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Investors say wealth managers are missing the mark on advice

Article

The news: Investors are struggling to find the advice and services they need, regardless of how they access wealth management services, per two new surveys by **J.D. Power**.

- The surveys ran from November 2021 through January 2022.

- Each gathered responses from over 4,000 US investors who either worked with a dedicated financial advisor or financial professional or who made their own investment decisions without consulting an advisor.

Key data: One survey looked at investors who engage with a full-service wealth manager. The other focused on investors who opted for a self-guided approach to investing, primarily beginning during the pandemic.

The biggest finding was that neither set of investors is getting what they need from their current provider:

- Just **14% of full-service investors** are receiving comprehensive advice that accounts for their full financial picture.
- More than **three quarters of self-directed investors** say they would consider switching providers.

Full-service advisors: The survey found they're not necessarily seeing attrition, but that might be because their clients aren't aware of what a sound financial plan should look like.

- While 51% of full service investors believe their financial plan is adequate, J.D. Power found that **only 26% of these investors' plans fully document and update the investor's goals and needs**.

Self-directed investors: These pandemic-era investors—who tend to be younger, with less-established financial health—encounter technical issues such as website outages and processing glitches while managing their accounts. On top of the digital challenges these investors face, they are in many cases also struggling to pay bills or create an emergency expense fund.

- Only 39% of those who began DIY investing during the pandemic are considered financially healthy.

Divergent findings: Despite the bleak key data, there is a clear difference in client engagement. Full-service investors say they plan to remain loyal to their investment firm.

- **76% of full-service investors** will not consider switching to a new firm.
- The **Net Promoter Score** of this group is **93**.

The self-directed investors who indicated **they would consider switching investment firms** named the following drivers:

- Lack of tools and services that meet their needs.
- Recommendations for new investment firms by friends and family.

Investors' sentiment regarding **hybrid advice models** also differs.

- Self-directed investors struggle to become comfortable with the scalable approach to hybrid advice. Often, their personal interaction involves a less-personalized conversation via a call center.
- Full-service investors, on the other hand, find their firms' recent focus on technological development has increased their satisfaction with the digital channels now available to them.

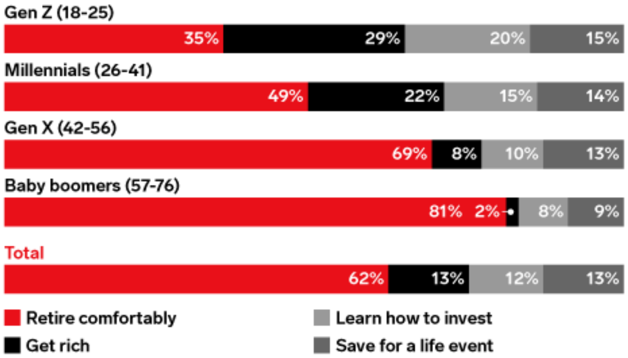
The big takeaway: The studies emphasize a disconnect between investors and the techniques advisors and investment firms are using.

- **Increased tech spending by wealth managers seems to have appeased full-service investors** enough to maintain their loyalty. But these clients may find themselves falling short of their financial goals in the long run.
- **Attrition appears to be an especially high risk for younger, self-directed investors**—who will be quick to take their business to a new firm if they believe it will better provide them with the tools and education they need to grow financially.

Now more than ever, wealth managers must focus on personalization to cater to all investor types.

US Adults' Primary Investing Goal, by Generation, Feb 2022

% of respondents in each group



Note: numbers may not add up to 100% due to rounding
Source: MagnifyMoney as cited in company blog conducted by Qualtrics, March 29, 2022

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