The Surprising Truth about Attracting New Clients

WisdomTree's latest research on how prospects identify, evaluate and select advisors

Almost all new clients come from referrals. Right?

Wrong. Our latest research[1] shows that a third of high-net-worth prospects start their search for a financial advisor online—a substantial increase over the last two years. And the online experience is important even for the two-thirds of prospects who start with a referral; among that group, 7 in 10 use the internet to vet the referrals they've received.

Affluent families' habits are changing, and advisors have to keep pace. That's why we conducted a major cross-generational research effort, including a quantitative survey of more than 2,000 high-net-worth people and additional in-depth qualitative interviews in our 2018 research. Between 2018 – 2020, we have had over 5,200, desirable financial advisor prospects come through our research process, which includes qualitative, quantitative and biometric research methods. We believe this process gives us the largest set of research with this demographic in the U.S.

In the current research, we covered the full scope of clients' experience with an advisor, from the research and referral process to investments to the factors that prompt clients to switch advisors. The breadth and depth of the research gives our results a +/-2% margin of error—meaning that advisors can rely on them as they make decisions about how they seek new clients, manage their practices and build their teams.

Over the coming months, we'll release a series of briefs describing what we've learned and share recommendations about what advisors should do with that information. Look for our briefs on the following topics:

+ How clients search for, evaluate and ultimately select an advisor (this brief)
+ Which clients are most susceptible to automated platforms, and why
+ Clients' true feelings about fees
+ What's really happening with generational wealth transfer
+ How prospects respond to advertising and influencers

[1]Source: WisdomTree Wealth Management Research Study, August 2018.

Advisor Search Triggers

High-net-worth individuals typically start looking for an advisor in response to a specific need. Our research found that more respondents chose “organizing my personal finances” than any other category to describe the trigger event. This trigger was most relevant for Generation X and millennial prospects, while baby boomers were more focused on planning for retirement (see below).

In our research, prospects who prioritized “organizing finances” also listed a wealth of more specific triggers, including:

- Started to prepare for retirement
- Household income increased
- Received a recommendation from a friend or family member
- Wanted to start a savings plan
- Wanted to diversify my providers or investments
- Reached a milestone age
- Wanted to consolidate my providers or investments
- Concerned about the general state of the economy
- Made money in current investments
- Don’t have as much time as I used to

ADVISOR TAKEAWAY | Be sure you are prepared for conversations on these topics—and that your website includes content that addresses them.

It's no surprise that baby boomers are focused on retirement—more than half say it's what drives them to seek an advisor. Given the amount of assets that baby boomers control, it would be folly to ignore them.

However, our research suggests that advisors may be putting too much emphasis on boomers, considering some of their other characteristics:

+ **Difficult to influence.** Fewer than 1 in 5 boomers say outside sources such as family and friends, independent advisor rankings and traditional advertising influence their decision about which advisor to select—fewer than any other generation.
+ **Price sensitive.** The average boomer would like to pay less than half a percent to have a full-service advisor manage his or her portfolio.
+ **High expectations.** More than 3 in 5 boomers expect their advisor to produce market-beating investment returns.

ADVISOR TAKEAWAY

Reconsider the resources you're devoting to attracting and retaining boomer clients. If boomers take up the majority of your time, for instance, think about recalibrating so you can expand your services for their younger counterparts. Not convinced? Boomers' much-touted generational wealth transfer is already underway: nearly 1 in 3 millennials say they're seeking an advisor because they received an inheritance.

Understanding the search process

Once prospects have identified a need for an advisor, their search process tends to follow one of two well-defined paths:

+ **Collecting Referrals.** As we mentioned earlier, two-thirds of prospects start their search with a referral from a friend, family member or colleague. (Interestingly, millennials are by far the most likely to rely on referrals.) Most prospects receiving referrals turn next to the internet—Googling the advisors, looking for additional information about them and even searching for other specific advisor recommendations.
+ **Straight to the Internet.** A significant and growing minority of prospects skip the referral phase entirely, preferring instead to research advisors on their own. They typically look for some external marker of an advisor's skill, using search terms such as best, top, top-rated and most recommended.

ADVISOR TAKEAWAY

Regardless of the type of clients you're seeking, pay close attention to your online presence. Be sure your website includes awards and recognitions—especially if they include any of the search terms mentioned above.

Advisor Selection

Prospects' final step, of course, is to reach out directly to the advisor(s) they've selected. Boomers have a strong preference for in-person meetings, while members of Gen Z lean strongly toward phone conversations and email exchanges. Notably, 1 in 5 millennials would prefer a video call—a mode of communication that's of relatively little interest to other generations.

Most often, the whole process from initial search to final selection takes less than a month, though roughly a third of prospects take as long as six months. Since our original research, the time from consideration to selection has decreased. This shift only increases the importance of having a strong online presence because prospects are making decisions more quickly overall.

ADVISOR TAKEAWAY Be sure you're able to accommodate prospects' varying communication preferences, and that you respond to their queries promptly. At this stage, the business is yours to win—or to lose.

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An independent thinker, Shepard founded Kredible Technologies, Inc.,—a data-driven marketing and practice management company acquired by a third party in 2017. Shepard firmly believes—and has conducted the research to prove—that online presence plays a large role in driving successful results. He challenges advisors to change the way they look at wealth management and is dedicated to helping them grow their businesses.