



Remaining Relevant with Investors During “The Great Wealth Transfer”

The greatest transfer of wealth in history is here. Learn why partnering with the right firm can help you connect with younger investors and serve their unique objectives.

THE GREAT WEALTH TRANSFER

The most significant generational wealth transfer in history is upon us. Referred to as “The Great Wealth Transfer,” an unprecedented \$84 trillion is expected to change hands by 2045, with over \$72 of the \$84 trillion transferring from Baby Boomers to their heirs.¹ This seismic shift in generational wealth has already led to changes in the wealth management industry as financial professionals navigate the challenge of serving existing older clients while preparing for the wave of incoming investors, many of whom have different expectations regarding financial planning services.

Financial professionals who want to work with the new generations like Gen Z and Generation Alpha should consider adapting their practice to serve these younger investors on their terms and according to their unique preferences, objectives, and goals. Many financial professionals are re-tooling their business structure with an eye towards the future – addressing key areas such as hiring programs, technology capabilities and fee structures. Those who are prepared for this ongoing shift in wealth, and can adequately address the younger generations’ different priorities and preferences, are likely to reap the rewards of new business and greater client retention rates.

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ATTRACTING YOUNGER INVESTORS

As Baby Boomers continue to pass down wealth to Gen X, millennial, and Gen Z heirs, financial professionals face the very real possibility of losing pieces of their book of business. Due to their unique circumstances, it is critical that financial professionals take the time to understand the life experiences, concerns, and financial objectives of younger investors. Properly preparing for the younger investor, then, may require a shift in approach. A few of the ways you can remain relevant with these investors include:

Embrace and Maximize Technology

Develop a Holistic Service Approach

Focus on Family

Younger investors demand transparency and control. They crave the lightning-quick capabilities of advanced technology and generally don't hold the same beliefs regarding investing advice and service as older generations. If you can begin to provide the solutions these younger investors want while continuing to deliver an excellent service experience to existing clients, heirs may be more likely to stay with you after receiving inherited assets.

TECHNOLOGY IS THE FUTURE

If there's one sure-bet in appealing to younger generation clients, it is: To propel a practice into the future, technology must play a central role. Across the board, younger generations are far more tech-savvy than their predecessors. Having grown up in the Internet age, these investors are more comfortable with technology than older generations. They want a relationship with a financial professional who can offer convenient technology resources. Online collaboration tools, mobile applications, and immediate access to accounts are a few of the resources younger investors expect in a dynamic digital experience.

A Fidelity report² listed four of the most popular digital options demanded by younger investors:

eSignature Capabilities

Online Document Storage

Remote Check Deposit

Account Aggregation Software

Younger investors also favor paperless processes as the rapid growth of Internet cloud platforms continues. In the future, the majority of financial systems will reside in these various cloud platforms and will be accessed securely by mobile apps, tablets, and laptops, giving financial professionals and their clients direct access to the data they need – whenever and wherever they need it. To this end, the future financial professional should consider developing a single online point of access for all products and services, including full-service and self-service options based on client preference.





A SMART GROWTH STRATEGY IS ESSENTIAL

The financial professional of the future should focus less on investing and more on expanded services. Providing a holistic service lineup that addresses many different areas of wealth management is an approach that offers many benefits to the financial professional. Among them is that this approach appeals directly to younger investors who prefer the luxury of choice and want advice beyond investing. Younger clients want and need guidance with important tasks like salary negotiations, learning ways to maximize current salary, planning career moves that offer greater compensation, monthly

budgeting, managing debt, and setting aside money for affordable vacations. This is particularly true for young investors who are going through major life events for the first time – including having a child and buying a home – and want somebody who can talk to them holistically about their financial life. Financial professionals who offer coaching and other various services to help guide young investors through many different life events can forge a relationship that lasts a lifetime.

BUILDING STRONG FAMILY RELATIONSHIPS

Many wealth managers have traditionally focused on acquiring clients with substantial existing assets while avoiding a strong pursuit of younger-generation investors who may not possess a great deal of wealth just yet. While this approach may produce attractive revenue opportunities today, it generally ignores the importance of courting younger investors, many of whom have favorable future earnings potential. Most financial professionals, for example, haven't developed a plan for building relationships with clients' children or younger investors in general. The most successful wealth retention strategies are often those that incorporate both clients and their heirs.

This outlook, in part, has directly impacted client retention. One report found that one in four clients³ leave their financial professional because of the lack of a "personal connection." Moreover, Forbes has reported that somewhere between

70-90 percent of heirs who inherit significant wealth part ways with the financial professional their parents worked with.⁴ Hiring financial professionals can make meaningful connections with younger investors, taking the time to get to know your clients' children, and offering to set up education accounts are just a few of the ways you can connect with the entire family and begin building relationships with heirs right away. To retain heirs in the future, financial professionals should also consider adopting a family office business model that embraces financial planning, provides comprehensive wealth management solutions, and relies on outsourcing investment management to a money manager. By embracing new demographics, financial professionals can develop a sustainable business that thrives well into the future.

WORKING WITH CAMBRIDGE

At Cambridge, we know financial professionals need to chart a course that works best for them and their clients. You are the pilot, but we stand with you, ready to provide guidance and the flexibility of choice. We offer financial professionals common sense compliance, client acquisition support, business solutions, outsourcing resources, quality due diligence, innovative technology, customized practice management, and marketing and social media solutions. Many of our technologies and resources were built with the next gen investor's preferences in mind. Some of these include:

Cambridge Asset Allocation Platform (CAAP)

With the CAAP®⁵ – our flagship turnkey investment program – you will have access to a flexible range of investment portfolios designed to meet various client needs. CAAP incorporates the expertise of more than 40 professional investment strategists who provide a diverse line of mutual fund, ETF, and Separately Managed Account (SMA) portfolios. By using CAAP to build appropriate portfolios for your clients, you can save time and effort to allocate to client-facing tasks and priorities. This additional time can be especially advantageous during periods of extreme market volatility, freeing you up to spend time helping your young clients stay the course through behavioral coaching. Helping clients avoid the urge to pull assets out at the wrong time and stick to their long-term plan is one-way to provide substantial value, particularly to younger investors who may not be familiar with the intricacies of a volatile market.

CLIC

Composed of a full suite of integrated and customizable technology features, CLIC® is Cambridge's comprehensive online business environment. It aims to give you the freedom of choice needed to control the journey and best serve clients depending on their goals. Some of the features that come with CLIC include:

CLIC Advisor delivers digital wealth at your fingertips and uses innovative partnerships with FinTech providers to create a streamlined experience that supports your need for freedom of choice. A unified user experience, mobile access to documents and accounts, advanced analytics, comprehensive financial planning, and exposure to leading FinTech integration are just a few of the benefits of CLIC Advisor.

CLIC Client is an online portal that gives your clients complete transparency and in-depth access to their entire financial picture. The portal allows your clients to view progress on their financial goals, track spending, create budgets, view their investments, and securely store all their important financial documents in the client vault. Some additional benefits include:

Mobile Web Access for Clients

Unlimited Secure Vault Storage

Account Aggregation and Organizer

Financial Goals Tracking

Unlimited Document Storage

Self-registration and Onboarding

Spending and Budgeting



THE FUTURE IS NOW

The greatest transfer of wealth in history is here, and financial professionals who can adapt rapidly to the changing market will be best positioned for success in the future. For many, this may mean partnering with a firm that will provide the flexible technologies, solutions, strategies, and resources needed to maintain high-quality service for current baby boomer clients and prepare for younger investors who will be inheriting significant assets. Financial professionals equipped with a sound plan and the necessary capabilities to execute that plan will have an advantage over firms that are ill-equipped and ill-prepared to adjust appropriately.

At Cambridge, we believe in preparation and recognize that your clients are your most valuable asset. Our mission is to make a positive difference in the lives of our financial professionals and every one of their investing clients. Our drive to fulfill this mission is relentless, and that is why we've created technology and service platforms designed to help you best serve clients from all generational pools. Connecting with younger investors like Gen Z and Generation Alpha takes time and effort, but it's one of the keys to building a business that will thrive through "The Great Wealth Transfer."

About Cambridge

Cambridge Investment Group, Inc. is a financial solutions firm focused on serving independent financial professionals and their investing clients. Cambridge offers a broad range of choices for independent financial professionals regarding solutions for advice, growth, technology, and independence. Cambridge's national reach includes: Cambridge Investment Research Advisors, Inc. – a large corporate RIA; and Cambridge Investment Research, Inc. – an independent broker-dealer, member FINRA/SIPC, that is among the largest internally controlled independent broker-dealers in the country.

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¹Cerulli Associates. (2022). Cerulli anticipates \$84 trillion in wealth transfers through 2045. Cerulli.

²Godbout, T. (2022). Advisors, asset managers must plan now for next-gen investors. National Association of Plan Advisors.

³Stevens, D. (2021). Four reasons clients fire wealth managers. Empaxis.

⁴Rae, D. (2022). Four reasons to fire your parents' advisor when receiving an inheritance. Forbes

⁵CAAP® is a registered trademark of Cambridge Investment Research, Inc. for its program for investment managers.

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