A BenchMark Series Report:
Marketing 2022: Optimizing Marketing Strategies

fuse research network

MARKETING SPECIAL REPORT

# Marketing to Younger Advisors in a Digital Era

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# Executive Summary

For many years, a topic of discussion within the asset management industry has been the aging population of clients and financial advisors. An estimated $30 trillion will transition from the silent generation and baby boomers to adult children and grandchildren during the next several decades. In addition, *ThinkAdvisor* estimates 44% of advisors are older than 55 years of age, and more than a third will retire between 2020 and 2030.

This transition will be gradual, but it will influence how asset managers sell and market their investment products and with whom. Firms will be working with a younger demographic of financial advisors and clients.

In this report, we outline the dynamics of the wealth transfer, trends in digital marketing and social media, and marketing preferences of younger advisors. Key findings include:

- Based on most recent Federal Reserve data, nearly $24 trillion in corporate equities and mutual fund assets sit in households aged 55+. Households aged 70+ years old have $9.2 trillion in mutual fund and corporate equity assets, while baby boomers have $14.3 trillion.
- Younger advisors work with a younger client base. The average client age for advisors who are 50+ years old is 57. Conversely, the average age for advisors younger than 40 years old is 49.
- Social media is likely to become more influential for asset managers. According to Pew Research, more than 80% of American adults under 50 use at least one platform. The number declines for the older demographic.
- The younger demographic of advisors has a clear preference for digital/social marketing content. A higher percentage of the two youngest advisor cohorts (less than 35 years old and 35-39 years old) indicated that emails were highly effective marketing touches.
- According to Sprout Social, marketing needs to focus their efforts when leveraging social media platforms because consumers have clear preferences for engaging social media content. Two-thirds stated that short-form video is most engaging, while 61% indicated images.
- Length of video is also very important. The optimal video length ranges from 3 to 5 minutes, according to surveyed advisors. Videos that are 1 to 2 minutes long followed in a close second.
- Social media within the asset management space is still in an adoption phase. For the two youngest advisor cohorts, 15% and 18% of advisors ranked social media highly valuable, respectively.
- Marketing has an opportunity to take a leadership role in identifying and cultivating relationships with a young demographic of advisors. Sales can cover a finite group of advisors and will focus on the teams with established books of business. Ultimately, marketing can target emerging advisors by working them through the lead funnel and transitioning the best opportunities to sales when the opportunity warrants the shift.

# An Evolving Landscape

The marketing function within asset management has undergone significant transformation over the past decade. Firms are embracing and investing in data, data analytics, and advisor segmentation. Customization and coordination with sales have improved dramatically. And the role of marketing, historically deferential to sales, has grown in importance within asset management organizations.

Heads of marketing need to be prepared for two upcoming long-term challenges:

1. A significant transfer of wealth between generations
2. Older advisors exiting the business over the next 10+ years

Both transitions will influence how the distribution arm of asset managers work with advisors and their clients. The younger demographics among both advisors and investors embrace alternative communication methods and have different preferences for marketing.

In this report we will address this transition of assets, the changing demographics of advisors, social media trends, and marketing preferences of a younger cohort of advisors based on a recent survey conducted by FUSE Research in partnership with WealthManagement.com.

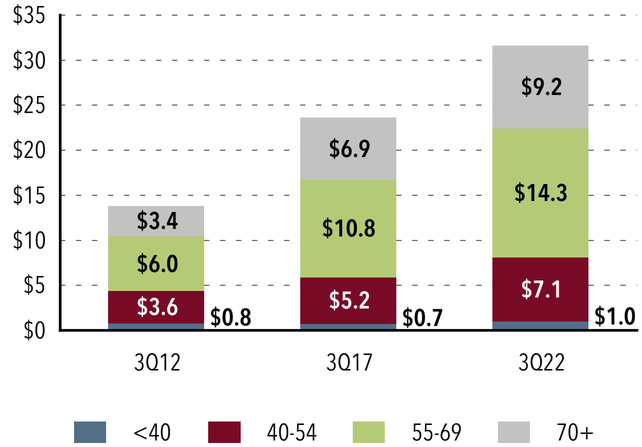
# Wealth Transfer and Advisor Demographics

An estimated $30 trillion will transition from the silent generation and baby boomers to adult children and grandchildren during the next several decades. Based on most recent Federal reserve data, nearly $24 trillion in corporate equities and mutual fund assets sit in households aged 55+. Households aged 70+ years old have $9.2 trillion in mutual fund and corporate equity assets, while baby boomers have $14.3 trillion.

In addition, the baby boomer and silent generation have trillions of dollars of additional assets:

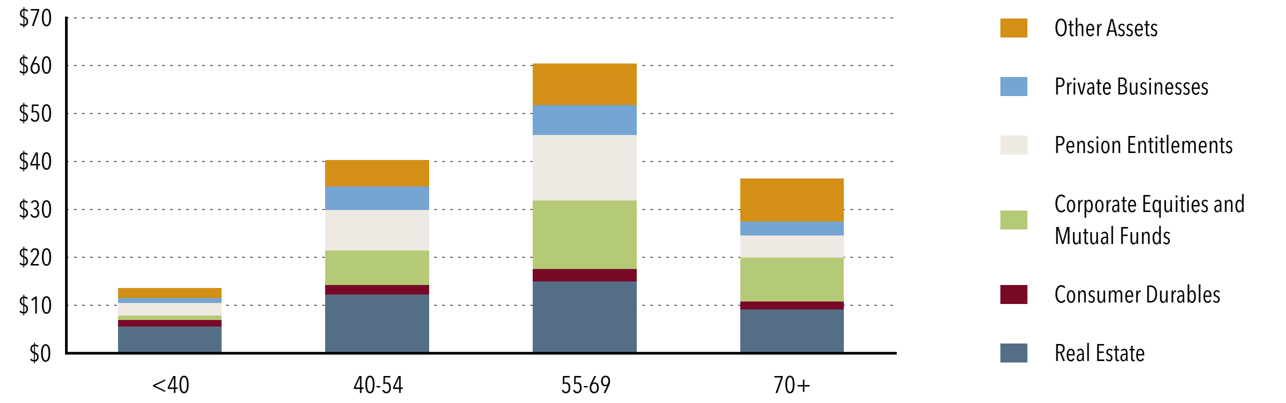
- Real estate: $24.1 trillion
- Consumer durables: $4.2 trillion
- Private businesses: $9.8 trillion

## Wealth Breakdown by Age Demographic: Corporate Equities & Mutual Funds ($ Trillions)




*Source: Federal Reserve*

## Asset Breakdown by Age Demographic, 3Q22 ($ Trillions)



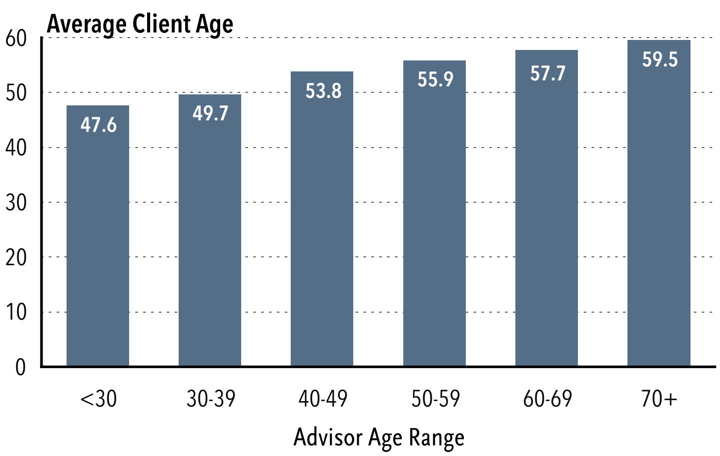

*Source: Federal Reserve*

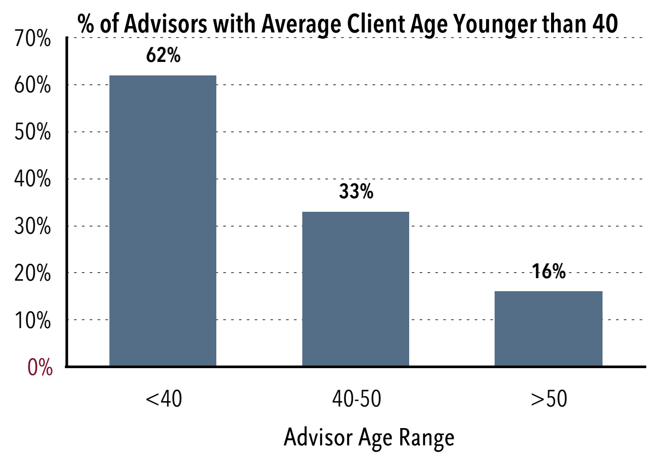
In total, households aged 55+ have approximately $99 trillion in assets. The more immediate transition will occur with the silent generation demographic; however, there will be a steady flow of money transitioning from an older to a young demographic annually.

This wealth shift will influence asset managers in multiple ways:

1. One of the primary impetuses for changing advisors is a transfer of wealth between generations. Therefore, trillions of dollars will be in motion between advisors as this wealth shift occurs.

## Average Client Age by Advisor Age Range




*Source: FUSE Research Network , WealthManagement.com*

2. Advisors will have to modify some of their practices to accommodate a younger client demographic. In turn, asset managers will need to craft marketing efforts to aid advisors with this progression.
3. Finally, as money transitions between generations, we anticipate some of these dollars shifting to a younger demographic of advisors. There is a direct correlation to average advisor and client age.
    - The average client age for advisors who are 50+ years old is 57.
    - Conversely, the average age for advisors younger than 40 years old is 49.
    - In addition, 62% of advisors younger than 40 have an average client age of 40 years or less, compared to 16% for advisors 50+ years old.

# Marketing Preferences of Young Advisors

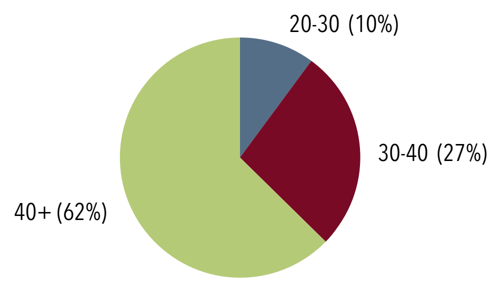
The wealth transfer—which will be a long-term trend—is just one reason asset managers need to cultivate relationships with younger advisors. Another is a large segment of advisors is likely to transition out of the business. According to ThinkAdvisor:[1]

- Forty-four percent of advisors are more than 55 years old
- More than a third of advisors will retire between 2020 and 2030

The younger demographic of advisors is going to play a significantly larger role in managing client relationships over the next decade, and their communication preferences differ from older advisors. They embrace digital communication and some social media. This is likely to increase, as asset managers become better/more efficient in leveraging these platforms.

Social media has become a universally core component of communication. According to Pew Research, more than 80% of American adults under age 50 use at least one platform. The number declines for the older demographic. Overall, YouTube (81%) and Facebook (69%) are currently the two most used platforms; however, multiple factors influence usage, and the pace of change will be rapid.

## Breakdown of Advisor Age




Source: Zippia

1. https://www.thinkadvisor.com/2020/02/05/how-to-deal-with-an-aging-advisor-force-and-aging-clients/

## Social Media Platform Usage by Age

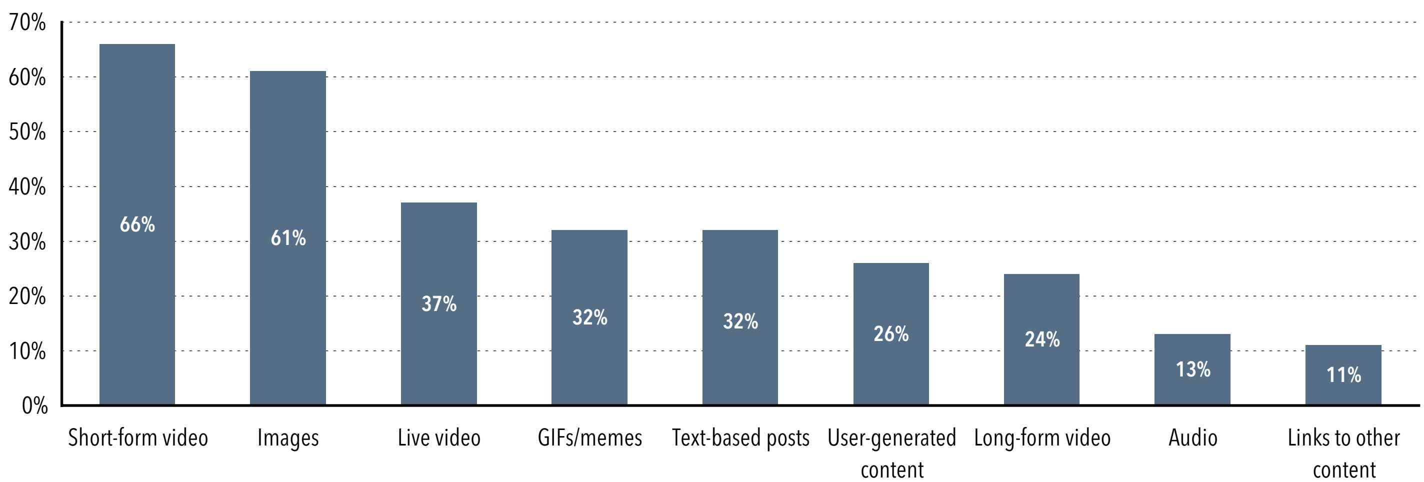
| | YouTube | Instagram | Facebook | Snapchat | TikTok | Twitter | LinkedIn |
|---|---|---|---|---|---|---|---|
| 18-29 | 95% | 71% | 70% | 65% | 48% | 42% | 30% |
| 30-49 | 91% | 48% | 77% | 24% | 22% | 27% | 36% |
| 50-64 | 83% | 29% | 73% | 12% | 14% | 18% | 33% |
| 65+ | 49% | 13% | 50% | 2% | 4% | 7% | 11% |

*Source: Pew Research*

LinkedIn ranks at the lower end of the Pew Research social platform list; however, based on FUSE research of asset managers in 2020 and 2021, all respondents use LinkedIn. The platform has ascended to become the most relevant and manageable platform for asset managers because it is the platform of choice for their clients. According to the *Putnam Investments Social Advisor 2020 Study*, among financial advisors who use social media, 85% use LinkedIn. LinkedIn is also more aligned with how many asset managers prefer to communicate marketing content than many other platforms.

Since consumers have clear preferences for engaging social media content, marketing needs to focus their efforts when leveraging social media platforms. Two-thirds stated short-form video is most engaging, while 61% indicated images. The length of content is integral to engagement. Only 24% of consumers rated long-form video highly engaging, which ranked #7 out of nine criteria and lagged short-form video by 42 percentage points. These numbers coincide with the video preferences of advisors, which will be discussed in further detail.

## Most Engaging Types of In-Feed Content

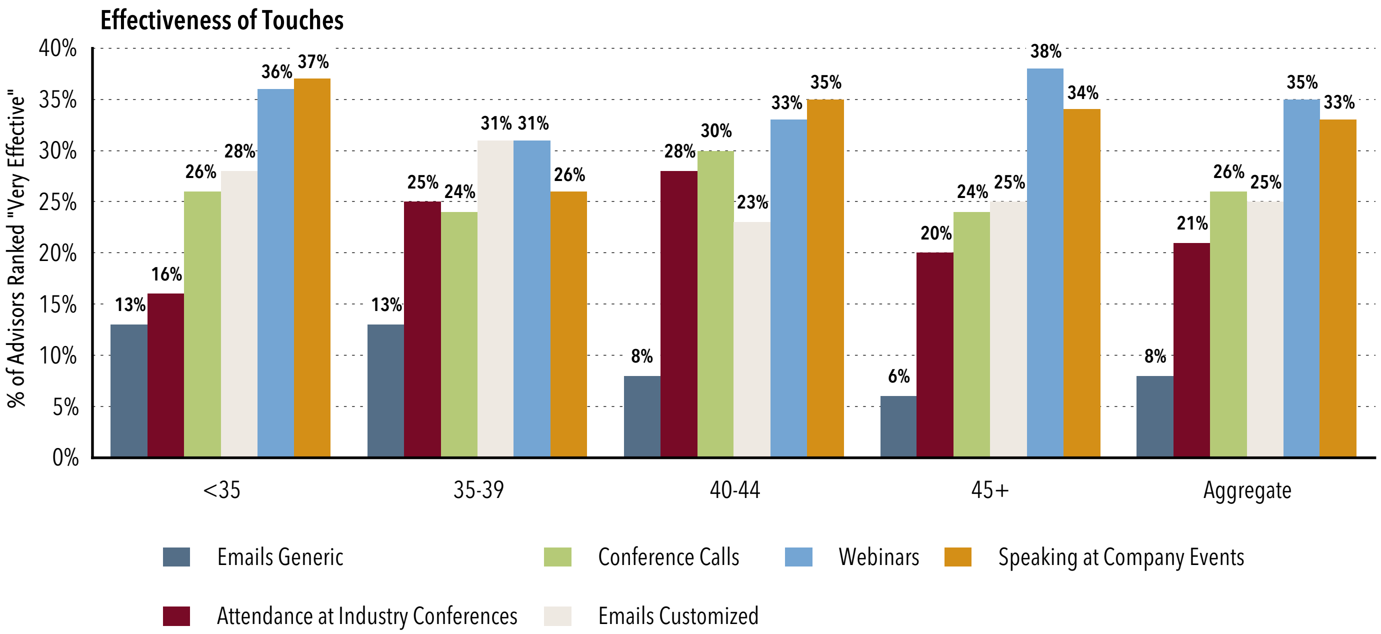


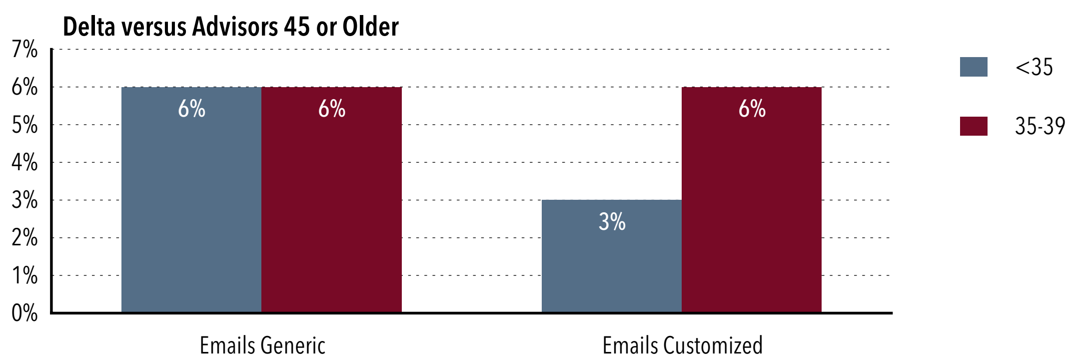

*Source: Sprout Social, US Social Media Trends 2022 & Beyond*

Within the financial services space, advisors have clear marketing biases. In reviewing the effectiveness of multiple marketing approaches, we observed some distinct differences by advisor age. A higher percentage of the two youngest advisor cohorts (younger than 35 years old and 35-39 years old) indicated that emails are highly effective marketing touches. The effectiveness of more traditional touches—speaking at company events, webinars, and attendance at company events—did not exhibit significant differences among the different advisor age groups.

Email, which has been a standard for more than 30 years, has become a core communication method for most demographics. However, the youngest demographics of advisors value these outreaches more than older advisors. An important note: firms need to customize and focus their email campaigns. The value perceived from custom emails is significantly higher than generic outreaches. Overall, a very small percentage of advisors (both old and young) view generic emails as effective.

## Effectiveness of Marketing Touches




*Source: FUSE Research Network, Wealth Management.com*

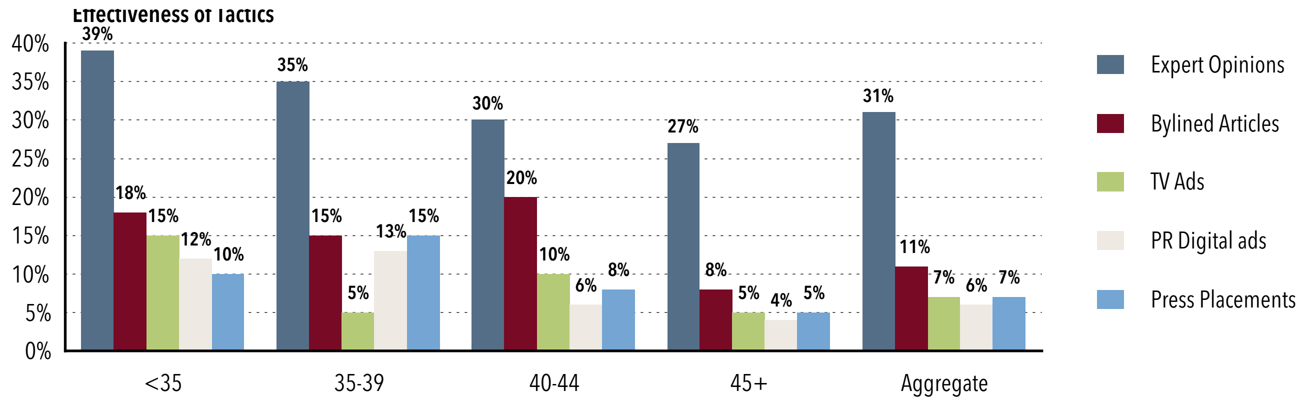
Emails are not the only marketing touch preferred by younger advisors. Other marketing efforts preferred by younger advisors include:

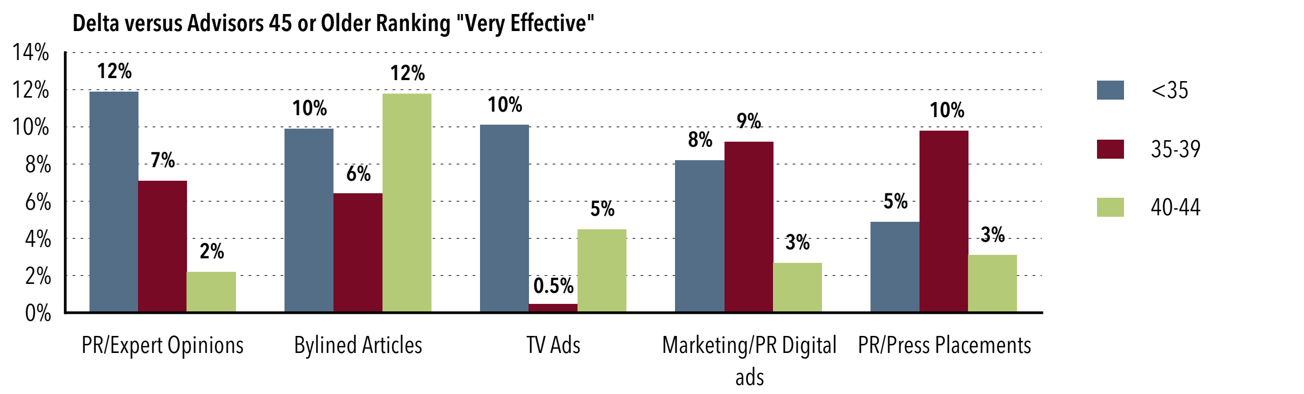
1. Public relations/expert opinions
2. Bylined articles
3. Digital ads
4. Press placements

Younger advisors are in a different phase of their career and are more open to marketing support from asset managers. However, firms need to understand this and work with young advisors, particularly those with emerging businesses. The dynamics of these touches are very different and entail a unique approach to be effective. Some are earned media, while others are paid. Nearly 40% of advisors younger than age 35 think expert opinions are very impactful compared to only 27% of advisors older than 45 years of age.

A good example of an expert opinion would be an appearance on Squawk Box or a panel spot at a third-party conference. Expert opinions are by far the highest-impact marketing efforts among the five touches within our survey. And both younger cohorts place an above-average rating on it.

## Effectiveness of Marketing/PR Tactics



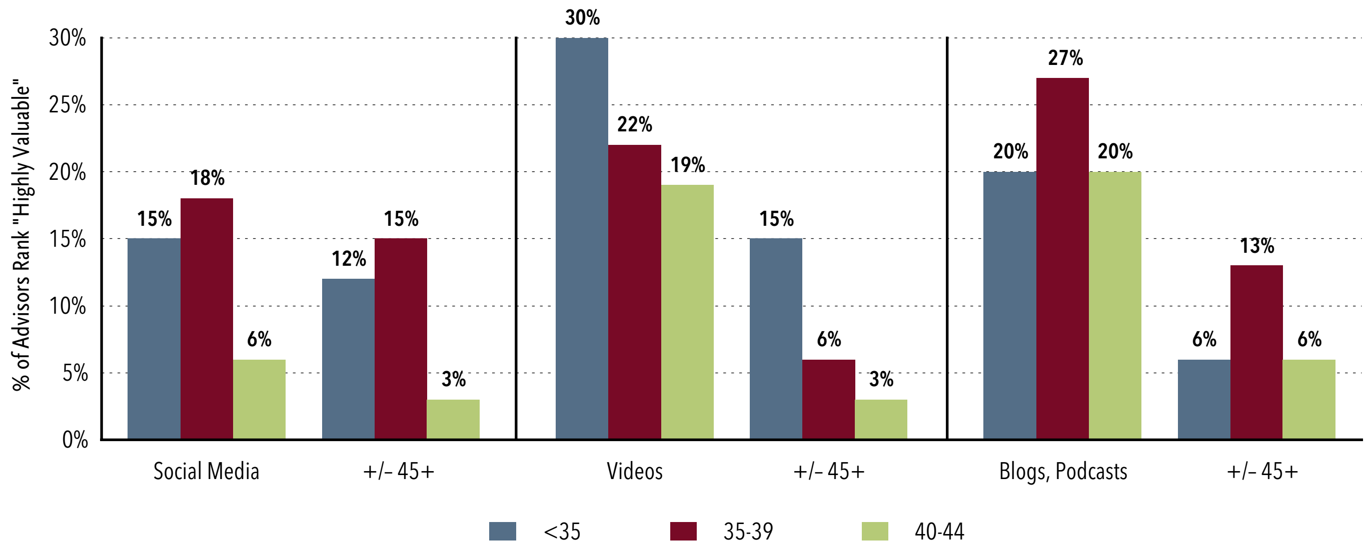




*Source: FUSE Research Network, Wealth Management.com*

From an overall marketing perspective, younger advisors prefer digital content. Social media, videos, and blogs/podcasts are more embraced by advisors younger than 45 years old. For all three content types, each of the advisor age groups under age 45 value these mediums more than their older advisor counterparts.

Social media within the asset management space is still at an adoption phase. For the two youngest advisor cohorts, 15% and 18% of advisors ranked social media highly valuable, respectively. While this is more than four times higher than advisors age 45 and older, it is still a small percentage of financial advisors. This current modest uptick in adoption does not eliminate the need for marketing to leverage social media. For the youngest demographic of our survey, digital communication has become the standard. And social media is a part of this trend. While there are compliance challenges, firms need to use social media for messaging and pilot programs on different platforms to identify best usage of tools like Twitter, Facebook, Instagram, TikTok, etc.

## Young Advisors Value Digital Content

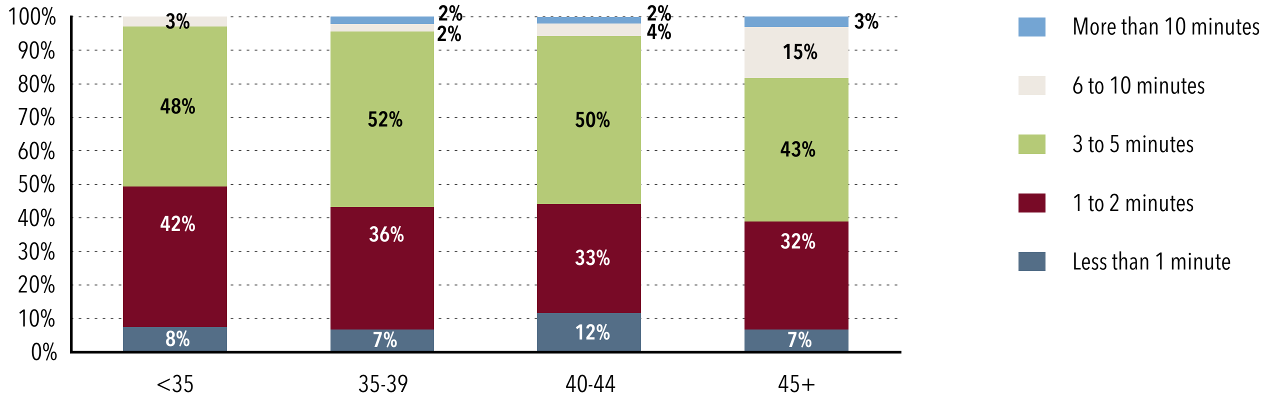



*Source: FUSE Research Network, Wealth Management.com*

Video is also an important marketing tool in reaching younger advisors. More than 30% of advisors under age 35 rank it as a highly valuable digital tool, which is nearly double the rating of advisors age 45+. Identifying the right content and length of video is important in effectively reaching all advisors, but particularly the younger demographic. The optimal video length ranges from 3 to 5 minutes, according to surveyed advisors. Videos that are 1 to 2 minutes long followed in a close second. This coincides with the broad preferences of video length previously discussed.

There is not a significant difference among the advisor age cohorts for video length; however, older advisors are slightly more open to longer videos. For example, 15% of advisors 45+ years old prefer videos 6 to 10 minutes long compared to only 3% and 2% for advisors younger than 35 and age 35-39, respectively.

## Optimal Video Length

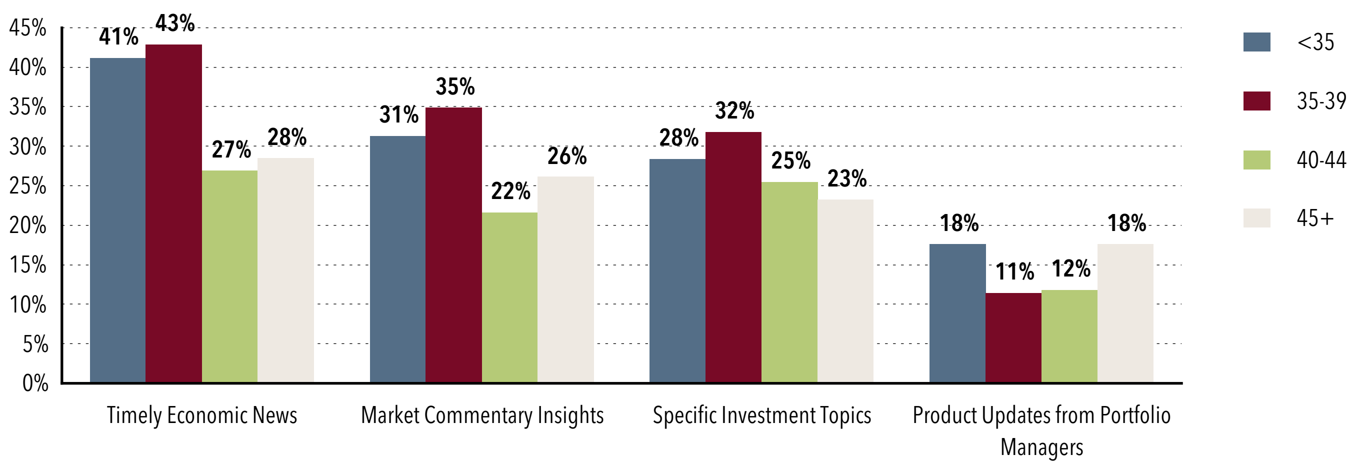



*Source: FUSE Research Network, WealthManagement.com*

The relatively short, preferred video length illustrates the need of targeted, approachable, and easily consumed marketing content. There are opportunities for longer, more detailed content. But the younger generation consumes content online and in bursts. Asset management marketing teams must embrace this trend with their video content.

Advisors also have clear preferences for different content topics. Timely economic news and market commentary videos are most frequently watched by advisors, and the two youngest cohorts are more likely to observe these videos. More than 40% of advisors younger than 40 years old watch video content on timely economic news compared to less than 30% for the two older

## Video Content: % of Advisors Often Watch




*Source: FUSE Research Network, Wealth Management.com*

age groups. A similar, but less pronounced trend, exists for market commentary videos: more than 30% of the two youngest advisor cohorts will often watch this content.

For each of the types of video content—timely economic news, market commentary, specific investment topics, and product updates from portfolio managers—the youngest demographic of advisors is more likely to watch. In addition, for the first three types, the two youngest demographics (less than 35 and 35-39) are more likely to watch these videos.

# Takeaways

It is challenging for distribution to shift its advisor focus to a younger demographic. There are a finite number of advisors that sales can effectively cover. And the bulk of the wealth sits with large advisor teams with established business.

This leaves marketing with the opportunity to take a leadership role in this effort. Firms can craft targeted campaigns for a select audience of young, emerging advisors. It will take a digital approach:

- **Mine existing databases to identify advisor preferences.** Data and analytics are critical in better understanding advisor behaviors, improving sales and retention, managing sales territories, and implementing effective marketing campaigns. Advisor preferences need to extend beyond channel and region to product mix, book size, how they wish to communicate, and any areas of specialty.
- **Customize emails campaigns.** The value perceived from custom emails is significantly higher than generic outreaches. Personalized content leads to engagement. Overall, the majority of advisors (regardless of age) view generic emails as ineffective. Since generic email will likely continue to produce limited results, it should be used sparingly.
- **Focus digital content based on likely engagement.** Digital delivery needs to be coupled with compelling content that impacts the advisor's business. Timely economic news and market commentary are topics that will move the needle, especially when it's delivered in a concise format. Less is more: the optimal video length should not exceed five minutes, and a traditional white paper should be crafted into short, digestible sections.
- **Increase social media presence, tracking reach and effectiveness.** While there remain compliance/oversight challenges, firms of all sizes realize the need for social media messaging and pilot programs on different platforms to identify best use of social media such as Twitter, Facebook, Instagram, TikTok, etc. The market volatility of 2022, plus underlying social, political, and global economic fissures serve as a reminder for asset managers to engage and communicate promptly in familiar social media streams.

Marketing can refine this approach through feedback and data collection to best target emerging advisors. And as advisors move through the lead funnel, pass along a select group to sales for additional service and support.

The shift in wealth through generational dynamics/inheritance and advisors aging out of the business is a long-term trend. It will fall upon marketing and sales to prepare services to aid their advisor partners during this shift, both in maintaining their client dollars and potentially acquiring money in transition.

# About FUSE Research Network LLC

FUSE was launched in 2008 with the view that research and consulting support for asset managers has failed to evolve with the changing needs of the client. Today's competitive environment demands that clients make important business decisions within shorter and shorter time frames.

To support clients in this setting, FUSE provides a dynamic research platform that covers our clients' current and future decision areas (strategic and tactical). Our goal is to become an invaluable business partner through the delivery of highly informed and forward-looking recommendations that are among the critical inputs our clients need to optimize results.