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Understanding Demographics: The Key to a Sustainable Practice

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Agenda

- Review client demographics and the impact to your business
- How to build your business by building loyalty
- Getting started with surveys and Advisor Impact

Client demographics and how they impact your business

Baby boomers – an important demographic

The 79-million member Baby Boom generation makes up approximately **26%** of the population.

Starting in 2011, **10,000 individuals** reach 65 each day. This will continue for the next 19 years.

- Over 45% of high net-worth (HNW) individuals were over the age of 60
- 42% of HNWs were at “draw down” stage with their portfolios
- Over 50% of financial advisors were over the age of 50 (average age of advisors was 58)

Source: US Census Bureau, 2011

Impact of lack of diversity of clients

If you manage \$50m in AUM for clients 65 and older:

- At a 1% fee, you receive approximate gross revenue of \$500k per year
- Assuming a flat market, AUM declines at an average rate of 5% per year

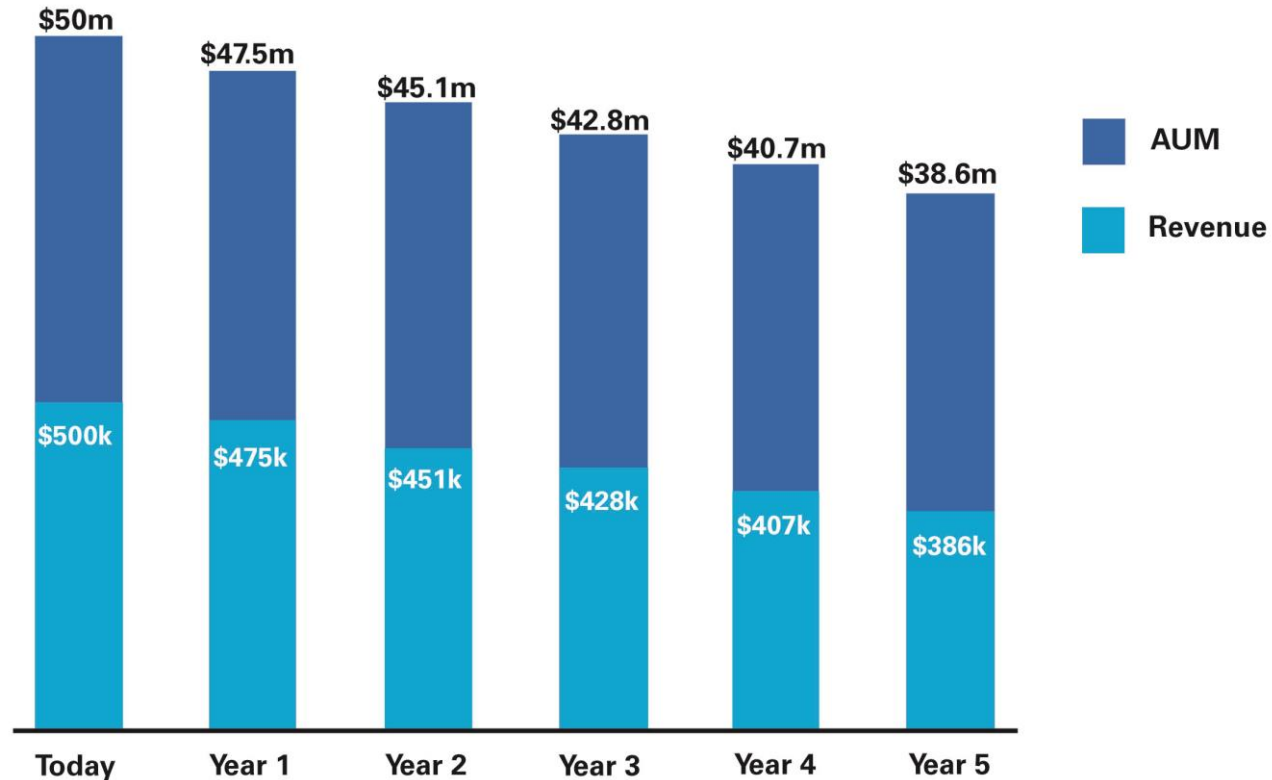


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What we *may* know

Experts predict that the Baby Boomer Generation will pass an unprecedented amount of wealth to following generations; **\$41 trillion** before 2052.

Source: US Census Bureau

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- Gen X and Gen Y investors have *a significantly lower* opinion of the advisory firms with which they work than Baby Boomer investors
- One-third of affluent or high-income Gen X & Y will switch advisors or leave their advisor without replacing him/her
- 35% of Gen X and Gen Y investors hold between half and three quarters of their portfolio in cash

The importance of solidifying multi-generational relationships

Delivering trust and estate planning services that both appeal to your baby boomer clients and solidify your position with the **next generation** is critical.

- 74% of HNW clients indicated their number one concern is the financial situation of their children and grandchildren
- 70% of HNW families lose their wealth in the succeeding generation. By the third generation, 90% of legacies are depleted
- 90% of adult children related to an advisors existing client do not remain with that advisor

Sources: Aite Group Research and Spectrem Research

Assess the needs of your aging clients

- Review your top clients and their family situation
- Host events and encourage clients to bring family members, including adult children
- Introduce the conversation about family governance before health issues or other events arise
- Facilitate a trust to protect their legacy through Trust Connections
- Explore income and traditional investment options for the generations

But don't lose the next generation

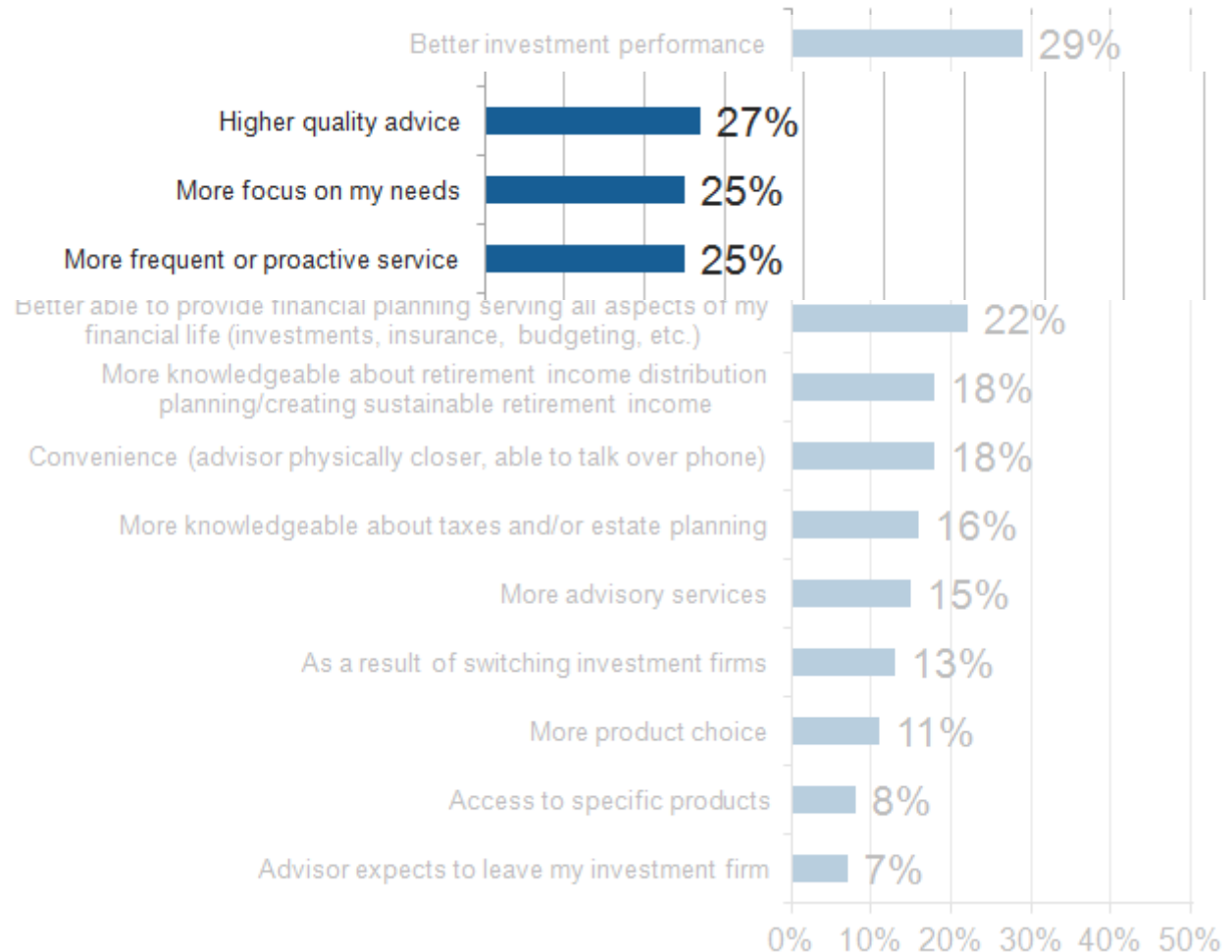
- Continue to serve existing clients but don't neglect the younger generations set to inherit assets or have their own accumulated assets
- Talk to Gen X and Gen Y to determine their investment needs, style and financial literacy
- Welcome younger advisors onto your team
- Evolve to maintain the next generation of wealth

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How to build your business by building loyalty

Reasons for switching advisors

Q: For which reasons do you expect to switch financial advisors in the next six months?



Sources: Aite Group Research and Spectrem Research

Requesting Client Feedback

When was the last time you asked your clients how they feel about the services they are provided?

- How did you ask?
- What was the response?
- What did you learn/change?
- How did you communicate findings?
- What other strategies have you implemented to help you track client loyalty?

“You don’t earn loyalty in a day. You earn loyalty day-by-day.”

Jeffrey Gittomer

Stages of client loyalty

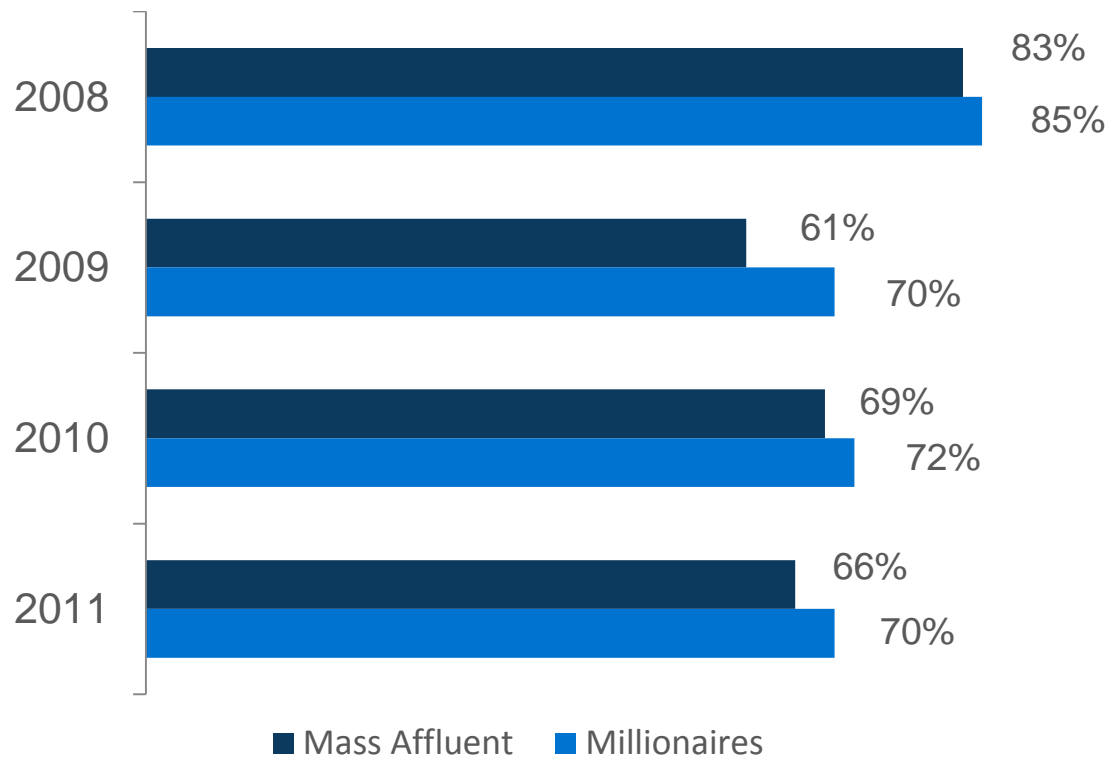


Source: Customer Loyalty, Jim Griffin, 2009. Seven Stages of Client Loyalty, Steve Billingham, 2012

Myths about client loyalty

- 1) My clients are **happy** with the services I provide
- 2) I hold **100%** of my clients assets
- 3) I **actively** receive referrals from clients

Loyalty myth 1: My clients are happy with the services I provide

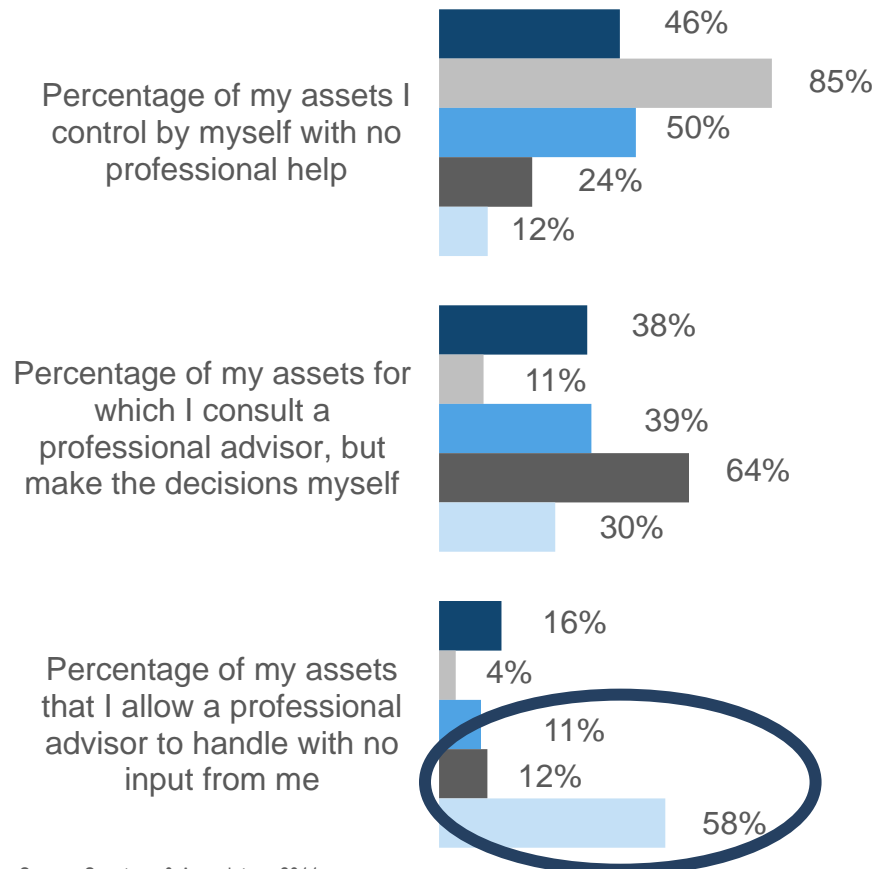


Satisfaction levels remain below 2008 levels

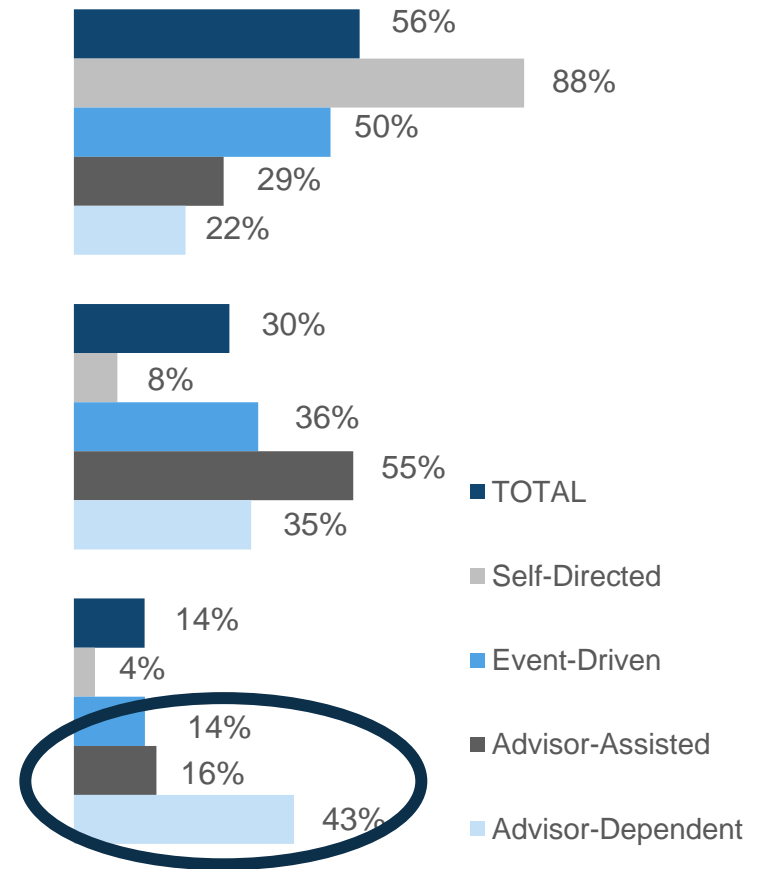
Source: Spectrem & Associates, 2011.

Loyalty myth 2: I hold 100% of my clients assets

Percentage of Assets Allocated to an Advisor
Millionaires- By Advisor Dependency



Percentage of Assets Allocated to an Advisor
Mass Affluent- By Advisor Dependency



Source: Spectrem & Associates, 2011.

Loyalty myth 3: I actively receive referrals from clients



Source: Spectrem & Associates , 2011.

High engagement leads to loyalty

- Better retention
- Greater share of wallet
- Enhanced profitability of existing clients
- More referrals

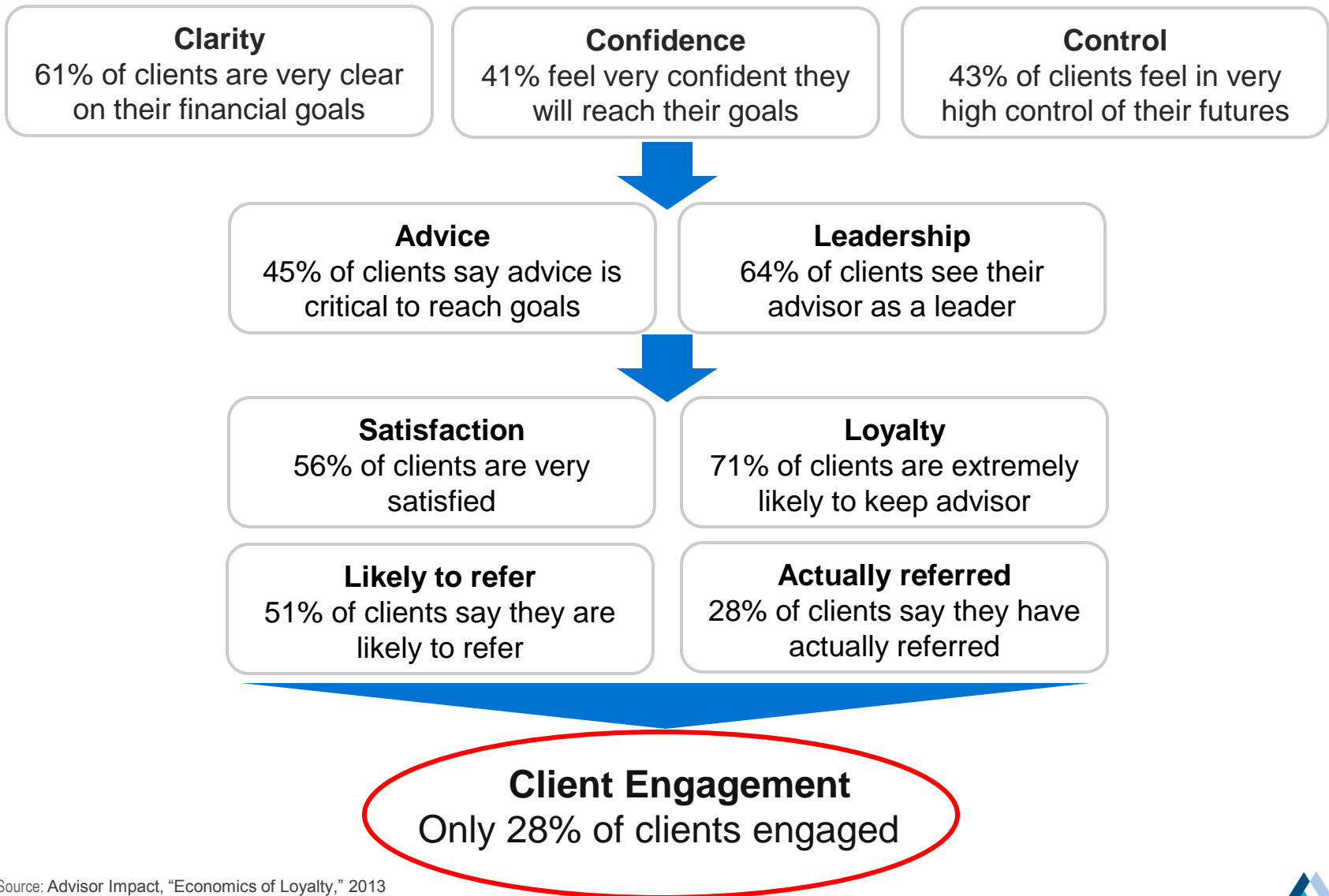
Using surveys to obtain client feedback

Soliciting feedback helps to understand perceptions

- Develop questions to understand client feelings on new business initiatives
- Uncover opportunities where clients still have under serviced needs
- Communicate more transparently to enhance client experience
- Build loyalty by showing your clients you care about their input
- Drive client engagement
 - Engaged clients are more likely to have been asked for their input
 - 70% of engaged clients indicated it was important or critical to be asked for their input on service

Source: Advisor Impact, The Rules of Engagement: Executive Summary, 2012.

Your clients may have a less-than-ideal perception



Source: Advisor Impact, "Economics of Loyalty," 2013

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Topic areas for feedback

“How is my value perceived?”

Comfort level
with referrals

Adequacy of
service levels

Value
proposition
critique

Introduction of
new services,
products or
platforms

Technology
enhancements

Future growth
plans

Feedback on
staff
performance

Feedback on
communication
schedules

Marketing
materials
(brochure,
website, etc.)

Plan your survey

- Determine qualitative vs. quantitative approach
- Qualitative approach:
 - Ask clients during reviews
 - Client advisory boards
- Quantitative approach:
 - Online surveys
 - Phone surveys
 - Hard-copy (written) surveys

Develop your survey plan

- Create your cover letter
 - Include a description of the survey
 - Explain why it's important
 - Provide instructions on how to complete the survey
 - Include the deadlines for responses
 - Disclose your confidentiality/anonymity policy
- Create your survey
 - Determine the challenges and opportunities you wish to address
 - Develop categories that answer the business need
 - Create category descriptions and questions to include in the survey

Increase survey response rates

Although the majority of advisors generate reasonable responses with a single mailing, there are a few things you can do to improve your response rate:

- Keep surveys short
 - Able to complete in 10 minutes or less
- Announce the survey in a client communication such as a newsletter or other client piece, or during client meetings
- Call key clients one week after the survey has been sent
- Send an email reminder to all clients

Incorporate survey results into your business

- Summarize survey results and send to all existing clients, reinforcing the value of participation
- Create a summary of the results and share it with prospects during initial meetings
- Contact clients who asked for more contact or expressed interest in other services you provide and set up meetings
- Share your results with your centers of influence (COI), highlighting key findings

Outsourcing the survey

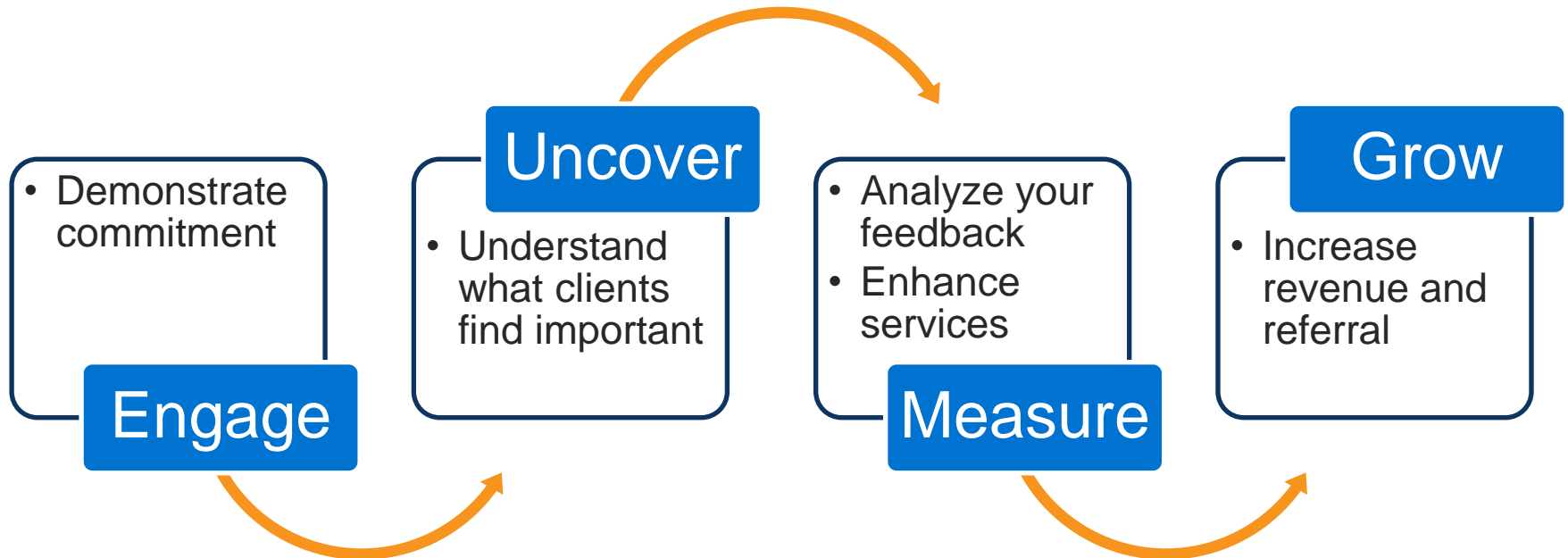
A popular approach to conducting client surveys, outsourcing can be cost effective and may offer other benefits:

- Expertise in structuring the right questions for your business
- Experience in analyzing the results to create a direct link between gathering and using the data
- Efficiency of outsourcing the management of a critical, but time consuming, function

Using Advisor Impact for client surveys

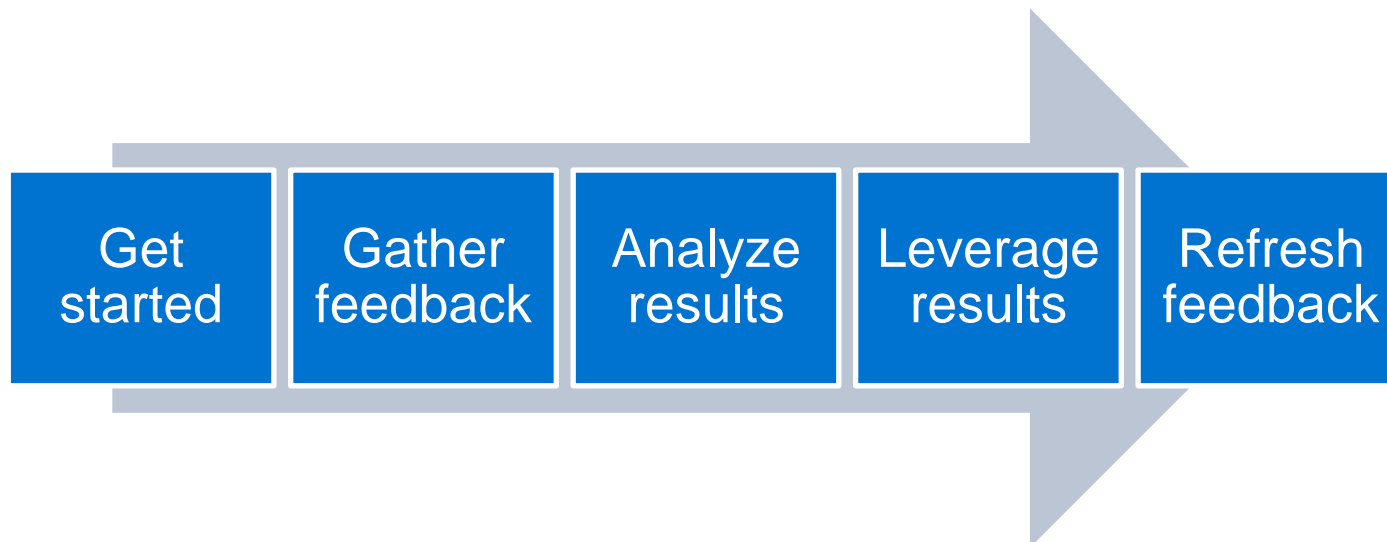
Client Audit overview

- Drive engagement and better understand client perceptions with Client Audit, a turnkey client feedback program



Client Audit features and process

- Centralized web-based dashboard
- Streamlined survey automation and execution
- Strategic insights reports
- Client data reports



Easy to execute and cost effective

Review Process



CLIENTAUDIT

Basic (Self Directed) Program

Create a survey that meets your needs, invite clients to participate and access in-depth reporting and tools.

Premium (Guided) Program

Enhance the basic program with access to a dedicated senior consultant who will provide guidance and coaching to help you create and implement a plan to actively use your client feedback.

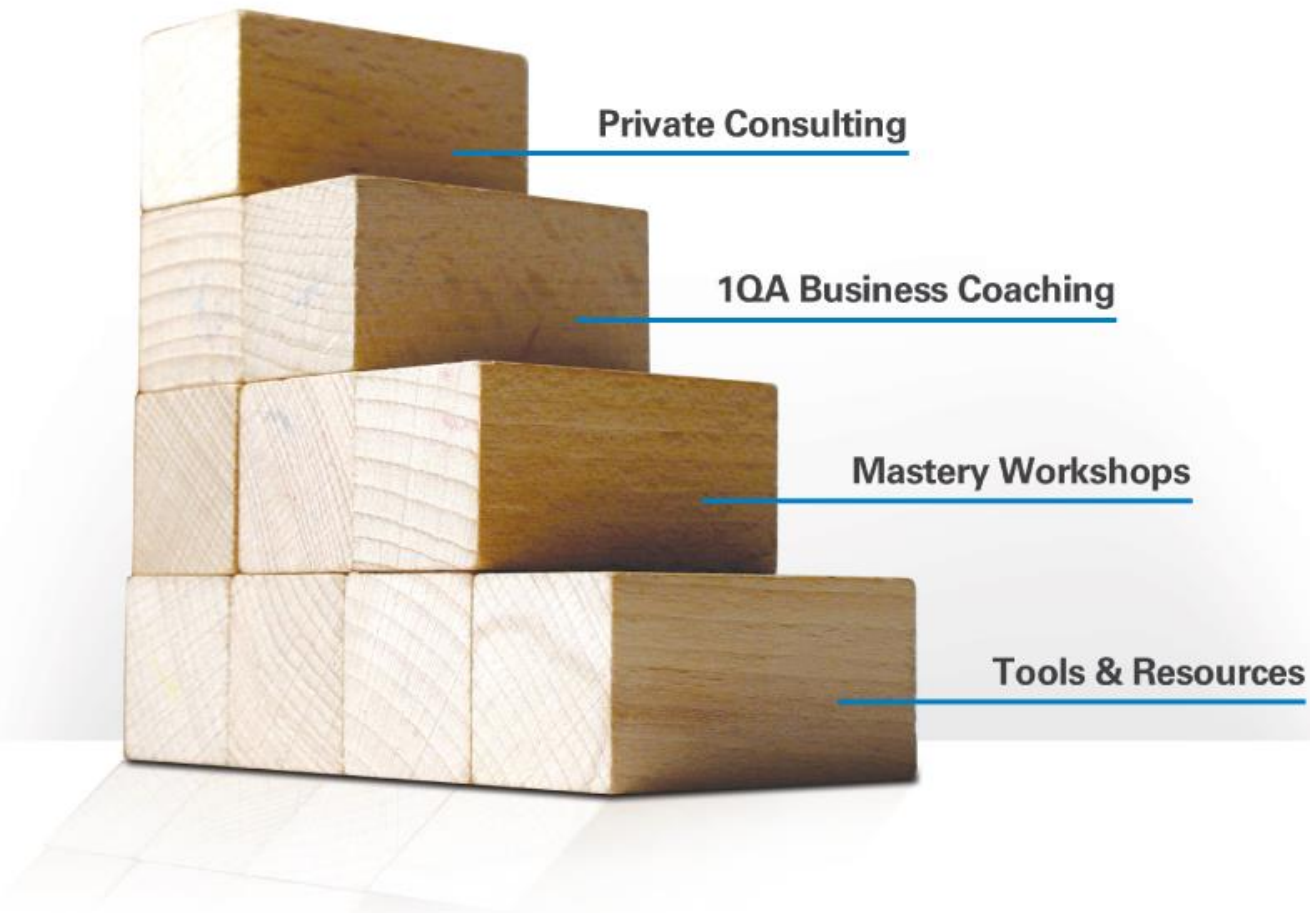
Next steps

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- Determine which (if any) survey model to use
 - Advisory council
 - Simple survey
 - Client Audit survey
- Review agenda/questions with an AssetMark Regional Consultant
- Implement survey
- Implement findings and follow up with respondents

Practice Management support

- There are many learning opportunities available through AssetMark



Learn more about how we can help you
take your practice to the next level!

Call one of our Consultants at
(800) 664-5345

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