

The Futurewealth Report 2014

# The quest for a valued relationship

Part 1  
February 2014

## FOREWORD – SCORPIO PARTNERSHIP

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One of the most powerful movements of this century has been the customer revolution in financial services. Technological and digital advances have enabled customers to more effectively communicate their experiences with different brands. Their words wield immense power.

For businesses across all sectors, monitoring, tracking and analysing customer opinion has become an imperative. Success or failure is dependent on an ability to integrate client sentiment into the value proposition.

Back in 2009, we launched the Futurewealth project to amplify the opinions of a particularly valuable customer group: the world's wealthy. We wanted to demonstrate that high-net-worth individuals were willing to speak openly about their lives and their wealth.

Since then, 13,500 individuals who are on the fast track to wealth have been part of the conversation. Their input has allowed us to create an impression of the personal and professional lives of this hard-to-reach group.

In this fifth phase of research, we explore who they, the Futurewealthy, are as customers. Their responses have enabled us to create a benchmark for the wealth management experience. We have learnt the elements of their relationship with their advisors that are valued, and where improvement is needed.

Over the coming months, we will be releasing four reports which chart the journey of the Futurewealthy with their wealth manager. In this first paper, we look at the processes by which they find a provider and the parts of a firm which attract them. Across the remaining three papers, we will explore the key touch-points for clients when carrying out a transaction, how the relationship develops and what it takes for them to recommend their provider.

We are deeply grateful to SEI for their continued support and also to our new sponsor – NPG Wealth Management – for joining us on this exploration.

We hope you find these results as fascinating as we do, and we would like to thank all of those who have shared their experiences with us.

Sebastian Dovey  
Managing Partner  
Scorpio Partnership



## FOREWORD – NPG WEALTH MANAGEMENT

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At NPG, we provide wealth management solutions through life assurance. Our principle goal is to help wealth managers and private investors to achieve lasting success.

What makes us unique is that we do not just partner with a number of intermediaries; we also speak directly to customers about their personal preferences and financial requirements. We aim to achieve a high level of customer orientation at every step of our value chain. Our motivation for doing this is our belief amplifying the customer voice can create a refreshing approach to life assurance.

It is in this spirit that we became a partner in this year's Futurewealth project. We are proud to be part of this initiative because it is focused on understanding the evolving needs of the world's wealthy. We not only want to know what they think about their wealth management customer journey, but we also want to understand what they truly value from their advisors. Through these insights, we will be better served to enhance and streamline their experiences.

One of the main themes revealed in this paper is the importance of a firm's reputation in the advisor selection process. It highlights that clients want to engage with wealth institutions that have strong corporate values as well as effective wealth solutions. Having founded our business on the ethos of integrity, respect and product excellence, we believe we are well placed to deliver their vision.

We hope that as part of this project, other organisations will seek to learn more about what really matters to their clients. We genuinely believe that the future of wealth and the future of life insurance will be decided by the customer.

Marc Stevens  
Chief Executive Officer  
NPG Wealth Management

FOREWORD – SEI

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SEI is a leading global provider of solutions to wealth managers and private banks around the world. With them, we share a mutual commitment to provide services and tools that are not only relevant but also efficient and exciting for clients. We are committed to developing new ways to enhance the customer experience.

This is now our fifth year sponsoring the Futurewealth project and we are delighted that this year's survey focuses on the theme so close to our hearts - the client experience. This research touches on pertinent questions for wealth management firms everywhere: how are clients engaging with their wealth managers and what makes them truly value their advisor.

In this first paper, we gain unique insight into the psyche of the Futurewealthy as they search for wealth management advice. It is encouraging to learn that, on the whole, clients feel their wealth managers are delivering a good experience in the areas that really matter. But we also find that some client segments expect a comprehensive service at every single step of the customer journey. The challenge for wealth managers is to deliver a consistent customer experience to every single client, in spite of these differences.

The report also highlights that clients tend to search for advice when formulating personal goals and objectives. This demonstrates the need to collect and manage meaningful client data to ensure that customer experience delivery is maintained as client requirements evolve.

Many of these themes resonate with the discussions we have with wealth management organisations who are looking to improve the overall experiences of their clients. We believe that technology, and particularly its ability to handle customer insight, is the basis for delivering that experience.

Alfred P. West, Jr.  
Chairman and Chief Executive Officer,  
SEI



## INTRODUCTION

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This year's Futurewealth series is all about the wealth management client experience. Over the coming months, we will be asking the world's money makers to explain what they really value during their relationship with an advisor.

Our four papers will map phases of this customer journey. Firstly, we consider what attracts the Futurewealthy to a particular wealth manager. Then, we ask what counts when they are carrying out transactions with a firm. Our third paper will question how to keep the relationship spark alive once the honeymoon period is over. And finally, we examine whether the Futurewealthy would recommend their advisor to friends and family.

So, without further ado – we welcome you to our first paper. Here we have uncovered how and why the world's most affluent individuals search for relationships with wealth managers. And, the factors that are most important to them when choosing firms.

These findings are based on the views of a group of 3,025 individuals from across the globe. We know them as the Futurewealthy because, as a group, they are leading the sprint up the global wealth curve with an average worth of US\$2.9 million. This is what we have found:

### Intensive investigators

The Futurewealthy are still deriving a finite formula for finding a wealth manager. They pursue numerous avenues for introduction and investigation. Approximately 24% of them seek out the advice of friends or family before making a selection while almost a fifth conduct their own independent market research. The remainder use a variety of sources – both on and offline.

### Time to get personal

A quarter of the wealthiest Futurewealthy found their current money manager after heartbreak with a former financial provider.

Changing personal circumstances are also a significant driver for starting wealth management relationships among this global group. On average, 20% of the Futurewealthy sought out a provider when buying a home, while the same proportion looked for a firm during a career change or promotion.

### The value of values

To really impress these global go-getters, the world's money managers must present a culture which combines value and values. A firm's reputation has an importance score of 74%, closely followed by product and service fees with a score of 64%.

But it is the wealthiest of the Futurewealthy who are setting the bar even higher for their prospective partners. They want a provider who can impress across the board; in fact, there is just a 20% differential between the firm's reputation and its social media activity.



# The greatest relationships are the ones you never expected to be in

## In brief

- Five years ago, we began our Futurewealth project to examine the hearts and minds of the world's wealthiest individuals. In this time, we have asked them about everything from their individual achievements to investment approaches; their deepest desires to digital dealings.
- This year, we spoke to 3,025 of the global elite to understand how they really feel about their wealth management experiences. Their responses indicate that they are still very much on the look-out for providers who can enhance their lives, as well as their wealth.
- Broadly, the Futurewealthy are attracted to wealth managers who are able to demonstrate a blend of values and value. Amongst them, it is the wealthiest that are the hardest to impress. They are looking for more of an all-rounder, who can excite them both on and offline.

## ONE'S FIRST LOVE IS ALWAYS PERFECT UNTIL ONE MEETS ONE'S SECOND LOVE

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There is no blueprint for the perfect relationship. Often, it starts with just a look; an initial intrigue and mutual attraction. Courtship ensues, followed by infatuation, excitement and commitment.

For the lucky ones these feelings last for years – perhaps entire lives. For the remainder, something goes wrong. The result: disappointment, hurt – even betrayal and anger. They may not know how it happened. What they do know, is that they will think a bit more carefully in the future.

The scenario may sound like the tribulation of romantic love, but it also describes the emotional path to finding a perfect wealth manager. The feelings involved are remarkably similar.

Of course, the world's wealthiest individuals – the Futurewealthy, as we know them – are not that easy to woo. In the five years that we have been tracking their lives, we have learnt that their needs are unique and their standards are high. This makes them very hard to impress.

With this in mind, over the coming months we will be thinking about the ingredients for fostering a great connection with these global go-getters. In this year's survey, we have asked them about every phase of their relationship with a wealth manager to illustrate their ideal 'customer journey'.

In this first paper, we will consider the exploratory part of this voyage. We ask exactly how the Futurewealthy go about finding a wealth manager they love. And, what it really takes for a firm to catch their eye.

## STRANGERS ARE JUST NEW RELATIONSHIPS WAITING TO HAPPEN

When it comes to wealth management, it is no secret that the Futurewealthy are not monogamous. The industry may go to great lengths to court these global money-makers but their minds remain open to affairs with other partners.

On average they have three or four working relationships each. To an extent, this collection is a lifestyle choice. After all, the old adage about putting all your eggs in one basket can be no more pertinent than for those at the top of the wealth curve.

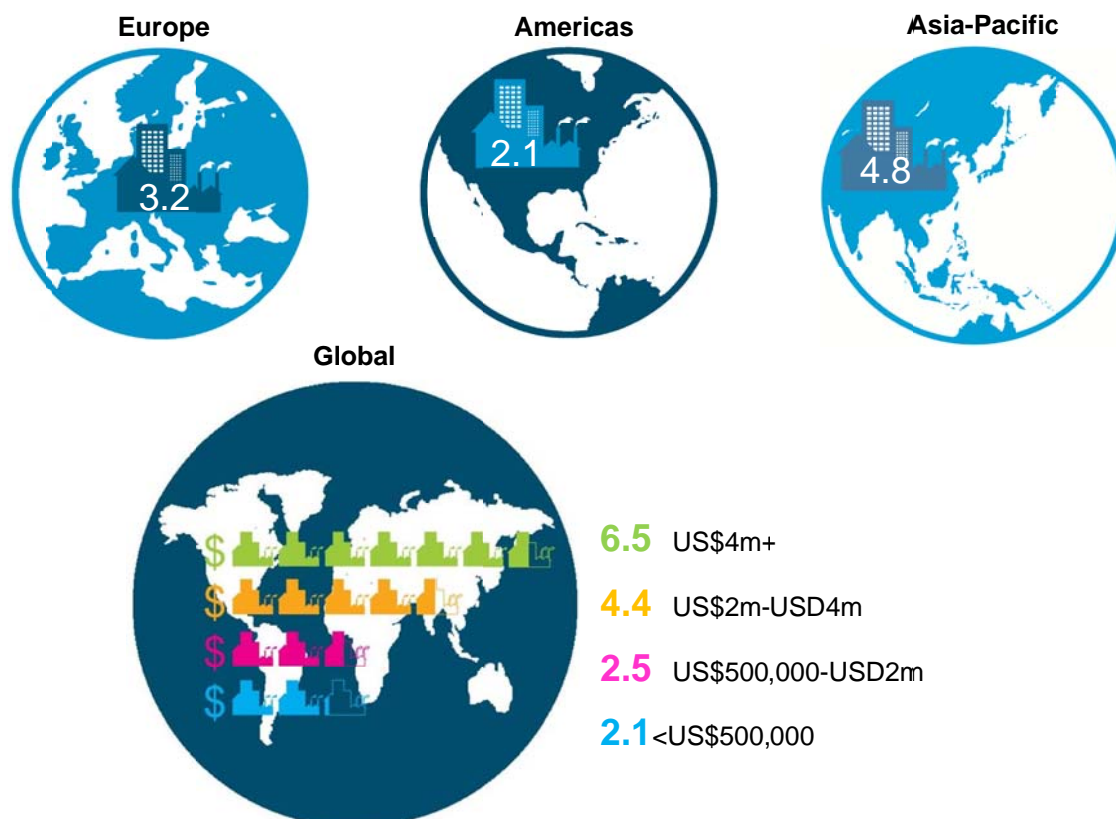
But maybe this multiplicity is also indicative of something else. Perhaps these clients have amassed so many providers because they are in search of a more valued relationship.

This is worth mulling over, given that highly-valued customers of the future are working with the largest number of investment providers [Figure 1]. Indeed, Asia's emerging wealthy co-ordinate with an average of five wealth managers; while established Americans have just two.

Moving up the ladder of wealth, we also see a compulsion to collect confidantes. Money makers with over US\$4 million have four more providers than those in the lowest wealth bracket.

Figure 1: Number of investment providers used

How many providers do you currently work with regarding your personal investments?



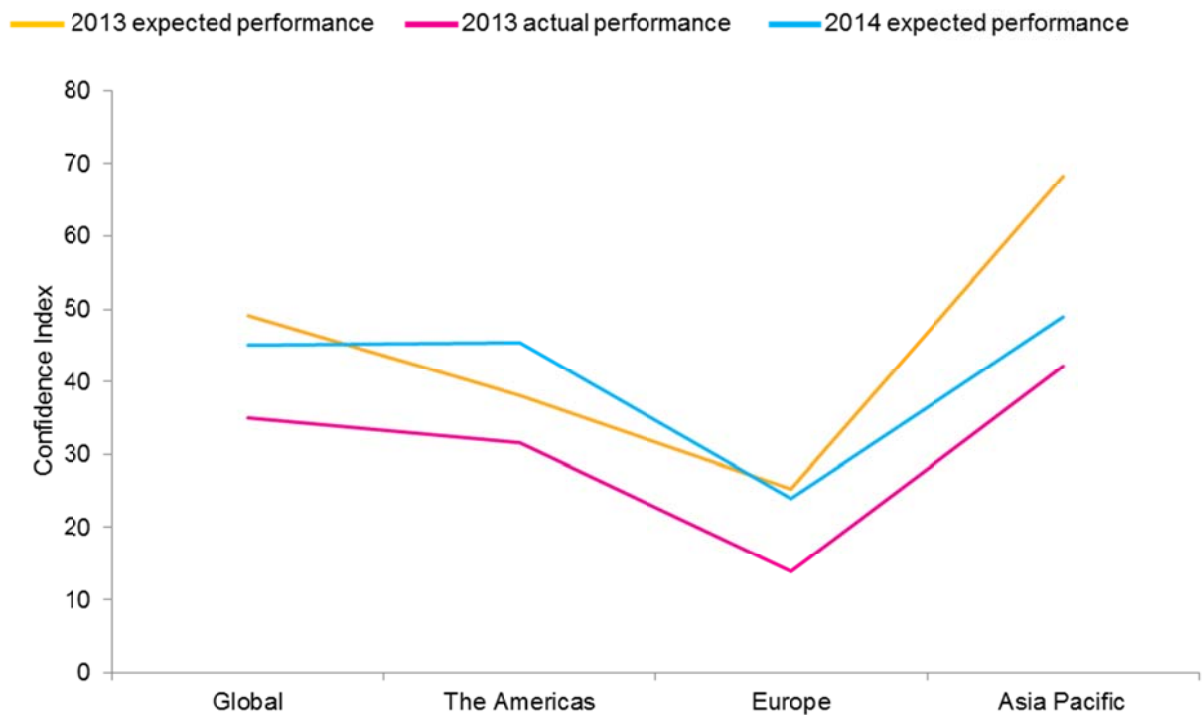
It would not be that surprising if the Futurewealthy are looking for a more cherished relationship, given their wealth-assessment. Each year we examine their wealth confidence – that is, the difference between the proportion of them who made money last year and the proportion who expect to make money over the next 12 months.

We continually find that their performance outlook outstrips reality [Figure 2]. In fact, there is a unanimous feeling among the world’s well-heeled that more is possible with their wealth.

For instance, America’s elite have hiked up their forecast for 2014 by 7 points, despite relatively sluggish gains in 2013. In Europe and Asia where performance predictions have been modified for the year ahead, the expectations still exceed lived experience.

Figure 2: Wealth confidence index

To what extent has the wealth confidence of the Futurewealthy changed in the last 12 months?  
(Regionally segmented responses)





## HAPPINESS IS HAVING A DREAM YOU CANNOT LET GO OF AND A PARTNER WHO WOULD NEVER ASK YOU TO

For most of us, the deepest desires of our imagination will forever remain beyond the horizon. But among the Futurewealthy, dreams are as tangible as bricks and mortar. And, they use every possible tool at their disposal to build them.

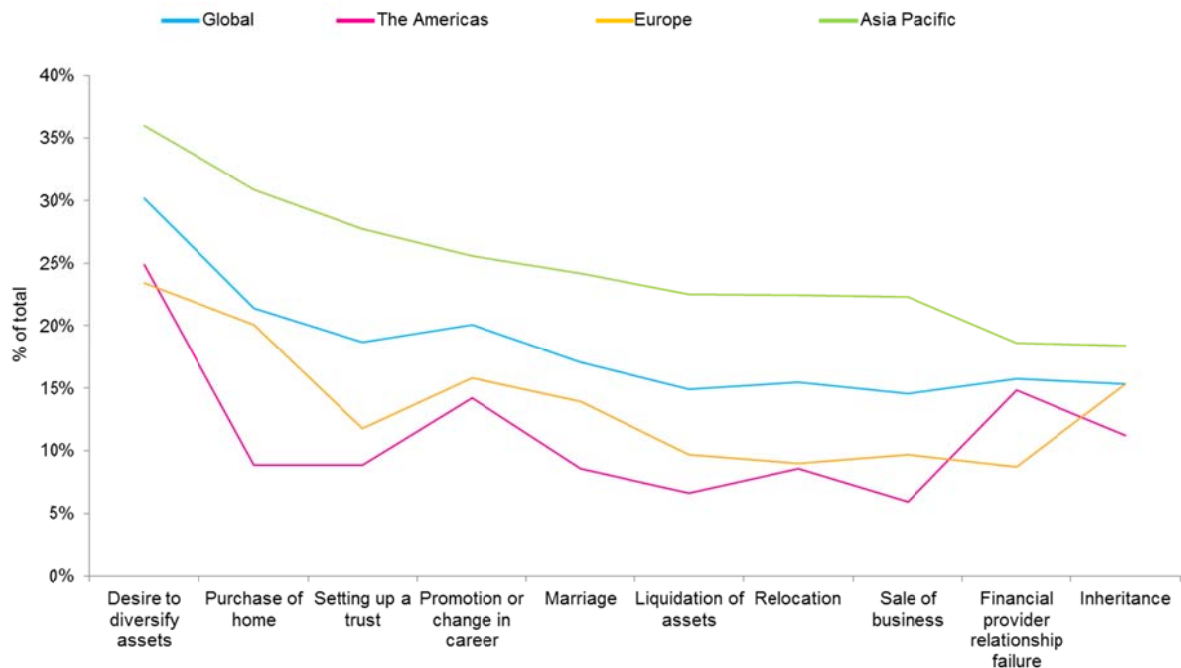
Many of these confident constructors know they need support to make dreams a reality. They rely on an architect who understands their lives and who can create the scaffolding for their success.

This is the role of the wealth manager. From the very first moment, it is the life goals of the Futurewealthy which shape their relationships. Looking at the circumstances which lead them to a provider, diversification is important but personal ambitions play a key supporting role [Figure 3].

Around the world, we find those in Asia to be most swayed by individual circumstances. The slightest tinkle of wedding bells is enough to put them in pursuit of a wealth manager. Personal experiences, particularly promotions and purchasing property – also encourage Europeans to start the hunt.

Figure 3: Circumstances leading to a wealth management relationship

Were there any specific circumstances that led you to search for a relationship with your main wealth management firm? (Regionally segmented responses)



But nestled in with these broad lifestyle factors is something altogether more sinister. That is, the specter of relationships past.

A quarter of those leading the sprint up the wealth curve were inspired to look for a wealth manager because they have experienced heartbreak with a former provider [Figure 4].

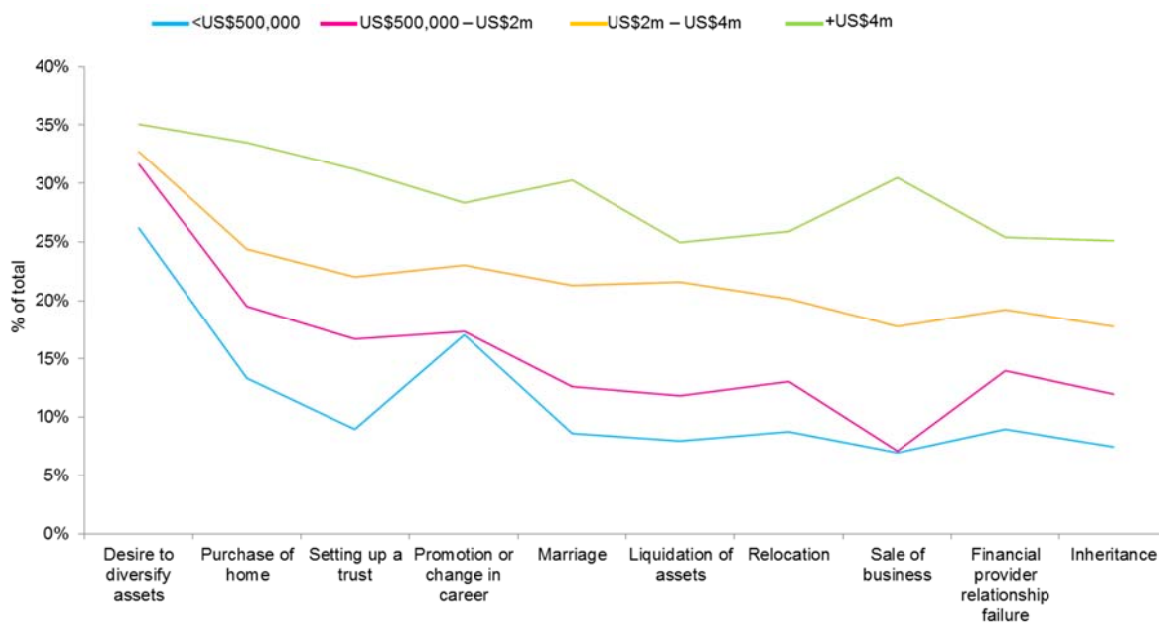
So how did it all go wrong? The broad blend of circumstances cited by those with over US\$4 million indicates that former providers have either failed to understand or have been incapable of adapting to their clients' changing objectives.

#FW2014 A third of those worth over US\$4 million started searching for a wealth manager when they purchased a new home.

As such, these prized patrons have shimmied off elsewhere. They take with them a bitter taste of failure and a strong sense of what they will not be willing to tolerate in the future.

Figure 4: Circumstances leading to a wealth management relationship

Were there any specific circumstances that led you to search for a relationship with your main wealth management firm? (Wealth segmented responses)



## A MEETING OF PERSONALITIES IS LIKE THAT OF CHEMICAL SUBSTANCES: IF THERE IS A REACTION, BOTH ARE TRANSFORMED

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So, like highly charged particles careening through the ionosphere, the Futurewealthy remain on the hunt for fresh partners for collaboration. Their behaviour indicates that they are in search of a “perfect collision” that can enhance their lives and drive them forward.

When we asked them about the mechanics of finding their main wealth manager – whom they love above all others – we find the process is not a case of random attraction. Instead, they are inquisitive, investigative and exhaustive in their mission to discover a flawless friend.

Often, these worldly-wise wealth creators seek opinion from within their own solar system as a guide. A quarter of them seek credence for their choice by talking to friends or family [Figure 5].

#FW2014: On average, their main wealth provider manages half of their total investable wealth. This rises to 60.4% in the Americas and falls to 45.5% in Asia Pacific.

The remainder use a variety of sources to make their acquaintance: from independent market research to referrals and from a relationship manager or trusted counsel.

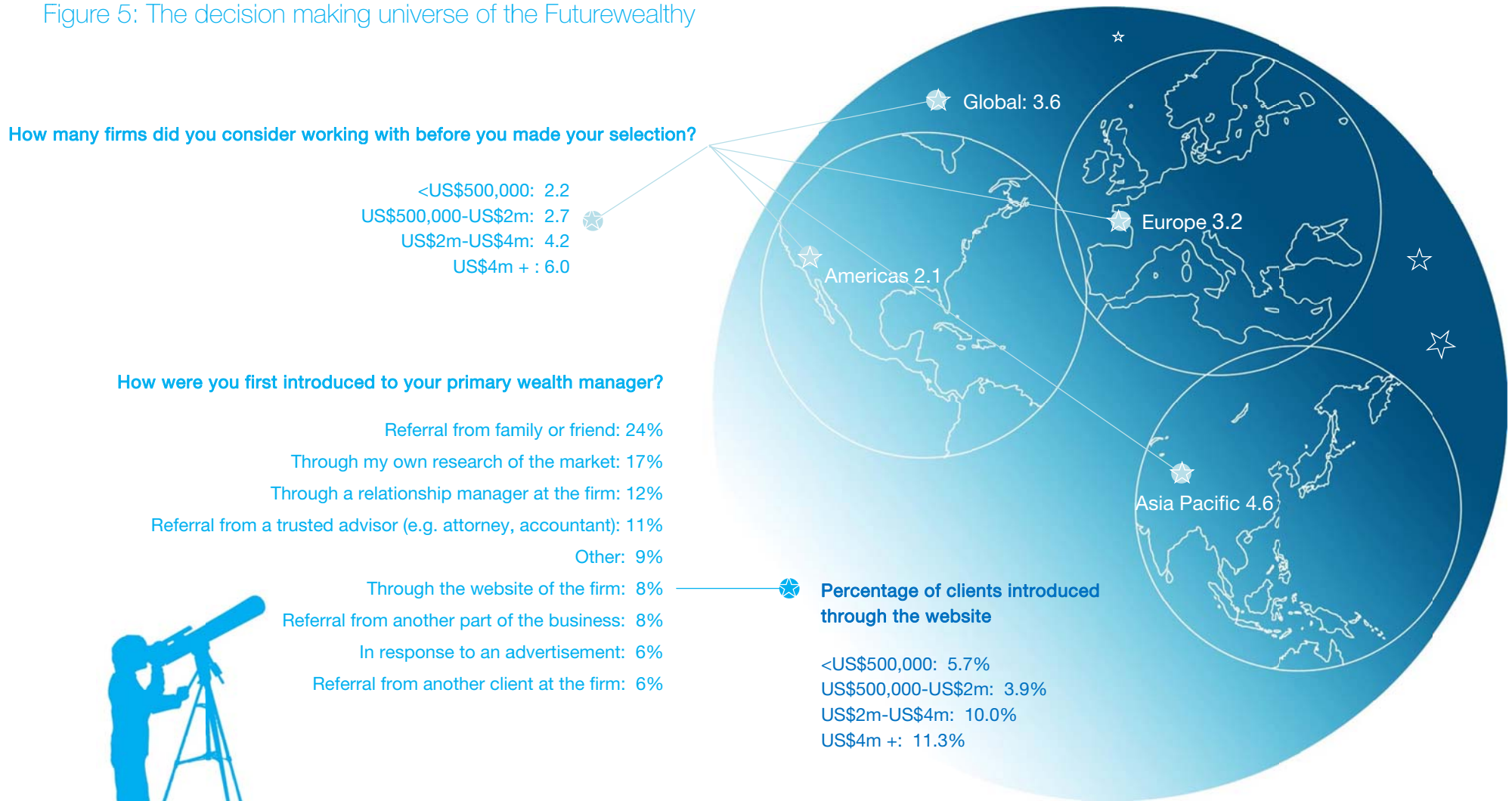
The wealthiest of the lot are the most intrepid; gaining their insight through new frontiers. Actually, 11% of those worth over US\$4 million found their wealth manager in cyber space.

The Futurewealthy are also exploratory in their fact-finding. Understandably, they are keen to deepen intelligence about the possibilities of their financial universe. They do this by talking to as many providers as possible – on average, three to four firms - before making a selection.

Most intent on this mission of discovery are those at the top of the wealth pyramid. These global elite typically speak to six wealth managers before their decision is made. By contrast, those with less than US\$500,000 only weigh up two firms prior to selection.

Clearly, the Futurewealthy have not yet derived a finite formula for finding their perfect partner. Instead, their quest for the right relationship relies on their own intensive investigation.

Figure 5: The decision making universe of the Futurewealthy



On average, their main wealth provider manages half of their total investable wealth.  
This rises to 60.4% in the Americas and falls to 45.5% in Asia Pacific.



## IN THE END, THE LOVE YOU TAKE IS EQUAL TO THE LOVE YOU MAKE

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The story so far is that the world's Futurewealthy go to great lengths to pursue the right wealth manager. How then, can firms impress these global go-getters?

Back in 2011 we devised a replica of the wealth management customer journey and asked the Futurewealthy to tell us about their experiences with their provider. The responses we received highlighted both strengths and weaknesses in the proposition.

The global context has changed dramatically in the last two years. And so, we revisit the notion of customer experience. This time, we have tripled the number of touch-points in the wealth management journey to gain greater insight into what these global go-getters really care about.

Considering just the pre-purchase phase of this voyage – that is, the point before the relationship actually begins - we find that the world's money makers are hankering after a blend of values and value.

Reputation – the fundamental character of an organization – is paramount to them. This is closely followed by product and service fees. To the Futurewealthy, these are the signposts towards a prized relationship.

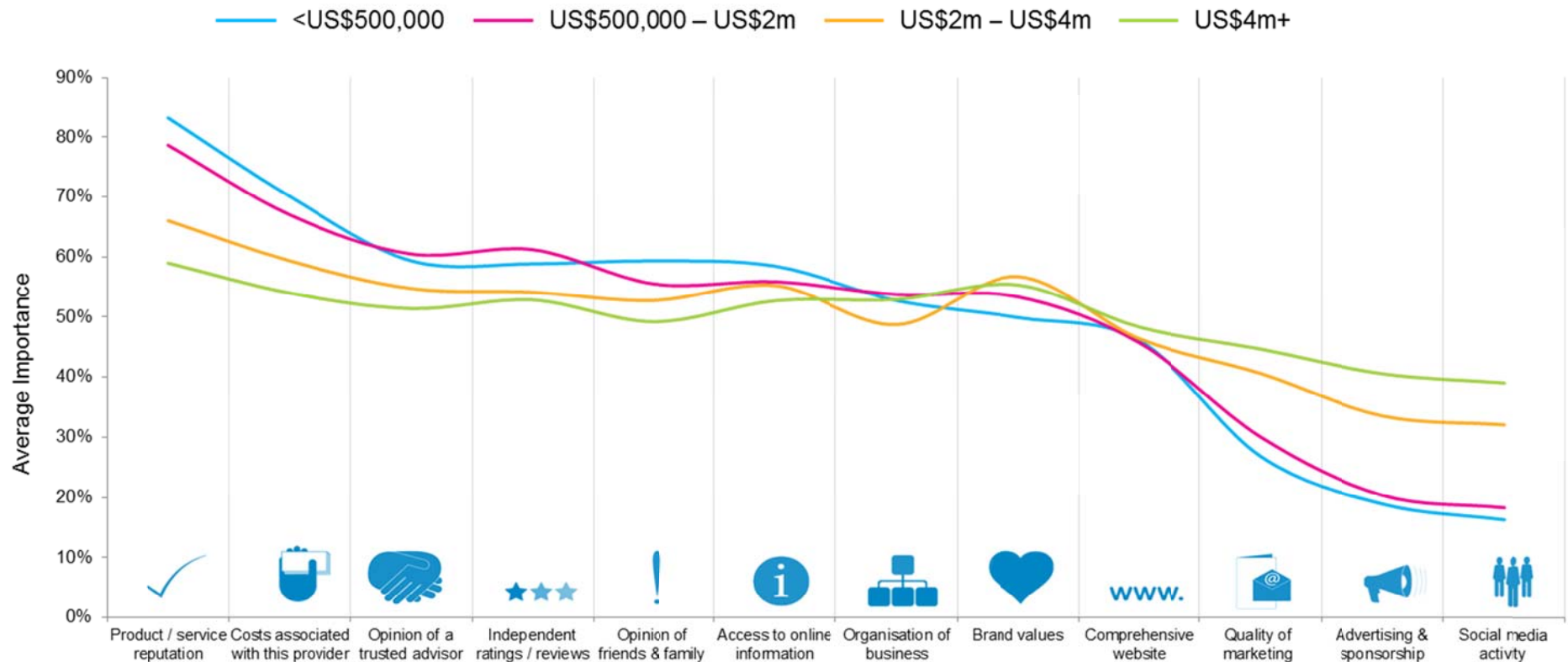
So much so, that respondents with an average worth less than US\$500,000 give the reputation of a firm an average importance score of 83%; while costs get 70% [Figure 6].

Traditional marketing tools – both on and off-line – may be of lower overall significance but should not be disregarded entirely. In fact, our most successful money makers are looking for an all-rounder. They give social media an importance score of 39%, making it only 20 notches less relevant to them than reputation.

It all shows that the Futurewealthy are starting to expect more from their money managers. Before they part with their hard-earned cash, they want to know that their service provider can deliver consistently across the board.

Figure 6: Starting a new relationship: Importance Index

When considering a wealth manager to look after your financial affairs, how important are the following factors? (Wealth segmented responses)

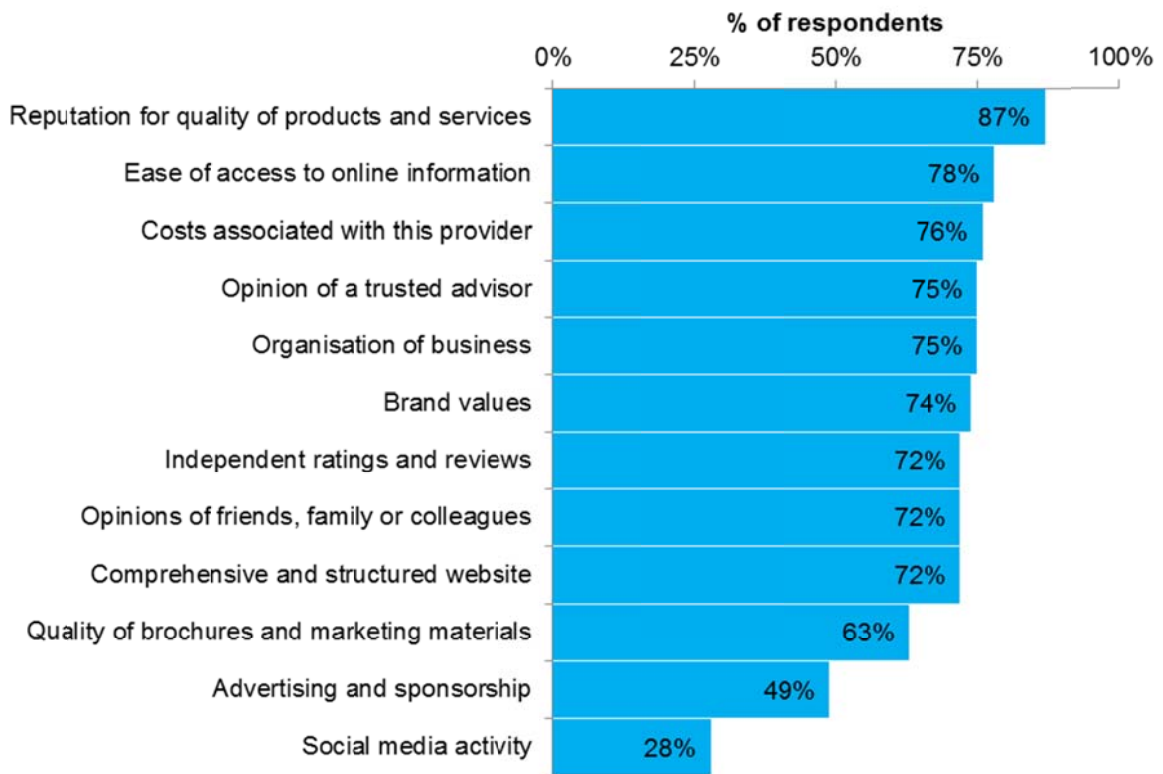


The good news is that wealth managers are delivering in the areas where it really counts. Almost 90% believe their firm has a good reputation while 76% are happy with costs. On average, 68% believe their wealth manager delivers a good performance in this pre-purchase phase.

While this means the majority of clients are happy, it also highlights that a significant number are less than pleased. In particular, their responses show that wealth providers are yet to demonstrate their marketing expertise. And, they are further still from taking it to a social level.

Figure 7: Starting a new relationship: Performance score

Does your main wealth manager provide a good performance in this area?





## THE LAWS OF ATTRACTION

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The laws of attraction state that “like attracts like”; positive energy will draw only positive energy, while negative energy will appeal to only negative energy. It is a simple rule, but one that presents a valuable lesson for wealth managers everywhere.

At the end of this first chapter what is apparent is that the world’s wealthy are going to great lengths to find a perfect partner – and they are still on the hunt. These global go-getters are exhaustive in their quest and many have collected numerous providers on the way.

They are searching for a provider who can understand their changing personal circumstances. Reputation is key; so are costs. But what the really high-value clients are pining for is a partner that can demonstrate value across a number of service areas.

There is a sense among the world’s well-heeled that the start of the relationship sets the tone for the remainder. They are upping their expectations.

In our next paper, we will pick up this thread to discuss the evolution of their interaction with their provider. We will consider exactly what it takes to deliver a great experience when connecting and collaborating with the Futurewealthy to deliver a service that meets their needs.



## ABOUT THE PARTNERS

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### Scorpio Partnership

Scorpio Partnership is a pioneer in the art of translating the complex needs of wealthy clients into practical, innovative and profitable solutions to target these customers. This award-winning firm has developed client insight from thousands of millionaires and billionaires around the world. With this knowledge, the firm has implemented strategic research, practical consulting and business innovation projects in over 35 countries.

### NPG Wealth Management

NPG Wealth Management is a leading provider of European cross-border life assurance solutions standing for excellence, transparency and compliance in the (Ultra) High Net Worth and High Affluent business.

NPG Wealth Management's operations are based in Luxembourg, Ireland, Gibraltar and Bermuda. From these 4 jurisdictions, the Group provides compliant wealth management solutions with active presence across 11 core Pan-European markets. Over the years, NPG Wealth Management has built a solid reputation of service excellence with its insurance intermediaries and clients with in excess of 5 billion euros of assets under management. For more information, visit [www.npgwm.com](http://www.npgwm.com)

### SEI

SEI (NASDAQ:SEIC) is a leading global provider of investment processing, fund processing, and investment management business outsourcing solutions that help corporations, financial institutions, financial advisors, and ultra-high-net-worth families create and manage wealth. As of December 31, 2013, through its subsidiaries and partnerships in which the company has a significant interest, SEI manages or administers \$559 billion in mutual fund and pooled or separately managed assets, including \$232 billion in assets under management and \$327 billion in client assets under administration. For more information, visit [www.seic.com](http://www.seic.com).

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