind of switch than average (25%), but when they do move, they are likelier to transfer more than half of their portfolio compared to other regions. It is remarkable that a majority of clients are planning some sort of switching in Asia-Pacific (57%), the Middle East (59%) and Latin America (62%).

Overall, however, the dominant theme is not outright switching but an increasing desire to spread assets between multiple providers. The research shows an anticipated increase of 12% in the average number of providers that clients expect to work with over the next three years. In particular, Millennial investors are more than twice as likely to switch (73%) than Boomers (29%), with almost one in five expecting to add a new provider. They are also more likely to shift a larger slice of their assets.

Percentage of clients who plan to switch, move or add new providers in the next three years



Proportion of portfolio that clients are planning to switch or move in the next three years



Volatile markets make a behavioral lens important to understanding clients: are they "Maximizers" or "Satisficers?"

This year, we added a behavioral science approach to the research in order to emphasize the importance of psychological factors in economic decision-making.

By measuring behavioral traits, wealth managers can glean powerful insights into client motivations and preferences that are otherwise hidden in traditional segmentation models. As providers continue to seek opportunities to improve acquisition, engagement and retention, behavioral-based segmentation will increasingly drive new paradigms of personalization in the industry.

To measure client decision styles, we constructed a scale based on theories and research from the fields of behavioral science and personality psychology. According to the Nobel prize-winning social scientist Herbert Simon, people tend to make decisions by either Maximizing or Satisficing ("sufficing" plus "satisfying").

Maximizers are

55%

more likely to switch providers than Satisficers.

Maximizers exhaustively examine every available option before carefully choosing the highest utility choice. Satisficers tend to make decisions by choosing the first option that is "good enough" to meet their basic criteria.

The research found that 59% of wealth management clients worldwide are Maximizers, while 41% are Satisficers. Of particular interest highlighted in this report to providers, we found significant differences between how these two groups perceive complexity, their propensities to switch providers, and their preferences for engagement frequency.

The research found that Maximizers prefer monthly advice on their financial plans twice as much as Satisficers (28% vs. 14%). Additionally, Maximizers are 72% more likely to seek a new provider when faced with overload and 55% more likely to switch providers than Satisficers. Therefore, wealth managers should prioritize offering frequent advice to Maximizers and simplify their investment options and financial plans to reduce overload. Failure to do so could result in losing assets to another provider.

1 Navigating complexity

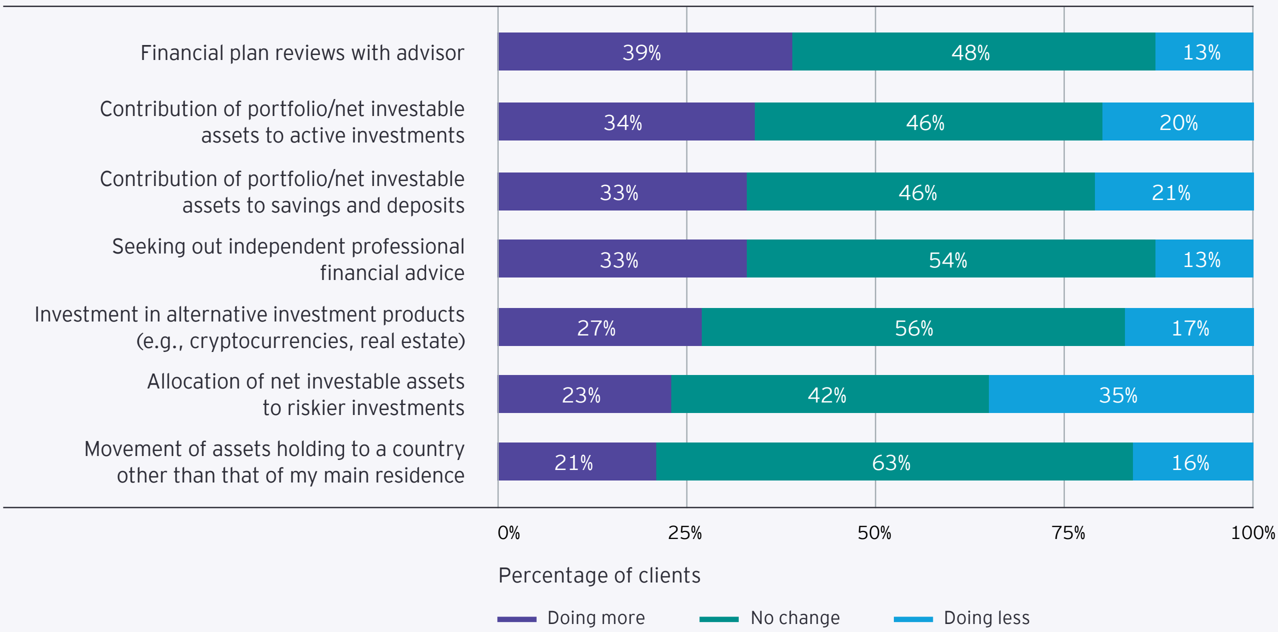
Product complexity and market volatility are increasing client appetite for stability and guidance. Clients need a trusted advisor in this ever-evolving landscape, and many plan to work with multiple providers to enhance and manage their expanded portfolios. Under growing pressure to "do more for less," there are opportunities for providers that can develop a strategic approach to helping clients navigate complexity.

Investors react to volatility and complexity in different ways. Understanding the nature of their responses is crucial to providing the right support.

The exceptional market swings of 2020–22, and the possibility of further adjustments, are having a clear impact on investing behavior:

- One-third of clients (34%) have taken a tactical approach to market volatility by increasing allocations to active investments. In the event of future volatility, even more clients (42%) would switch additional assets into active investment strategies. Asia-Pacific clients are far more likely (44%) than North American ones (20%) to take this approach during volatile markets. Ultra-high-net-worth (UHNW) (46%) and Millennial (50%) clients are more inclined than most to respond pursue active investments.
- In addition, another 33% of clients sought safety in the shape of savings and deposits. Millennials again showed above-average responsiveness, and were more likely to have de-risked (47%) than Gen X (34%) and Boomers (24%). Perhaps unsurprisingly, mass affluent clients were also more likely (36%) than all categories of high-net-worth (HNW) clients (an aggregate figure of 29%) to seek safety. If volatility continues, a greater proportion of clients (43%) would further increase their exposure to savings and deposits.

Actions taken by clients in the past couple of years in response to market volatility

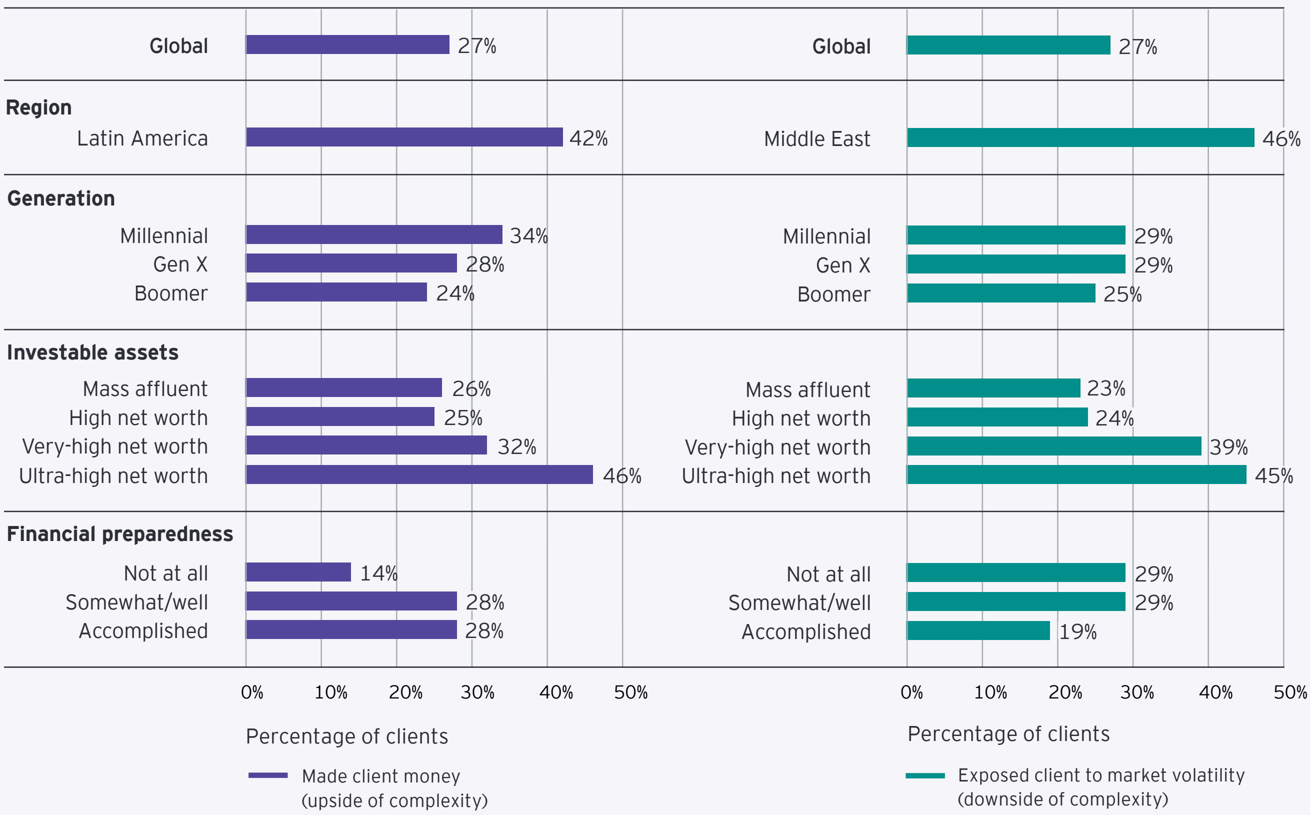


Wealth management clients have access to an increasing range of novel asset classes. Investor demand and the opening of private markets by regulators are democratizing private markets and other alternative assets including cryptocurrencies.[1] This growing complexity of the investment landscape presents unique challenges for different client demographics. Wealth management providers need to recognize the range of investor perspectives, behavioral traits, experiences and abilities. That will allow them to help clients navigate complexity by tailoring their advice and education, equipping clients with the support they need.

Clients are divided over the impact of growing product complexity:

- On one side, 27% say that the new range of options has made them money. Millennials, typically with a higher risk appetite, are more likely to report investment gains (34%) than Boomers (24%). Broader choice is empowering clients, too, helping 21% to invest more sustainably and 26% to feel more confident in attaining their financial goals.
- On the flipside, more than a quarter of clients (27%) see more investment options as exposing them to greater market volatility, rising to 46% among Middle Eastern investors. Meanwhile, 66% of clients do not believe that the increased investment choice is improving risk diversification, illuminating an opportunity for providers to shift their focus away from simply providing an abundance of options and toward creating more personalized solutions tailored to each client's specific needs.

The upside and downside of growing product complexity



[1] The future of Private Equity: embracing the "retail revolution"?

As mentioned earlier in the report, maximizers, who carefully weigh their choices before selecting the best option, found their investing needs to be more complex and tend to prefer more advice than Satisficers, who make decisions quickly by satisficing.

The increased complexity of investment options has an outsize impact on Maximizers, who have a tendency to suffer from decision paralysis. Maximizers exhibit a 72% greater likelihood to seek a new wealth provider than Satisficers when faced with overload. Advisors equipped with this behavioral client data will be in a position to develop more personalized models, allowing them to offer consistent advice that reduces Maximizers' decision paralysis by reminding them of their goals and priorities.

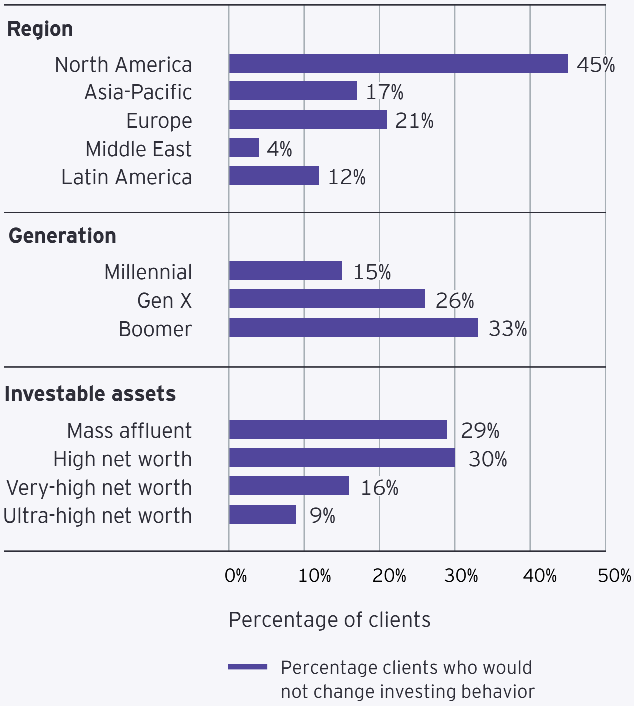
Worldwide, the overwhelming majority of clients (73%) change their investment approach in response to decreasing portfolio values. However, there are wide variations in loss aversion. While 45% of those in North America would resist making such a shift, that number falls to 12% in Latin America and to just 4% in the Middle East. Younger investors and wealthier groups are more responsive than the average, too – for example, only 9% of UHNW clients would not change their approach, compared with 29% of the mass affluent.

Maximizers exhibit a

72%

greater likelihood to seek a new wealth provider than Satisficers when faced with overload.

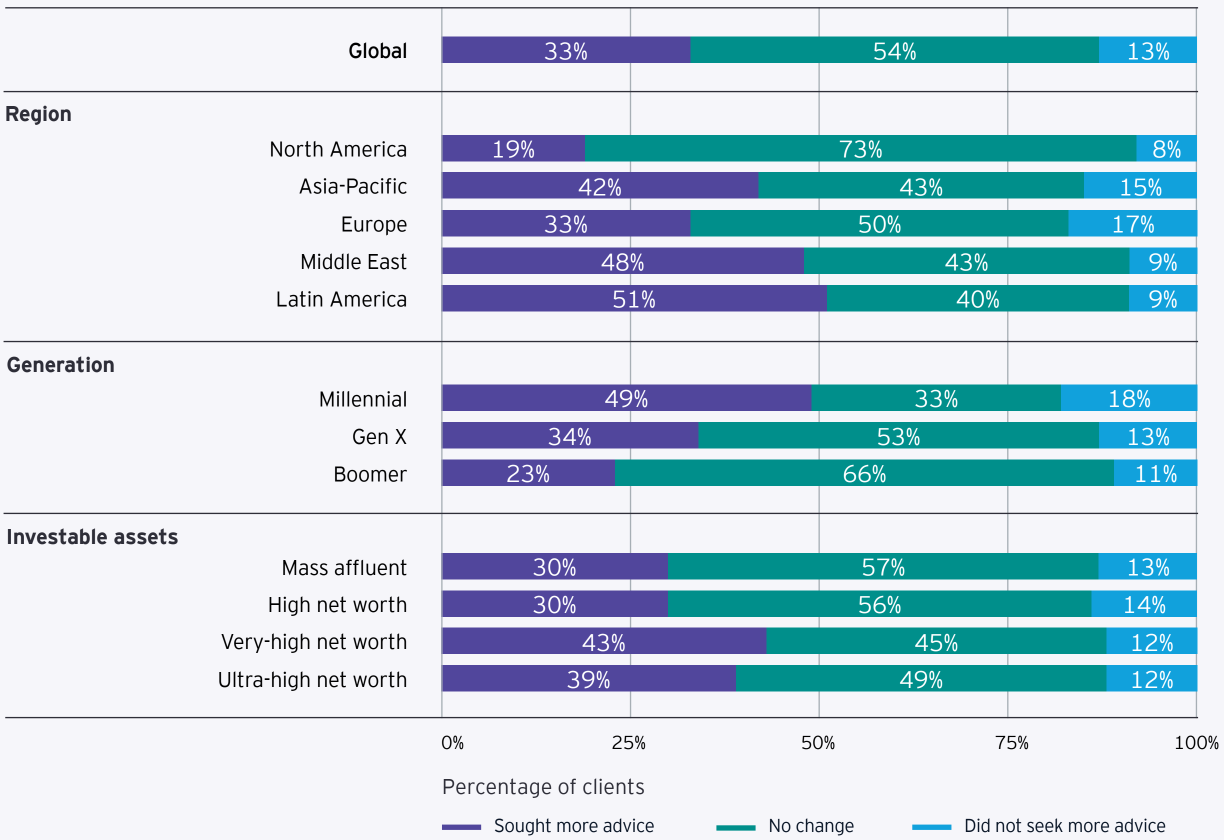
Clients who will not change investing behavior in response to decreasing portfolio values



Seeking more advice – including from new providers – is a key trend, and calls for a strategic response.

One-third (33%) of clients worldwide have sought additional advice in response to market volatility, though regional and demographic responses vary from just 19% in North America to 51% in Latin America, and from 23% among Boomers to 49% of Millennials.

Investors who sought additional advice in response to past market volatility



It is also striking to see the extent to which future volatility would trigger demand for advice – including from new providers. More than half of all clients (53%) will seek out independent professional financial advice in the face of future volatility. Appetite for a second opinion in this future scenario is especially high in the Middle East (77%), Latin America (64%) and among HNW clients.

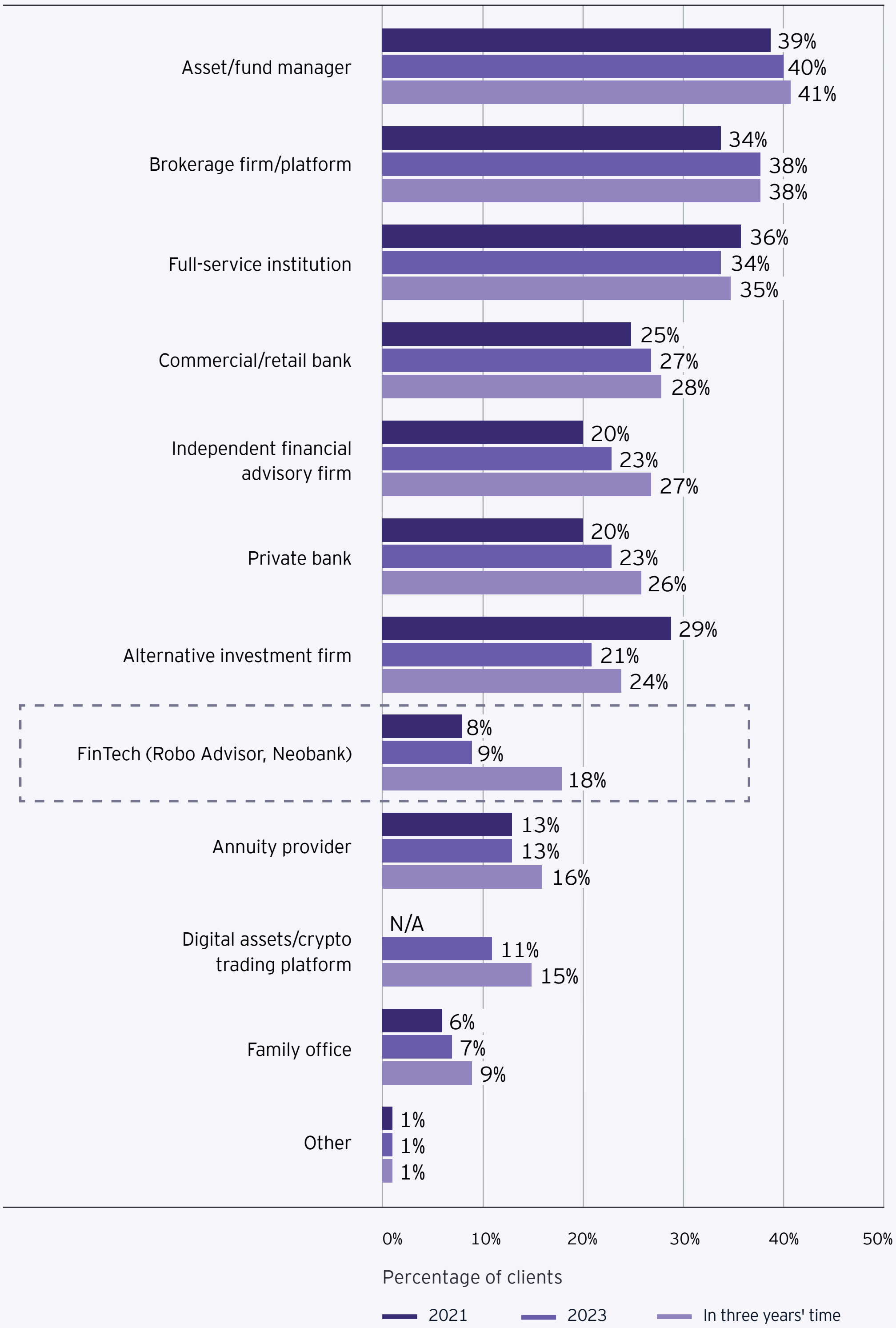
Far from encouraging consolidation, volatility and complexity seems to be encouraging clients to seek out more providers and support in order to access the capabilities they need. Globally, 28% of clients plan to work with more providers in three years' time, and the appetite for more providers is shared across every region, wealth bracket and age cohort. Those In Europe and Asia-Pacific (both 33%) and Middle East (39%) are particularly keen to add new advisor relationships. Millennials (36%), Gen X (34%) and UHNW (30%) also report an above-average desire to diversify their providers and spread their assets more widely.

These findings are both positive and negative for wealth managers, and could have far-reaching implications for the industry. There is a clear risk of declining wallet share, with greater client breadth of relationships tending to reduce revenue per client and squeeze profitability.

To differentiate themselves among multiple providers, many providers will need to change from offering a one-stop shop to becoming a seamless element within clients' wider investment environment, playing a focused role as platform, provider or orchestrator.

The good news is that every category of wealth firm will have opportunities to capture new clients, either as a primary provider or as secondary provider forming part of clients' wealth management ecosystems. Most notably, the number of clients working with FinTechs is expected to double from 9% to 18% over the next three years.

Use of wealth management providers in the past, present and future



Wealth managers have a valuable opportunity to help clients navigate complexity, but will need innovative thinking to overcome the associated operational challenges.

Clients have a strong desire to consult advisors with the expertise to interpret economic, market and political shocks. That is especially true for younger investors, the wealthiest clients, those less prepared to attain their financial goals and clients in Asia-Pacific, Latin America and the Middle East. This appetite for guidance and stability gives providers a valuable opportunity to reassure and inform clients more frequently — not only at moments that matter, but also proactively, helping clients to feel more secure when volatility strikes.

Volatility and market dynamics also give advisors the chance to review and update financial plans with their clients.

On average, 39% of clients have taken this step, although there were significant variations:

- Regional: North America (27%) vs. Latin America (65%)
- Generational: Millennials (50%) vs. Boomers (33%)
- Wealth level: UHNW (59%) vs. Mass Affluent (34%)

It is worth remembering that reviewing financial plans does not always lead to plans being changed. These are moments of opportunity for advisors to increase client engagement and reinforce the value of strategies in place. Worldwide, 62% of investors would review their financial plans in response to future volatility, with the percentage rising to 83% in the Middle East and 72% in Latin America.

These findings reinforce the growing importance of frequent connections that deliver client education over time. The greater the market disruption, the greater the need for clients to understand how volatility is affecting their wealth and how product choices can provide new and flexible ways to achieve financial goals. The need for education is greatest among Millennials and Mass Affluent clients, who typically perceive attaining their financial goals as a more daunting prospect than other investor groups.

Complexity is creating opportunities for wealth managers to help clients navigate uncertainty, but it poses operational challenges, too. On one hand, providers need to step up the quality, frequency, and availability of investor advice and education; on the other, clients' intentions to work with more advisors in the future mean that providers also need to reduce their costs to serve.

A failure to square this circle will see the benefits of client retention and acquisition rapidly eroded by falling levels of efficiency. As well as focusing on their own capabilities, providers should consider how they can work effectively with other specialists, playing different roles and delivering holistic wealth management as part of an ecosystem. In the next two chapters, we explore how providers can harness new tools and techniques to increase client empowerment, satisfaction and value.

2 Empowering clients

Personalized advice and engagement, especially at key milestones, is crucial to helping more clients fulfill their financial aspirations. For maximum effect, wealth managers should further enhance hybrid models, using innovative collaboration tools to leverage clients' growing appetite to mix in-person advice with virtual interactions and self-service capabilities. Frequent, consistent technology-enhanced interactions – including with product experts – will strengthen client empowerment and satisfaction.

Tech-enabled personalization – across discovery, onboarding, planning, investment management and account maintenance – is key to differentiation and client empowerment.

In the 2021 survey, we found that 49% of wealth management clients were willing to pay more for personalized products and services. The latest research shows that personalized engagement plays the most important role in client satisfaction.

Getting engagement right starts with initial client contact. Clients generally prefer to be contacted directly by an individual advisor but self-discovery and digital options remain important. A quarter of clients (24%) prefer not to be contacted, but among those open to provider outreach, a call or email from an individual advisor is most preferred. Furthermore, openness to digital marketing (25%) is growing and is relatively high in Asia-Pacific (34%), Europe (32%) and among Millennial clients (39%). It's also striking that a third of Millennials are almost twice as happy (36%) to use third-party advisor-matching services (e.g., SmartAsset, Zoe) as the average client (19%).

Preferred methods to be contacted by a new wealth management provider

	Call or email from advisor	Call or email from provider	Direct mail	Digital marketing	Advisor matching service provider
Global	37%	31%	20%	25%	19%
Region					
North America	39%	27%	19%	9%	8%
Asia-Pacific	33%	32%	22%	34%	25%
Europe	40%	34%	22%	32%	25%
Middle East	36%	26%	12%	22%	14%
Latin America	37%	29%	19%	27%	22%
Generation					
Millennial	42%	39%	24%	39%	36%
Gen X	37%	31%	18%	27%	20%
Boomer	35%	26%	21%	15%	10%
Investable assets					
Mass affluent	36%	31%	19%	22%	16%
High net worth	38%	31%	21%	23%	20%
Very-high net worth	37%	29%	21%	32%	20%
Ultra-high net worth	35%	22%	24%	32%	18%
Management style					
Advisory	38%	29%	18%	21%	14%
Discretionary	38%	28%	22%	28%	20%
Execution only	35%	30%	20%	20%	16%
Mixed	42%	39%	26%	36%	33%
Financial preparedness					
Not at all	39%	23%	23%	31%	13%
Somewhat/well	38%	32%	20%	26%	21%
Accomplished	32%	22%	21%	14%	12%

Percentage of clients

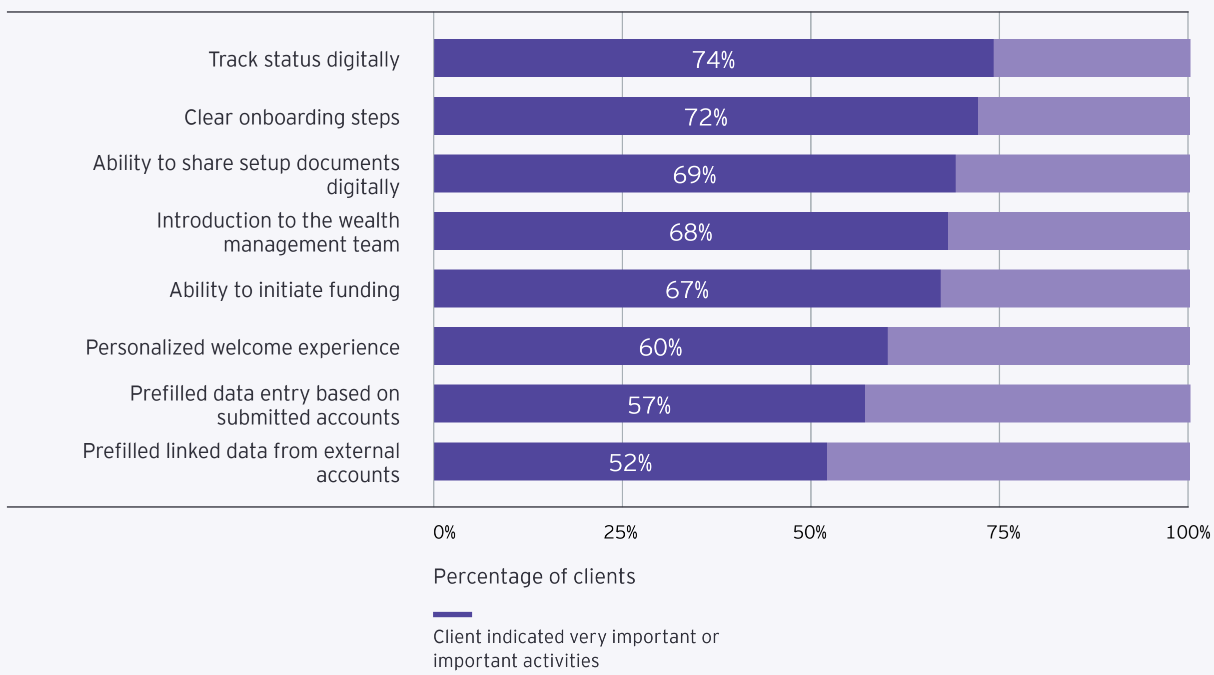
Note: respondents could select all methods that applied.

A clear digitally-led onboarding experience is important for all clients, but human support is critical, too. Clients value a clear and easy onboarding process, including the ability to track their account status digitally, clear onboarding steps and the ability to share account setup documents digitally. However, personal contact is vital, too. To fully personalize the onboarding experience, wealth managers should consider both making introductions to members of the advisory team and personalized welcome messages.

24%

Nearly a quarter of clients (24%) prefer not to be contacted, but among those open to provider outreach, a call or email from an individual advisor is most preferred.

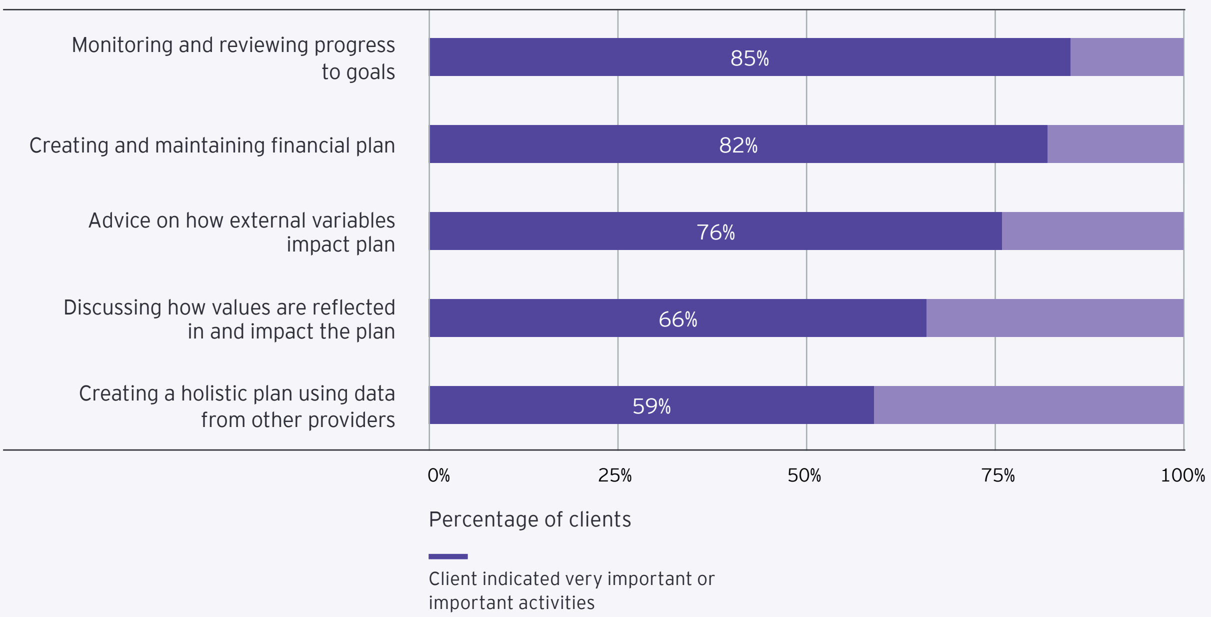
Account opening activities most important to clients



Moving forward, clients value personal advice at key stages in the financial planning cycle. The three most important milestones are seen as monitoring the progress of the plan; creating a financial plan to achieve desired goals; and taking advice on how external variables may affect the plan. Providers should therefore consider how to capitalize on client preferences during these key stages of the planning process and ensure they are able to systematically provide a differentiating value in every interaction.

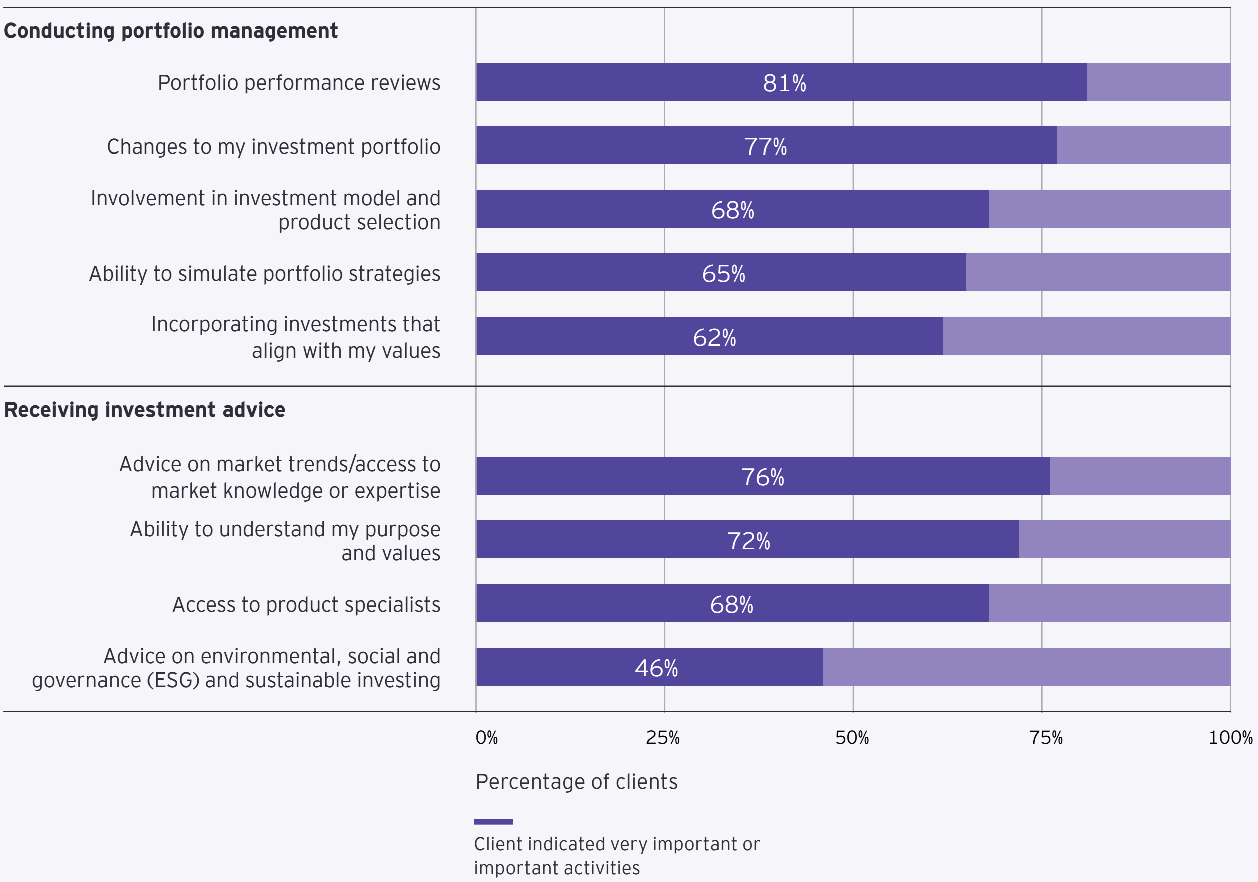
That could include providing ready access to an advisor, briefing clients on current events affecting markets, or making scenario modeling available to apply "what if" analyses to client portfolios — after all, 65% of clients value the ability to simulate portfolio strategies. This and other forward-looking insights will encourage proactive client interactions and enhance the quality of advice. As they move into portfolio construction, 72% of clients also highlight the importance of advisors using a good understanding of their goals and values to inform product selection.

Financial activities most important to clients



Clients also want to receive more investment advice when making portfolio choices and receiving financial guidance. That is especially true for younger clients and those who feel unprepared to meet their goals. As expected, Maximizers have a significantly higher propensity to seek advice across banking and insurance (72% higher), planning services (30% higher) and specialized services (30% higher) compared with their Satisficing counterparts.

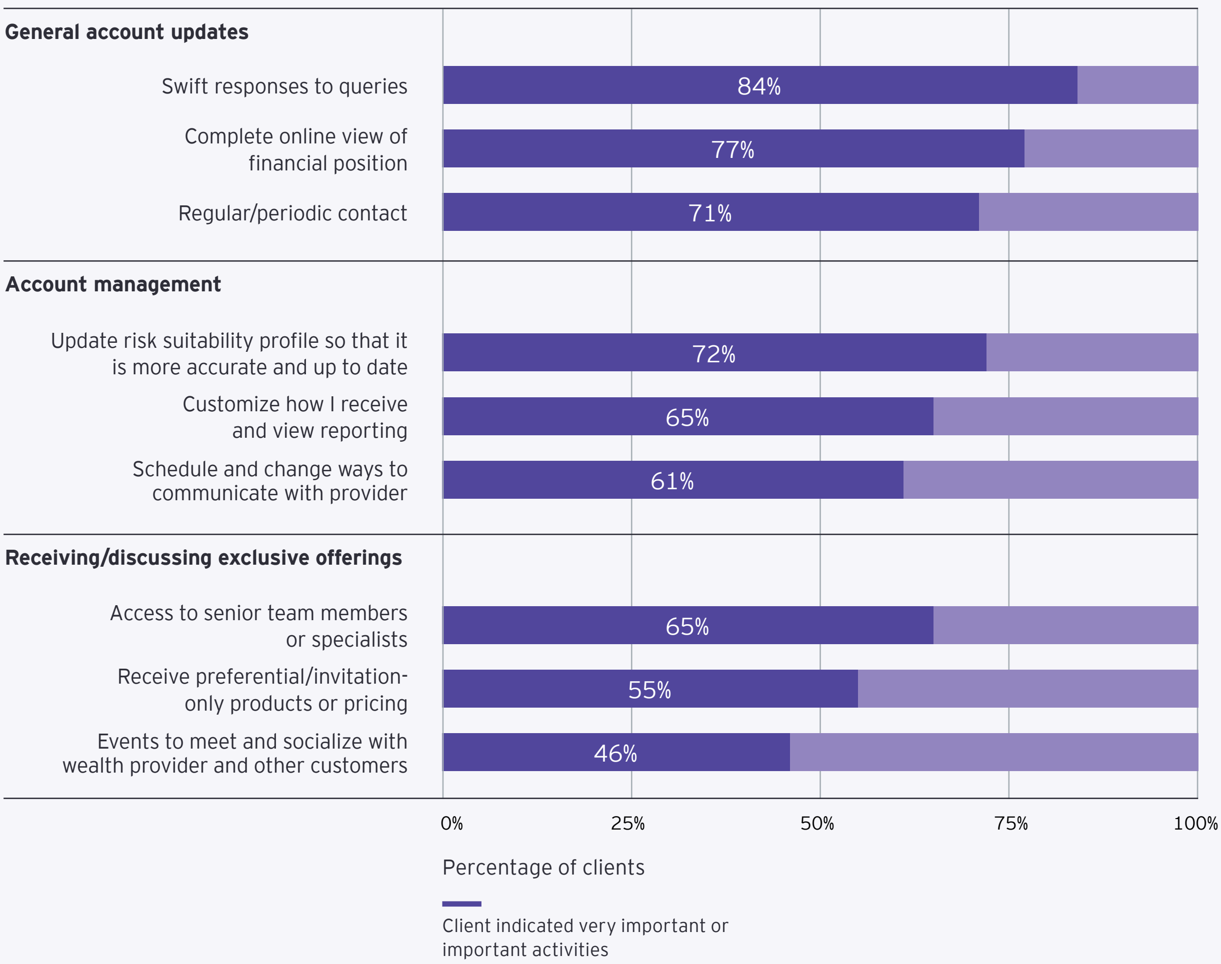
Investment management activities most important to clients



Finally, when managing their account, investors want a complete online view of their financial position (77% felt it was important). They also want to be able customize how they receive and view reporting (65%) — a finding that underscores the importance of providing personalized reporting experiences that put clients in control of engagement. Personalizing performance review processes are essential, too, as most clients (81%) believe it is very important for their advice provider to offer some type of portfolio performance review capability.

Technology has a crucial role to play in making client connections more meaningful, equipping advisors with the insights they need to enable greater personalization. For example, AI could be used to generate more timely and accurate insights for portfolio managers, making advisor interactions more proactive and specific. These kinds of capabilities are key to leveraging the power of rapid innovation while keeping human contact at the heart of client experiences.

Ongoing account management and maintenance activities most important to clients



Enhanced multi-channel models harnessing innovative digital collaboration tools can deliver frequent, flexible advisor interactions – meeting client needs at a sustainable cost.

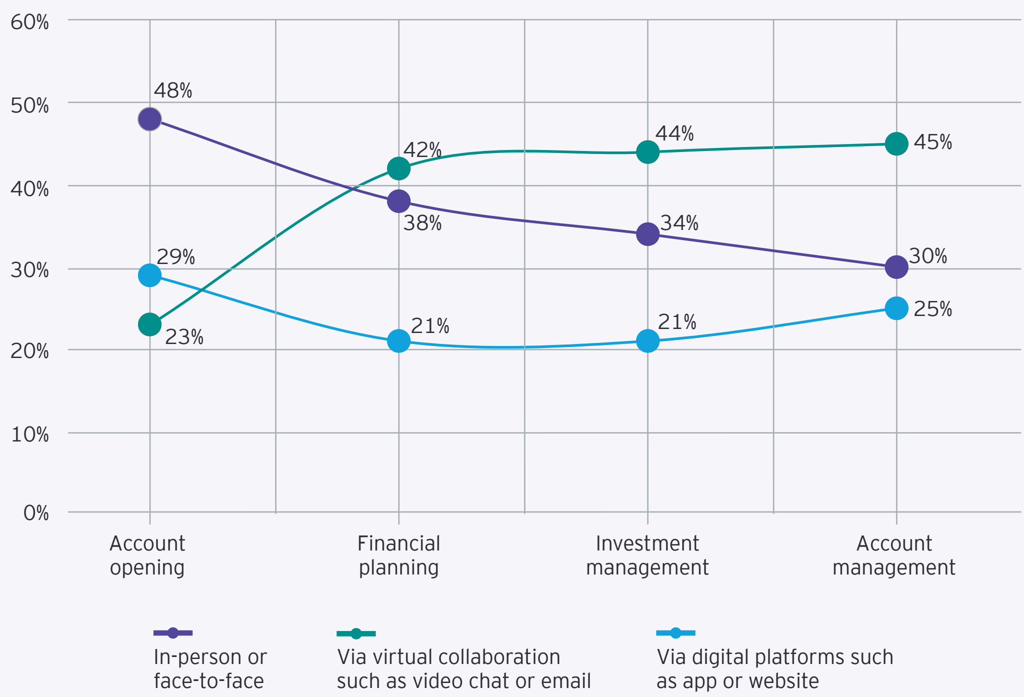
Client appetite for virtual meetings with advisors has been transformed by the pandemic and the rapid evolution of social media. In the 2021 survey, just 12% of clients identified virtual consultations as their preferred channel for advice. This figure now stands at 46%, creating a valuable opportunity for wealth managers to build on existing use of chat apps and video calls to provide the human touch remotely – and at lower cost.

At the same time, advisor accessibility and responsiveness remain essential to clients. The majority (71%) want regular or periodic contact from their advisor, and 84% value swift responses to their inquiries. For instance, 48% of clients expect the option to conduct financial planning with their wealth manager at least once a year and 30% would prefer to be contacted every three months. Millennials, self-directed clients, and those exposed to digital or alternative assets are most likely to value frequent interactions.

These results are indicative of the overall trend for clients to want to control how and when their wealth manager interacts with them. Collaborative multichannel models that balance in-person, virtual and digital experiences through shared resources make it easier to reach individual clients in personalized ways – while helping providers control the costs to serve. Providers that cannot track, manage and enable omni-channel experiences and interactions will risk losing client relationships.

At key points, the use of virtual collaboration tools will help to offer good advisor availability, enabling providers to seamlessly integrate remote interactions with face-to-face meetings. That takes advantage of clients' growing desire to initiate action and their increasing willingness to use digital and virtual channels for in-flight interactions – such as reviewing financial plans with an advisor, or asking questions about the impact of market volatility – while preserving the option to see someone in person when desired.

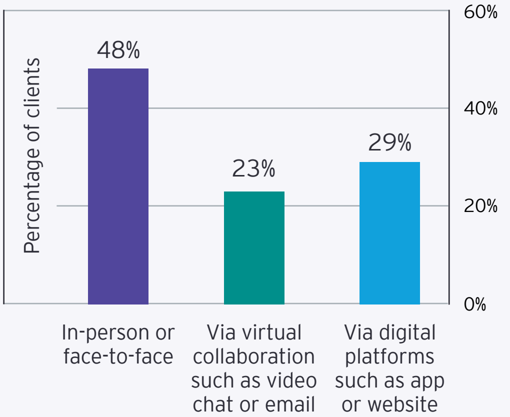
Preferred methods of interaction during each investment lifecycle



The growing importance of leveraging technology to provide virtual interactions alongside human advice is further illustrated by a number of specific findings, including:

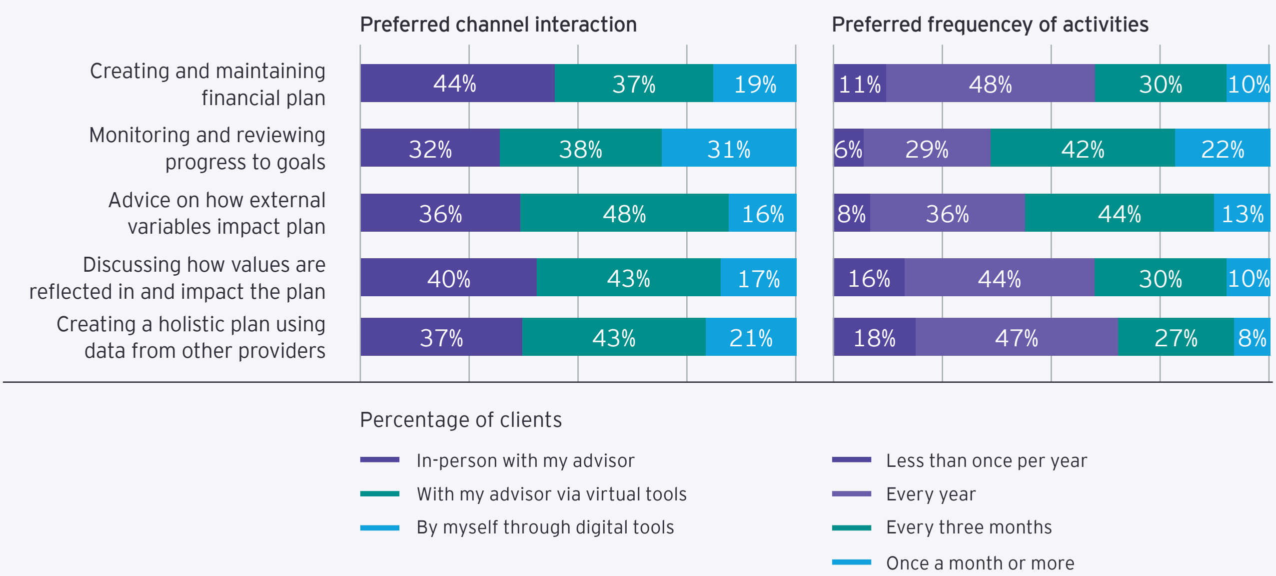
- Virtual advice is less effective during onboarding, when clients seem to prefer fully in-person or fully digital, self-directed, processes. When opening an account, 48% of clients prefer to do so in-person and – unsurprisingly – this is higher among those who primarily use advisory investment management (59%) or discretionary investment management (56%) styles.

Preferred engagement channel during account opening



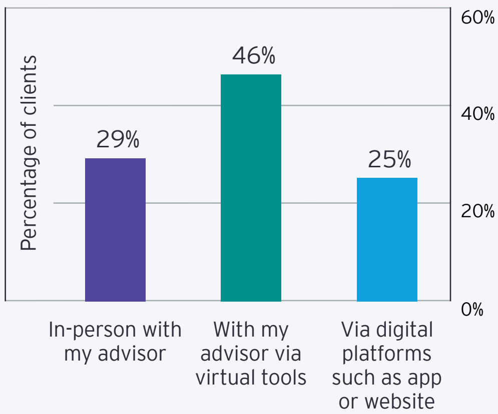
- When building or maintaining their financial plan, the bulk of clients prefer human support, either via in-person interactions (44%) or by connecting with their advisor virtually (37%). The remaining one in five clients would choose a fully digital experience, if possible.
- When it comes to receiving advice on the impact of external variables such as market conditions or retirement contributions on their financial plan, the strongest client preference is for interactions using virtual collaboration tools (48%).

Preferred engagement channel and frequency for financial planning activities



- Virtual advisor interactions enabled by phone or video are the channel of choice for most investment advice activities. It is striking that advisory (52%) and discretionary (57%) clients show the strongest preferences for advisor-led virtual interactions.

Preferred engagement channel for investment management and advice



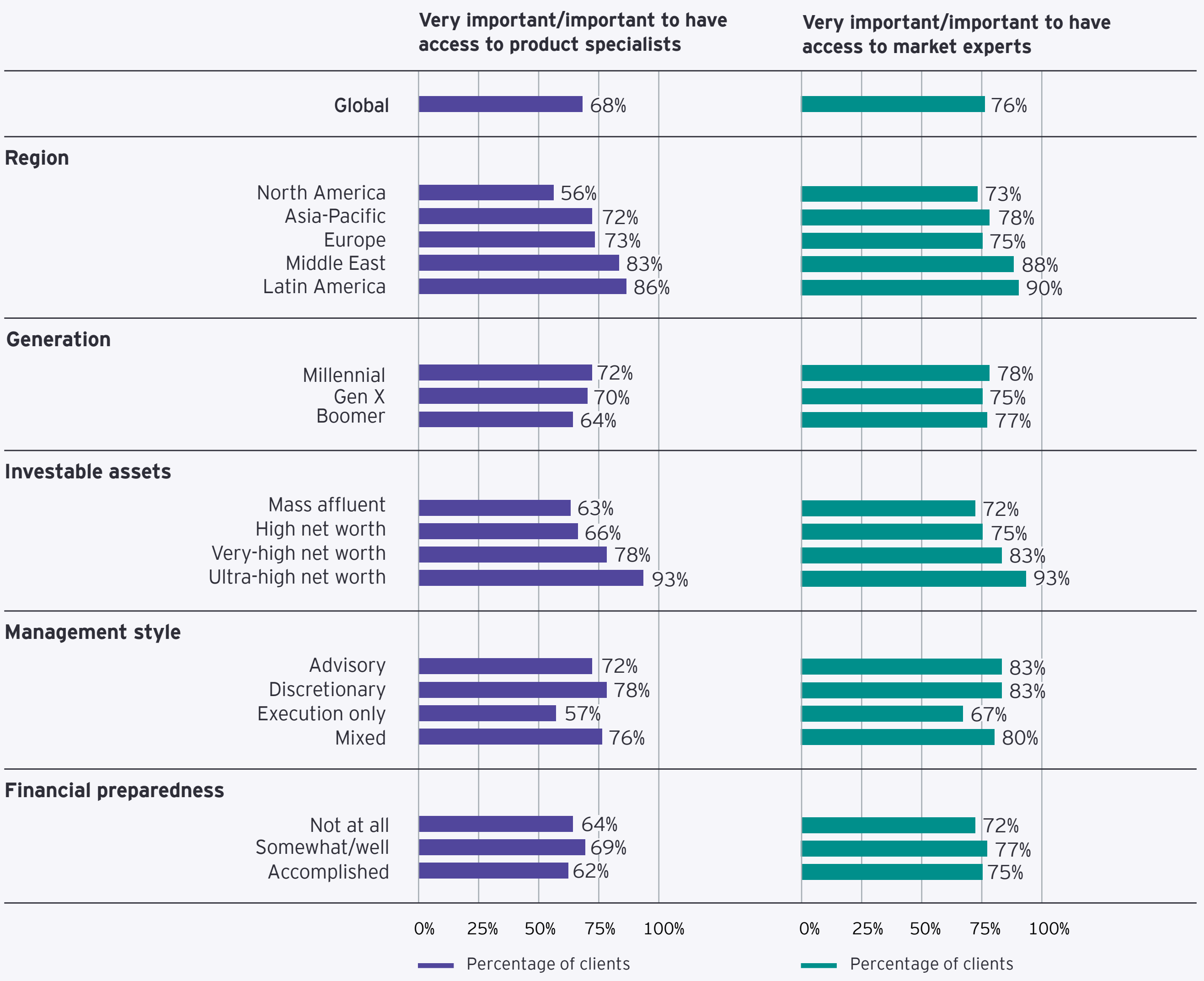
Lastly, it is important that wealth management providers are thoughtfully considering when and where are the best places to more proactively provide access to human support throughout the client's financial journey. Despite the potential to leverage rapid evolution in Web 3, the metaverse and artificial intelligence (AI), advisors should sit at the heart of digital transformation.

That includes making relationship managers available virtually, and equipping advisors with the tools, training and incentives to provide more proactive, contextual interactions. Incorporating innovative technology into digital collaboration tools will enable advisors to provide more personalized engagement, increasing the value of client facetime.

Greater interactivity, along with enhanced expert support, can further improve client satisfaction and empowerment.

Clients face growing product complexity and are less satisfied with product performance than with other elements of wealth offerings (see Chapter 3). Enhanced hybrid advice models must integrate specialized guidance into in-person, digital and virtual channels to create holistic, high-quality support. A large majority of clients (76%) value access to market experts — such as industry analysts or teams focused on macro-economic research — when taking advice at key planning milestones, and 72% want advisors to have a good understanding of their goals and values to inform product selection. Making product specialists accessible to clients across a range of channels — something that 68% of clients view as important when discussing investments — will help to increase personalization, strengthening engagement and client satisfaction.

Clients indicate that it's very important to have access to different types of specialists



The need for enhanced investor education around product complexity, especially for younger, less wealthy and less well-prepared clients, gives providers an additional satisfaction lever to pull. Digital collaboration tools that help advisors or product specialists to explain complex concepts to clients — either in-person or as part of virtual interactions — will allow providers to maximize the impact of hybrid models. For example, these tools could provide graphic illustrations of risk or simulations of long-term performance, helping advisors to walk through their projections and making clients more comfortable with new products.

The value that clients place on having access to the right expertise underlines that wealth managers not only need to personalize their engagement and make advisors available both virtually and in-person. Providers also need to ensure that clients can contact the right person at the right moment — whether that is an advisor or a specialist, such as an insurance broker, a tax expert, a certified financial planner or a political analyst. Access to expertise is an important element of empowerment, making clients feel confident about meeting their goals.

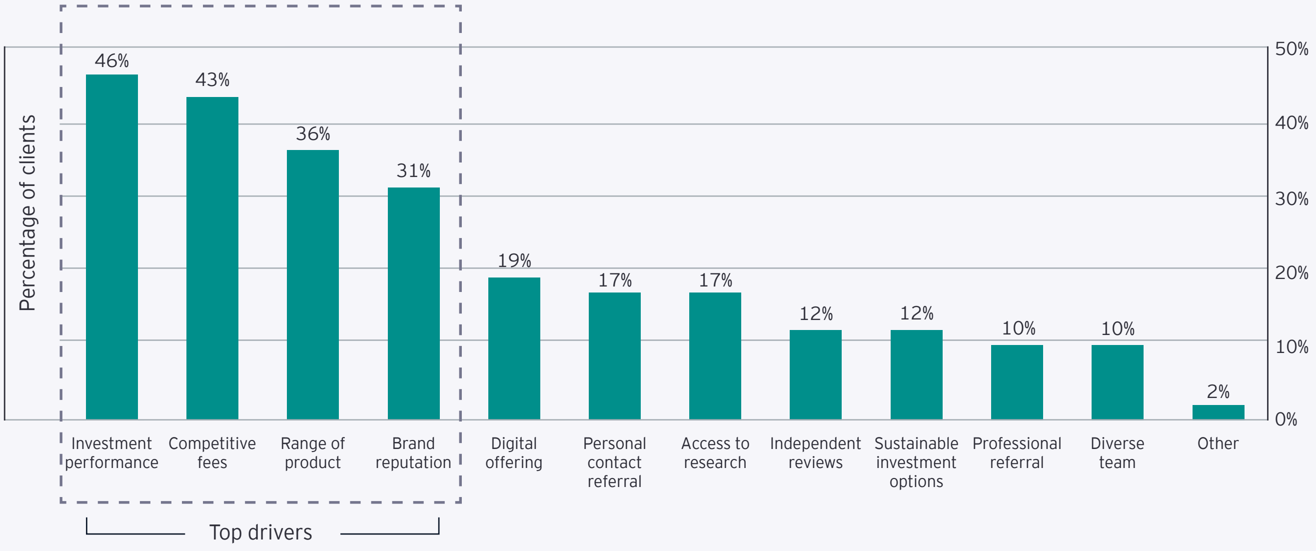
3 Delivering value

Better product deployment and education, greater client involvement, enhanced tax advice, a strong understanding of investors' values, and clarity over costs and charges all have a role to play in delivering greater client satisfaction, trust and value.

Performance, fees, product access and brand are the primary drivers of manager selection.

A strong track record of performance, a competitive fee structure, a wide range of investment products and services and brand reputation are clients' leading drivers of wealth manager selection. For younger investors, a strong digital offering (such as a well-designed digital platform or the ability to transact online) is also a key driver, while UHNW clients and Maximizers value access to investment research highly. Maximizers are also 50% more likely than Satisficers to value sustainable investment options, underscoring the value of behavior-focused personalization in the design of wealth management offerings.

What matters most when selecting a wealth manager



There is an opportunity for greater specialization and personalization to improve satisfaction with product performance — especially for newer asset classes.

Investment performance is the leading driver of manager choice selection (46%), and clients who plan to switch providers or add a new relationship cite performance as their leading motivator. Even so, many clients see room for improvement when it comes to product performance.

It is encouraging to see that, despite recent market volatility, clients are relatively satisfied with the performance of core investment products such as actively managed funds (68%) and passive funds like exchange-traded funds (ETFs) or index trackers (57%); these results hold true across all distribution channels. In contrast, there is a clear opportunity to improve satisfaction with "newer" asset classes, including alternatives such as hedge funds or private equity; digital assets like cryptocurrencies or non-fungible tokens (NFTs); and ESG investments.

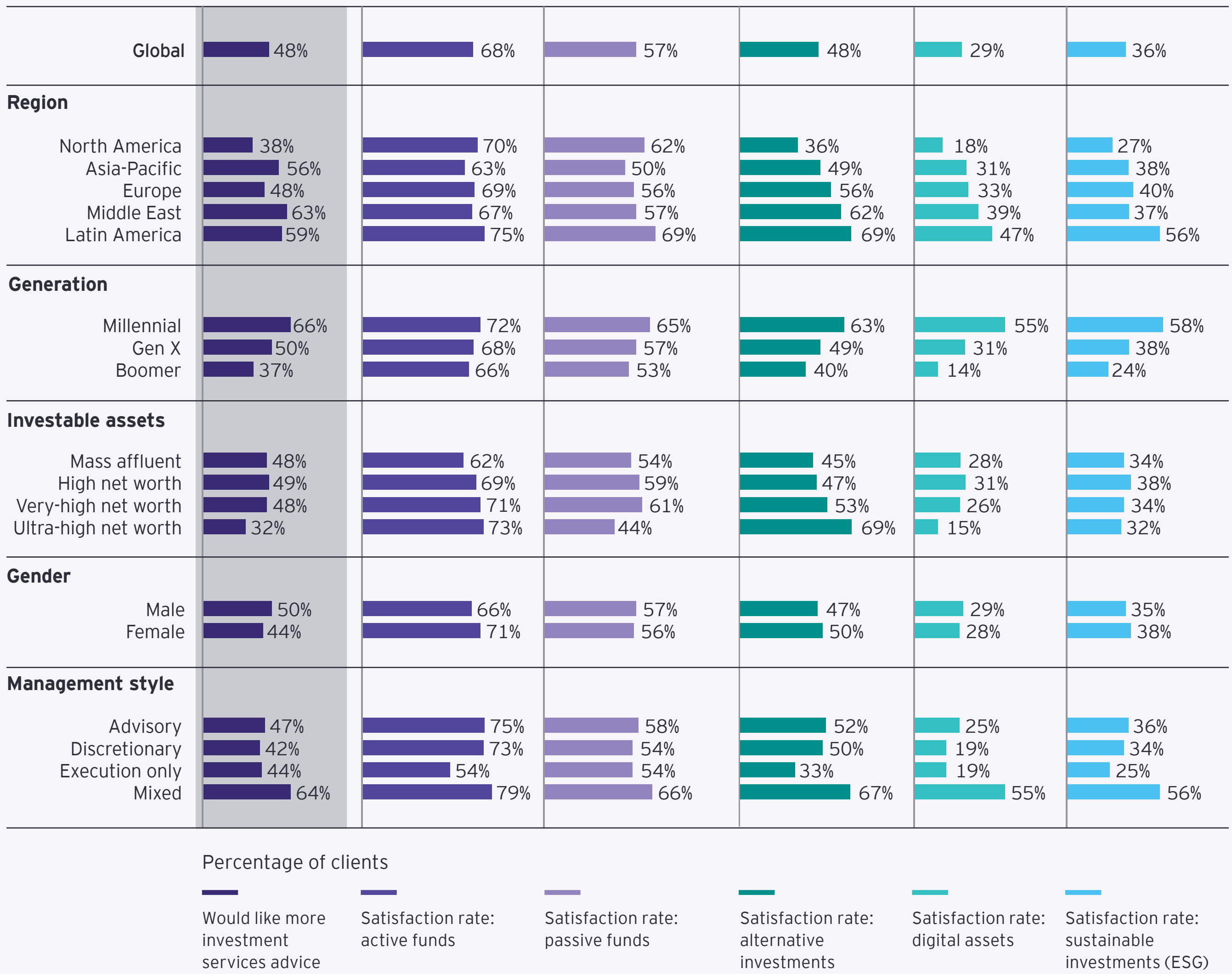
- **Alternatives**: Despite the continuing popularity of the asset class, and the outperformance of many alternative assets versus volatile public markets, only 48% of clients are satisfied with alternative product performance — although this increases in the Middle East (62%) and Latin America (69%), and among UHNW clients (69%) and Millennials (63%). Alternatives are already a mainstay of asset allocation for many UHNW and very-high-net-worth (VHNW) investors, and are increasingly in demand from HNW and mass affluent investors seeking diversification and long-term yields. Wealth managers seeking to capitalize on this opportunity could partner with external asset managers and fund providers specializing in creating secondary market liquidity, giving clients access to buy and sell private assets previously restricted to institutional investors and the very wealthy.
- **Digital assets**: Millennials are three times more likely to use a digital wallet than older generations, and twice as likely to buy alternative assets in response to market volatility. Millennials (55%) and clients with digital wallets (61%) are also far more likely to be satisfied with the performance of digital assets than the average wealth management client (29%), implying a greater level of comfort with digital-first financial products among younger clients. This suggests that emerging innovations such as the fractionalization of financial securities and the tokenization of physical assets or legal titles may be more attractive to Millennials and emerging Gen Z clients. Adding fractional investments to product offerings could help providers to increase recruitment and satisfaction among younger investors.
- **ESG investments**: Nearly one in two clients (46%) believe advice on ESG and sustainable investing is important, with stronger views in Latin America, EMEIA and Asia-Pacific. Millennials are also twice as likely as Gen X or Boomers to select a wealth manager based on their range of sustainable investments.

  In response, wealth managers are embedding ESG criteria into plan strategies, investment management, benchmarks and reporting across all asset classes. Implementation techniques include portfolio weightings, socially responsible funds, separately managed accounts and impact funds.

  Despite these achievements, average levels of satisfaction with ESG investment performance stand at just 36%. The relative underperformance of many ESG investments in 2022, due to heavy tech exposure and limited investments in energy and mining, may be a factor. Even so, there is a clear opportunity to boost satisfaction by aligning products with client values — especially among younger investors. Tailored reporting on sustainability and stewardship, customization, transparency and accountability are crucial. Applying smart analytic techniques to the screening of complex or contradictory disclosures could be a potential differentiator.

Percentage of clients

- Looking for more advice in investment services
- Client satisfaction rate for each investment services product



Overall, clients who primarily rely on professional investment management (whether advisory or discretionary) tend to be more satisfied with performance than self-directed investors. Interestingly, clients who balance professional services with self-directed investing show the highest average satisfaction with product performance.

This points to the potential value of a co-development approach that involves both advisor and client in portfolio management — cultivating a mutual discovery of client goals and leading to joint involvement in planning.

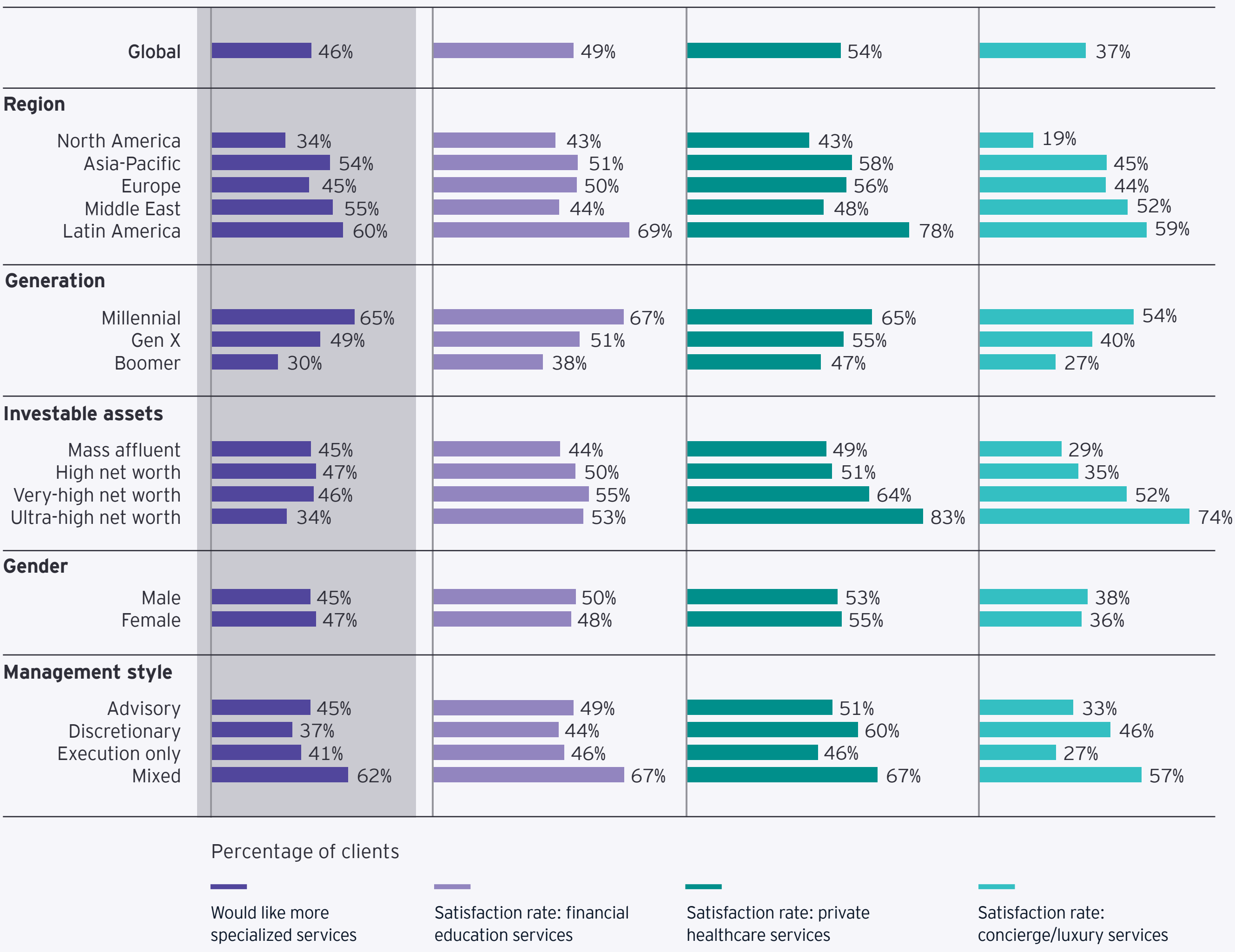
Clients want transparent investment approaches, tailored to their needs, that achieve their long-term performance objectives; generic strategies with the promise of relative performance are not enough.

Data and technology can support this process by establishing a detailed, evolving picture of investors' preferences and behaviors. Automating product and service recommendations can also save time on research; for instance, AI can use historical data to predict which products are most likely to suit a particular client. Building portfolio construction, and market simulation tools for "smart investors" willing to invest side-by-side with professional investors should also be a point of interest for providers moving forward.

Beyond the investment space, client satisfaction with protection and banking products is relatively high, although foreign exchange services — with a satisfaction level of 47% — are one notable exception. Client adoption and satisfaction are also relatively low when it comes to other specialized services offered by wealth managers — including financial education and training (49% of clients satisfied, unused by 24%) and concierge or luxury services (37% satisfied, unused by 38%).

Percentage of clients

- Looking for more advice in specialized services
- Client satisfaction rate for each specialized service product



There is a growing opportunity to help wealthy clients and their families navigate the increasing complexity of tax and succession planning.

84%

of clients view wealth transfer planning as equally or more complex than two years ago.

It is not only market volatility and product innovation that are making wealth management more complex for clients. The tax environment is growing more complicated, too, as wealthy families lead increasingly mobile, cross-border lives involving multiple generations and jurisdictions. Clients' appetite for actionable advice on the tax liabilities of their global footprint is increasing. Reducing taxes, including inheritance taxes is a primary financial goal for one in four investors, and proportionally for VHNW and UHNW clients this is even higher. Wealth managers have an opportunity to help clients navigate tax complexity. This includes using digital tools to construct an aggregate family-wide view of tax liabilities and obligations across all relevant jurisdictions, as well as having systems in place to identify and manage tax changes and their implications.

Succession planning represents another opportunity for wealth managers. The topic is often thought of, but typically only comes into focus in response to life events, external crises, or shifts in the political landscape. The global pandemic has made many family principals think more about succession planning and wealth transition; 84% of clients view wealth transfer planning as equally or more complex than two years ago. To capitalize, advisors should help wealthy families to establish procedures that avoid conflict; set a roadmap for wealth transition; and create a framework for decision-making. This generally involves trusts, private trust companies and foundations offered in various jurisdictions.

Client satisfaction with planning services is relatively strong: estate planning (60%), retirement planning (67%) and tax planning (61%) all reflect favorable results. However, only two in every five clients feel that advisors have provided the right level of planning advice to them (44%). This is a significant opportunity; the research shows that 50% of clients would benefit from more advice in areas like estate planning, trust administration, retirement planning or tax planning. Tax and succession planning provide an emergent opportunity for wealth managers to reinforce and grow client relationships, building satisfaction and value; only 28% of clients believe their advisor has engaged their children or family adequately in planning activities, and only 27% of clients' children believe that their needs are heard and met by their families current wealth provider.

Percentage of clients

- Looking for more advice in financial planning services
- Client satisfaction rate for each financial planning service product

	Would like more financial planning services	Satisfaction rate: estate planning	Satisfaction rate: retirement planning	Satisfaction rate: tax planning
Global	50%	60%	67%	61%
Region				
North America	45%	58%	76%	61%
Asia-Pacific	53%	58%	59%	58%
Europe	49%	61%	63%	61%
Middle East	65%	70%	68%	60%
Latin America	56%	77%	81%	69%
Generation				
Millennial	62%	70%	65%	60%
Gen X	55%	54%	61%	59%
Boomer	38%	61%	74%	62%
Investable assets				
Mass affluent	50%	49%	57%	53%
High net worth	53%	60%	69%	59%
Very-high net worth	46%	75%	77%	73%
Ultra-high net worth	27%	83%	84%	86%
Gender				
Male	50%	60%	65%	61%
Female	50%	61%	71%	60%
Management style				
Advisory	45%	66%	75%	67%
Discretionary	43%	70%	77%	68%
Execution only	51%	46%	55%	50%
Mixed	63%	74%	71%	69%

Percentage of clients

Better client support, customization, education and involvement will strengthen the links between products, performance and outcomes – boosting client ownership and satisfaction.

As they look to strengthen client satisfaction with their full range of products and services, the research suggests that wealth managers can optimize their performance by:

Playing to their strengths

One in two clients indicate a desire for more investment services and more planning services. This, alongside the relatively high satisfaction levels of clients who use advisory, discretionary and mixed approaches to investment management, implies that many providers may have an opportunity to leverage their investment advisory skills further – especially amid the complexities arising from current political and economic volatility. Similarly, with Maximizers 59% more likely to value access to customized investment research, providers should invest in ways to bring forward proactive investing tools and educational materials that help to highlight their investment expertise and better inform clients on market trends. More nuanced, behavior-based segmentation models can also help to define personalized strategies for each client.

Stepping up product education

Financial education tools can support personalization and boost satisfaction, as well as attracting Millennial and Gen Z clients. Providers should ensure that educating investors about the key features of different asset classes helps them to better understand risk diversification, asset correlation and how to better align their investments and desired financial returns with specific life goals. Interactive education and gamification delivered via a combination of personal and digital channels can help to inform clients of their options without creating regulatory concerns.

At present only half of clients indicate satisfaction with the financial education and training they receive. Millennial and less advantaged clients have the greatest appetite for education. However, providers should also do all they can to help HNW, Gen X and Boomer clients harness alternative assets, sustainable investments, and other emerging products. Looking forward, building client knowledge around personal finance and investing could help providers to capture Gen Z clients.

Enabling client involvement

Clients want to be involved in portfolio construction and investment management, with 68% saying it is very important to be involved in product selection and 81% seeing portfolio performance reviews as important. A desire for greater engagement during portfolio construction is apparent, regardless of the selected investment approach. The fact that clients who combine self-directed and professional investment management show the highest contentedness with product performance, suggests that managers should find ways to better involve clients in planning and portfolio management – improving ownership of investment outcomes, irrespective of market behavior. Illustrative tools that allow advisors to explain how different portfolio approaches should perform in specific market scenarios, and self-directed tools offering similar capabilities, are essential to helping clients better understand the "why" behind the "how" their investments are managed, building confidence amid fluid market conditions.

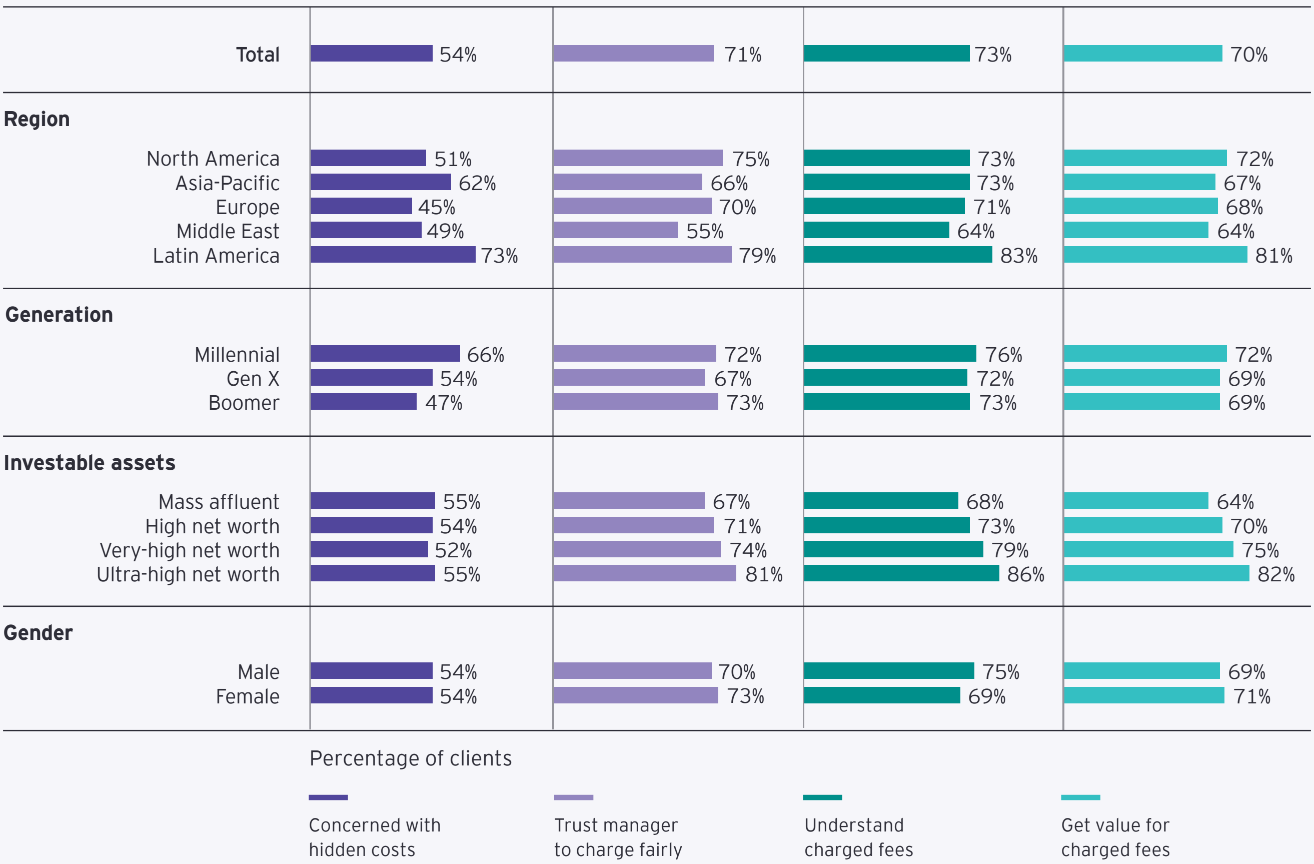
Client trust remains high, but concerns over hidden costs show that transparency and a clear value proposition are key to satisfying clients and competing with new entrants.

Client trust in wealth managers remains strong. A majority (71%) believe that providers charge fairly for their services, and most clients continue to understand what their fees pay for (73%). Even so, there is room for improvement. Levels of trust over fair charges have fallen slightly since 2021, and while satisfaction with value of money has remained constant (73%), those unhappy with the value they receive have increased slightly from 6% to 10%. Self-directed clients and mass affluent clients are particularly likely to question the value of their service.

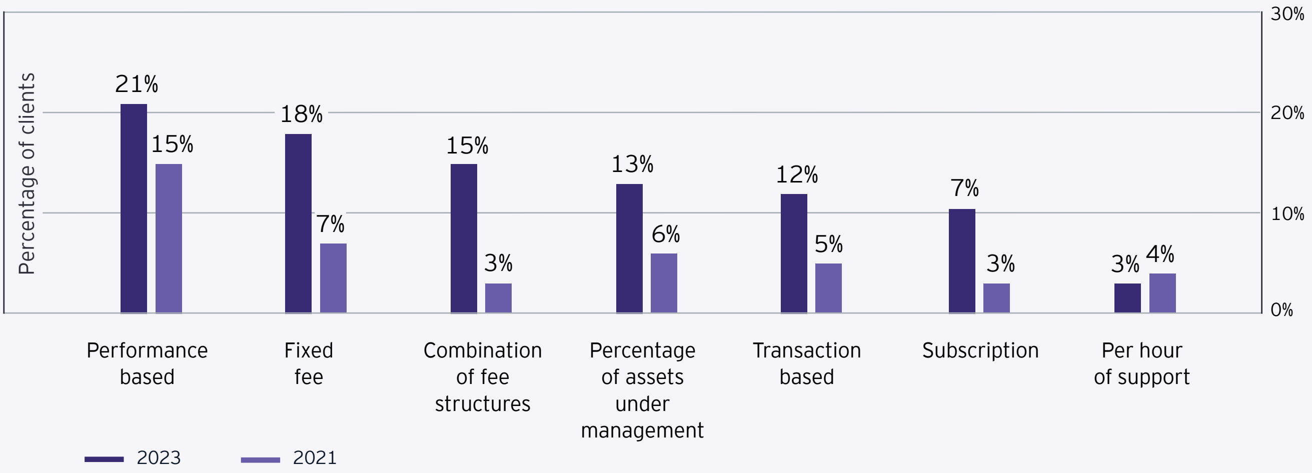
Looking beyond fees alone, the proportion of clients concerned about hidden costs has increased from 42% to 54% since the 2021 survey. Concerns over cost transparency are even higher in Asia-Pacific (62%), Latin America (73%), among Millennial investors (66%) and among clients who mix professional investment management with self-directed investing (62%).

It is also striking that most clients continue to prefer other payment models than standard assets under management (AUM)-based pricing. As in 2021, performance-based fees are most preferred (by 21%), growing to 25% among Millennials and 29% in Asia-Pacific. Fixed fees (preferred by 18%) and combined charging models (15%) are also more popular than AUM-based fees (13%), although North American clients are slightly fonder of AUM models (18%). Clients who primarily rely on professional investment management (whether advisory or discretionary) have a slightly higher preference for performance-based fees or fixed fees, although they are also more likely to be happy with AUM-based fees than self-directed or mixed management style clients.

Pricing transparency statements



Preferred fee structure



Given that clients identify competitive fee structures as a top three driver of wealth manager selection, these findings suggest that providers unable to demonstrate a clear value proposition could be vulnerable to competition from FinTechs and other new entrants. There is an opportunity for providers to be more transparent about the expenses of running their business, helping clients to understand the costs they are asked to pay. Investors are clear where they would like providers to focus: reducing cost. However, explaining the capital investments required to continue improving the effectiveness and efficiencies of the service they receive may help more clients to accept the associated charges.

A simple charging structure and transparent cost disclosures are part of the solution, but a broad value proposition is key to strengthening client trust and acquiring new investors. In part, that is about ensuring that wealth managers understand investors' values — something that 72% of clients want to see demonstrated. In fact, 62% of clients believe it is very important for their investments to reflect their values, and this figure is higher in Latin America (87%), the Middle East (75%), and among Millennials (73%). Clear reporting of product performance, backed up with digital tools that demonstrate the links between the fees clients pay and the value created by their wealth manager, are also vital to building trust — especially for discretionary investment management, where client preferences for performance-based fees are particularly strong.

Conclusion

Ongoing economic and geopolitical volatility is making wealth management feel more daunting for many investors. This disruption, together with the growing complexity of investment markets, is having profound effects on what clients want and expect from their wealth managers.

Notable changes identified by the research include clients' increased appetite for advice and education; a growing preference for virtual advisor interactions; and a greater willingness to work with multiple providers to access the products and services they need.

However, the data also shows that clients' reactions to events can vary hugely depending on their age, location, wealth levels, financial confidence and behavioral traits. Younger investors, for example, are particularly in need of additional support; but they are also more open than older groups to new engagement channels, new investment approaches and new advisor relationships.

These circumstances are creating a moment of flux in the world of wealth management, accelerating wallet share erosion while simultaneously inflating client expectations for frequent, tailored engagement and advice. Competitive threats are heightened, and there is a greater need than ever to offer differentiated levels of personalization — while also reducing costs to serve. On the upside, providers that can build satisfaction and create value for clients will enjoy greater competitive advantages than ever.

Reconciling these competing imperatives while safeguarding profitability will be an increasing challenge for wealth managers. Wealth managers need clear strategies to transform their infrastructure, reducing per-client costs while achieving stronger differentiation through tech-enabled, human-led insights and value-added engagement.

We now summarize some potential actions for providers to focus on, framed around the three areas of priority we use in this report to frame the challenges and opportunities facing wealth managers.

Navigating complexity: Providing more frequent, specialized and meaningful support and advice, based on a deep understanding of clients' goals, preferences and behaviors. This might include:

- Optimizing the ability to capture new clients, to identify those looking for additional advice and support, and to provide them with the help they need to navigate complexity at different times.
- Redefining personalization to deliver differentiated experiences at every stage of clients' financial journeys, especially at moments that matter, but also proactively to prepare the ground for crises.
- Harnessing the rapid evolution of AI and other tools, integrating them into new and existing technology in ways that maximize efficiency and scalability while enhancing human-led client engagement.
- Positioning themselves as agile players within a digitalized marketplace, using a unified and scalable platform to expand offerings, collaborate with other organizations and differentiate on both specialization and convenience.
- Pivoting from a "sole provider" strategy to one that harnesses the depth and reach of wealth management ecosystems, supporting every client uniquely.

Empowering clients: Engaging more closely with clients, using next generation models to deliver meaningful, proactive interactions how and when they want. This might include:

- Reinventing business models, finding innovative ways to provide operational and technological support to advisors and clients — enabling quicker, more efficient engagement.
- Developing omni-channel hybrid models that deliver virtual contact alongside in-person and digital connections, harnessing collaborative digital tools to make the most of every interaction.
- Harnessing data analytics and clients' willingness to share data in exchange for greater personalization, helping to anticipate needs and offer proactive, insightful solutions.
- Integrating new technology tools with human advice, enabling staff to make every interaction differentiated. This could involve using AI to generate personal insights, or using virtual scenario modeling to simulate shocks and prepare clients for volatility.

Delivering value: Harnessing education and collaboration to build an aligned view of goals, products, portfolios and performance that creates transparent value.

- Integrating purpose-driven approaches through building client trust and knowledge around personal finance and investing — especially among younger clients — and helping advisors to develop personalized approaches that match client values.
- Providing bespoke services, enabling clients to be a part of the portfolio construction and planning process — aligning products and services with goals, and improving ownership of investment outcomes.
- Using greater personalization and specialization to boost product performance satisfaction, especially for new asset classes and providing closer expert support on tax and succession planning.
- Delivering clear value propositions, backed up with high levels of transparency, helping clients to understand the links between costs and returns and building client trust.

Ultimately, building client satisfaction and trust will depend on wealth managers' ability to increase financial well-being. Delivering more proactive, personalized and meaningful advice will empower clients to navigate complexity and feel more secure in a changing world.

Methodology

The EY organization worked with Savanta to conduct a broad survey of over 2,600 wealth management clients in 27 geographies to understand what they value most in their wealth management relationships across service models, engagement choices and value-aligned advice.[2]

This year, we also included a behavioral science approach for the analysis to uncover the influence of certain psychological factors in economic decisions. Working with our collaborator, Syntoniq, we conducted a secondary analysis of the data from a behavioral perspective to help understand the underlying reasons for investor preferences and choices.

The EY team profiled clients not just by traditional segments, such as age, gender, wealth and country of residence, but also by risk appetite, life stages, profession, sexual orientation, race and ethnicity, behavioral and psychographic profiles. The EY team also asked respondents to rate their knowledge in managing their finances and divided them into low, average and high categories depending on their knowledge of common and complex financial products.

Geographic coverage: North America including the US and Canada; Latin America including Argentina, Brazil, Chile and Mexico; Europe including, France, Germany, Italy, Luxembourg, Netherlands, Switzerland and UK; Nordics including Denmark, Finland, Norway and Sweden; Middle East including Qatar, Saudi Arabia and UAE; Asia-Pacific including Australia, China, Hong Kong SAR, India, Japan, Republic of Korea and Singapore.

Parameters | **Profile**

2,600 investors

	Wealth segments (assets)
UHNW	US$30m+
VHNW	US$5m-US$29.9m
HNW	US$1m-US$4.9m
Affluent	US$250k-US$0.9m

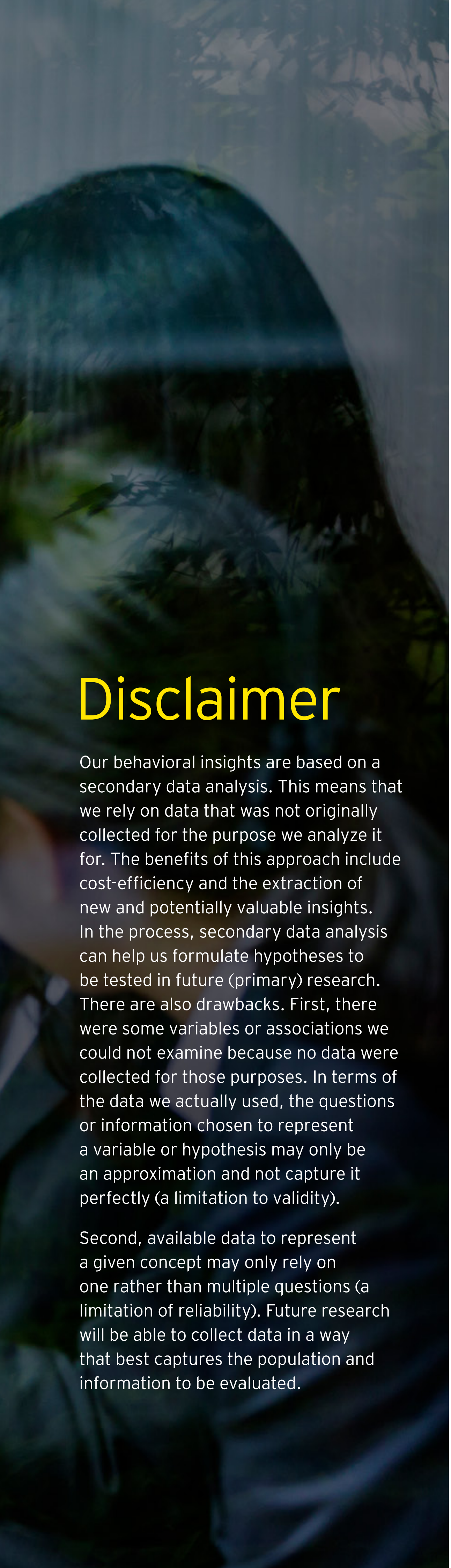
	Age
Millennials	21-41 years
Gen X	42-57 years
Baby Boomers	58+ years

Varied respondents based on the following categories: Education, occupation, risk tolerance, behavioral and psychographic profiles

27 geographies

Regions: North America | Latin America | Europe and Middle East | Asia-Pacific

[2] This survey was in market from October 2022 to November 2022.



Disclaimer

Our behavioral insights are based on a secondary data analysis. This means that we rely on data that was not originally collected for the purpose we analyze it for. The benefits of this approach include cost-efficiency and the extraction of new and potentially valuable insights. In the process, secondary data analysis can help us formulate hypotheses to be tested in future (primary) research. There are also drawbacks. First, there were some variables or associations we could not examine because no data were collected for those purposes. In terms of the data we actually used, the questions or information chosen to represent a variable or hypothesis may only be an approximation and not capture it perfectly (a limitation to validity).

Second, available data to represent a given concept may only rely on one rather than multiple questions (a limitation of reliability). Future research will be able to collect data in a way that best captures the population and information to be evaluated.

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EYG no. 003379-23Gbl

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