

NATIXIS CENTER FOR INVESTOR INSIGHT

The Big Reset

Financial professionals are at a turning point after the pandemic

Executive Summary



Despite a double-digit correction in stocks and bonds and near double-digit inflation in the first half of 2022, financial professionals anticipate a 5% median growth in AUM for the next year, and an annualized growth rate of 10% over the next three years. Those looking to achieve these goals will have their work cut out for them.

To grow, financial professionals have to adapt. For the short term, they'll need to reset investment strategy for turbulent markets and emotional clients. Over the long term, they'll need to re-evaluate their market assumptions and determine how much the world has really changed. And then adapt their portfolio and business strategy for a new environment.

The 2022 Natixis Global Survey of Financial Professionals takes a deep dive into what four key insights hold for business growth.



You need more than markets to grow a business

Over the last two years, clients saw assets swell by as much as 20%–30%. Outsized market performance made it easier for professionals to increase their assets under management – and eased pressure to find new clients and assets. But with a downturn, financial professionals need effective strategies for winning new clients and new assets if they’re going to hit their growth goals.

What’s their strategy? Those surveyed anticipate adding a median of 20 new clients annually to their book of business by 2024 – except those in North America, who are targeting higher-net-worth individuals, and anticipate needing only 10 new clients annually. What can help them get there? 49% say they’ll need to demonstrate to clients how they add value beyond asset allocation. 45% say building relationships with next generation heirs helps as well. Many say shifting their focus from portfolio management to financial planning helps strengthen long-term relationships.

One-Year Median Projected AUM Growth Rate

+5%

Three-Year Median Projected AUM Growth Rate

+10%

Success factors for business growth

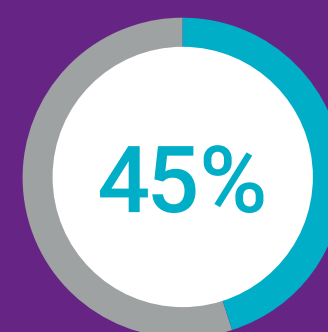
The largest number of advisors (49%) say their ability to demonstrate value beyond asset allocation will be the key success factor in their growth. This ties in directly to a major transition under way in the wealth management business. Many financial professionals have found that shifting the focus of their business from portfolio management to financial planning can strengthen long-term relationships.

This factor could be vital in the year ahead as clients see higher volatility, lower returns, and potential short-term losses. Rather than letting client relationships be defined by the transaction of selling into or out of an investment, a broader focus on financial planning could help them keep clients focused on the long-term goals. Not short-term market performance.

Financial professionals see clear success factors for their business growth



Demonstrate value beyond asset allocation



Building relationships with next generation heirs



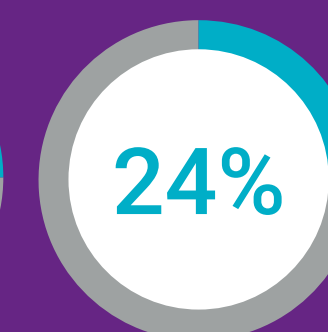
Client retention



Access to technology



Streamline client base



Succession planning



Meet demand for crypto

Prospecting efforts come into focus

Two-thirds of financial professionals segment their prospects by age and focus on individuals in their prime earning years: 82% focus on individuals between the ages of 50 and 60; another 61% focus on those between age 60 and 65.

These pre-retirees are particularly attractive. Not only have they had time to accumulate wealth, but they also tend to be out from under education costs and liabilities related to raising a family. It's likely that advisors can win more of this business by

emphasizing their ability to help annuitize savings and investments as a retirement income plan.

More than three-quarters (77%) also focus on individuals between 35 and 50. At this stage, clients may be looking for more comprehensive financial planning services to address education funding, retirement savings and investment and debt management.

THE MOST SUCCESSFUL PROSPECTING STRATEGIES

Financial professionals say personal and professional referrals, along with a return to in-person events, have been their most effective strategies for growing assets in the past year.

72%

Referrals from other clients

48%

Referrals from professionals (CPAs etc.)

34%

In-person events and experiences

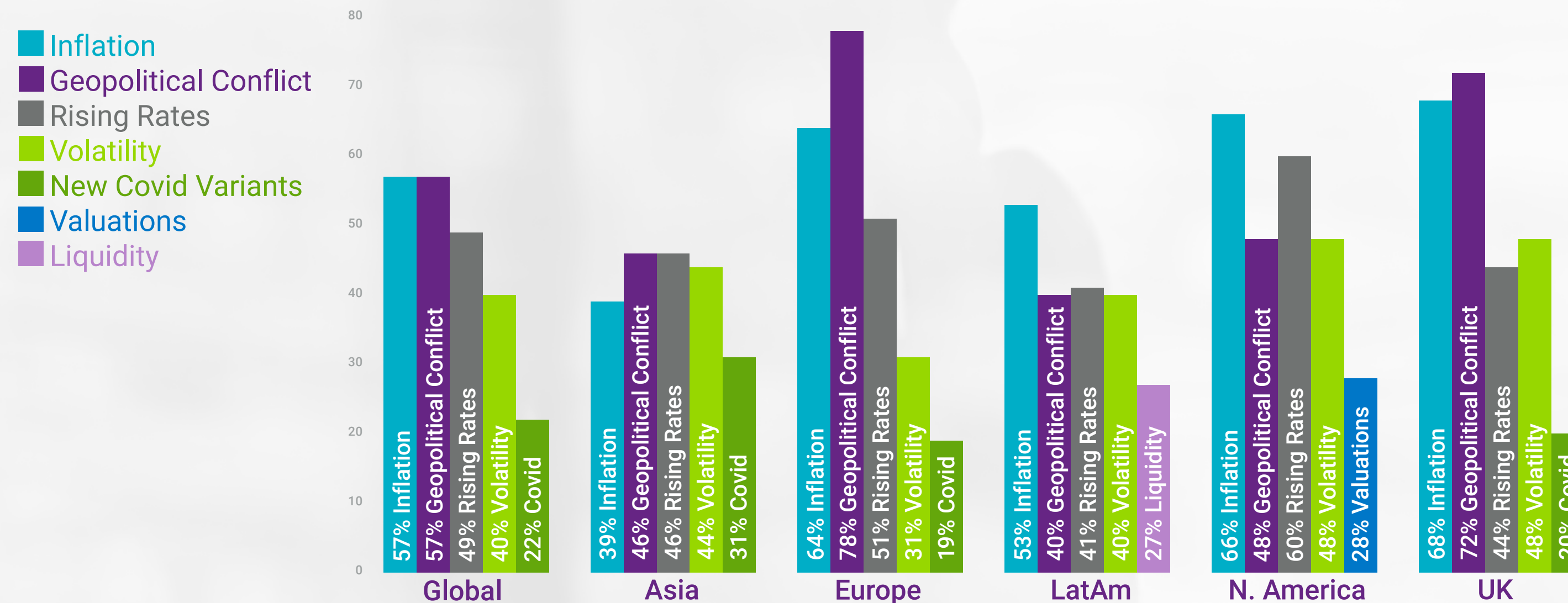
20%

Social media engagement

14%

Email marketing

RISK CONCERNS VARY WIDELY BY REGION

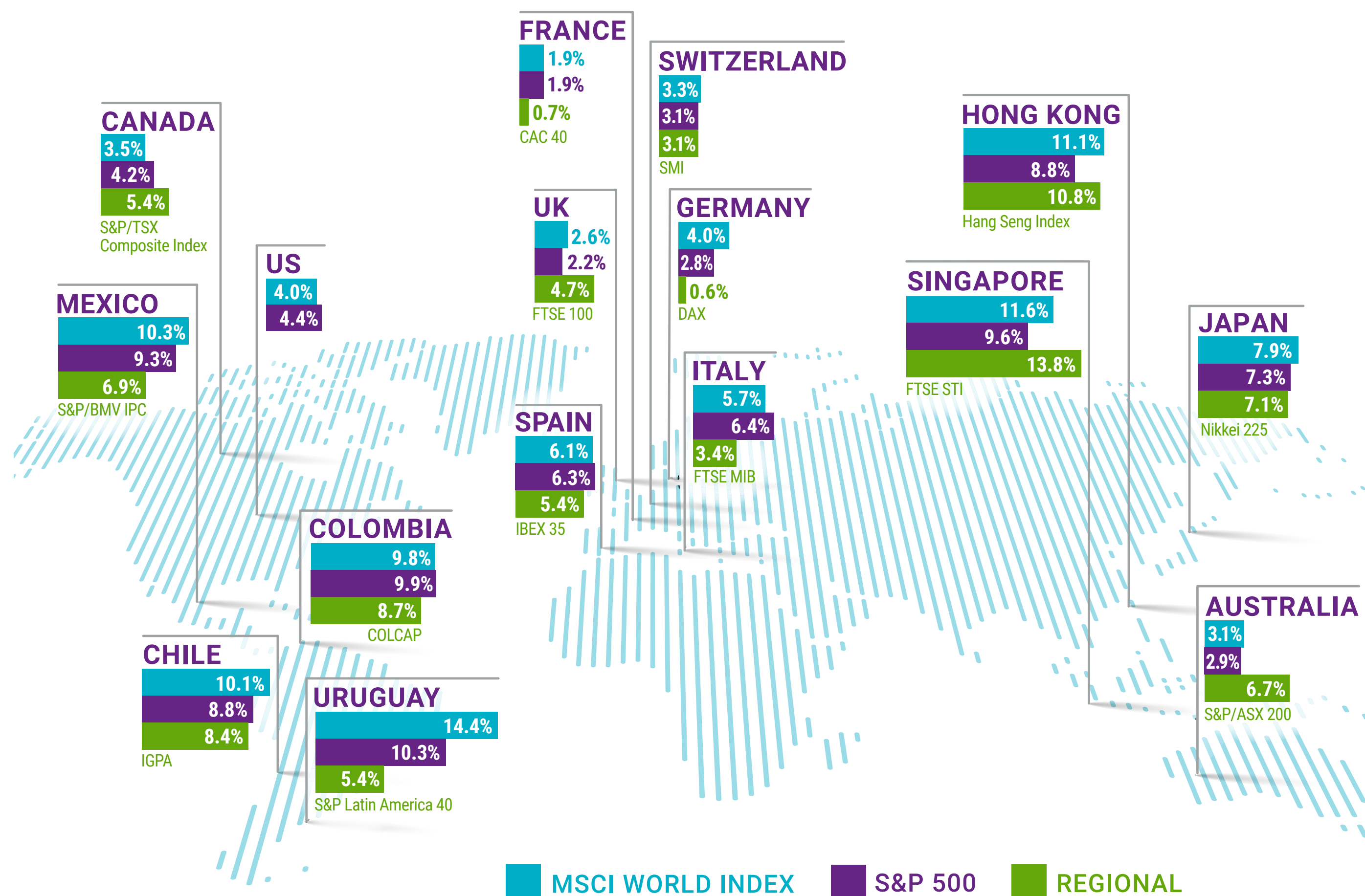


Investment assumptions need to change with the fundamentals

Markets in 2022 are giving advisors reason to question long-held investment assumptions and determine what, if any, long-term strategy shifts are needed for long-term success.

To some, current events carry historic weight. As one registered investment advisor in the US so aptly said, *"Of all we've seen over the last decade, this scenario is the one that's getting me to reevaluate."*

WHAT DO YOU PROJECT MARKETS WILL RETURN IN 2022?



Professionals remain optimistic in outlook for second half of 2022

Despite the market downturn, financial professionals are optimistic for better days in the second half of the year. On average, they project a market rebound in which most major indexes go from bear market (or near-bear) territory to post gains by the end of December, including 5.8% for the S&P 500 and 6.4% for the MSCI World index.

Closer inspection reveals significant regional differences: Professionals in Latin America expect much more from market performance, including 11.2% for the MSCI World and 9.6% for the S&P 500. But those in the UK appear to be the most pessimistic, calling for the MSCI World to deliver just 2.6% and the S&P to post a 2.2% return. Despite these low projections, UK professionals give a home court advantage to the FTSE 100, which they project to deliver 4.7% for 2022.

Rates and inflation driving asset class views

Despite the challenge of evaluating risk across multiple fronts, financial professionals still need to manage client portfolios. As they survey a market that has spun from low rates and a long ride up for stocks to rising rates and a rapid decline for stocks and bonds, financial professionals have clear views on which asset classes are best suited to this environment.

HOW ATTRACTIVE ARE STOCKS, BONDS AND OTHER ASSET CLASSES TODAY?

■ Much Less ■ Less ■ Same ■ More ■ Much More

100%



Equities



Fixed Income



Commercial Real Estate



Residential Real Estate



Infrastructure



Private Assets



Commodities



Digital Assets

Some data does not add up to 100% due to rounding.

The hardest thing to manage may be client expectations

Financial professionals see investor expectations for risk and return challenged by volatile markets. Their advice: Investors should control what they can. Their emotions.

"This market has gone straight up for 12-plus years," says a wirehouse advisor in the US. "We've had low volatility and markets... It's not reasonable to expect that to continue. So, our job is to keep the client grounded and focused on things that they can control, which is their expectations."

EXPECTATIONS GAP BY COUNTRY

Global Average Expectations			
	9.0%	61%	14.5%
	Financial Professionals annual return expectations (above inflation)	The % difference between investor and professional expectation	Individual Investor annual return expectations (above inflation ¹)
	Financial Professionals	Expectations Gap	Individual Investor
Australia	6.9%	109%	14.4%
Canada	6.5%	72%	11.2%
Chile	14.5%	13%	16.4%
Colombia	14.9%	5%	15.6%
France	6.6%	83%	12.1%
Germany	7.0%	53%	10.7%
Hong Kong	7.6%	79%	13.6%
Italy	6.3%	84%	11.6%
Japan	8.7%	45%	12.6%
Mexico	14.0%	16%	16.2%
Singapore	14.2%	-6%	13.4%
Spain	7.6%	101%	15.3%
Switzerland	6.9%	94%	13.4%
UK	6.2%	127%	14.1%
US	7.0%	150%	17.5%



56%

of investment professionals say clients are more concerned about minimizing fees than minimizing their tax liability.

Clients are asking the right questions – most of the time

72% of financial professionals report that their clients want to know if their portfolio offers any inflation protection. They also want to learn how certain trends could fit into their plan. With the great resignation still under way, 52% of advisors say clients have asked, “Can I afford to quit my job?”

Post-pandemic, many investors are reflecting on their own mortality. Roughly a quarter of professionals surveyed said the last two years reinforced the importance of having an estate plan.

Financial professionals can strengthen their relationships by talking to clients about their legacy plans.

One of the key challenges that financial professionals will face in the second part of the year is that their clients are more focused on fees than minimizing taxes. Even though they say investors aren’t actively incorporating taxes in their decision making, nearly seven in ten (68%) say clients do ask about how taxes will impact their portfolio.

Model portfolios will play a greater role based on emerging client needs

With client demand for financial planning on the rise, advisors are making the transition to a more holistic business model by expanding services on the planning side and implementing model portfolios on the investment side.

"We try to get as close to 100% of our clients having some type of model," says an RIA from the US. "It goes back to the idea of trying to impress upon them that a lot of the risk management is based off the asset allocation, not necessarily the stock selection."

PROFESSIONALS WHO USE MODELS FIND THAT CLIENTS VALUE THEM FOR A WIDE RANGE OF CAPABILITIES



Financial planning services



Tax management



Estate planning / Trust services

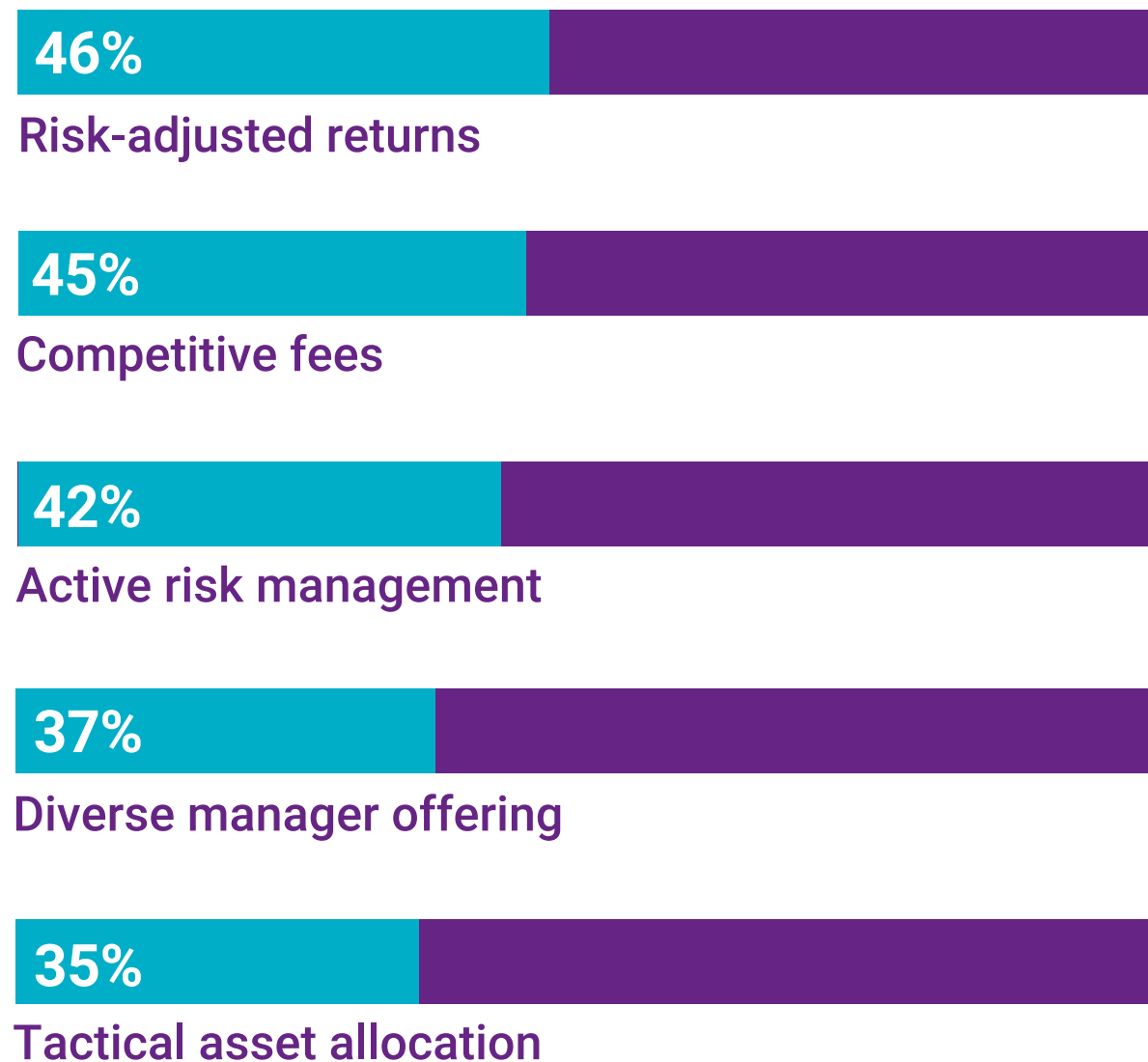


Financial education for families



Support with unlisted assets

HOW FINANCIAL PROFESSIONALS EVALUATE MODELS



Due diligence and model manager selection

Before financial professionals can entrust client assets to a model manager, they must conduct a thorough due diligence review of not just the underlying investments, but the capabilities and track record of the model portfolio manager.

For many, the most important model portfolio selection criterion may be risk-adjusted performance (46%), but financial professionals are almost equally focused on ensuring they find models at a competitive fee (45%).

When it comes down to it, financial professionals are focused on how the models are managed and 42% are looking for active risk management within the portfolio.

Meeting the full spectrum of client demands

The value of this approach can't be overstated. In our 2021 investor survey, individuals revealed that financial planning is the number one service they want from their financial professionals.

Similarly, 51% of model users say their clients value them for tax management services – another of the top five services investors say they want from a financial professional.¹

Professionals who implement model portfolios say their clients value them for their estate planning and trust services (50%). The 42% of financial professionals who see connecting with next-generation heirs as a growth driver should note how models can enhance their efforts. About half (49%) of advisors say their clients value the family wealth education they provide.

“We truly do comprehensive planning. It's not just investments in the silo, we're not asset managers. We help clients with everything related to their wealth ... 401(k) at work, deferred comp, long-term care insurance, life insurance.”
– US Wirehouse Advisor

Responding to the Great Resignation

Like many businesses, financial professionals have felt the impact of the “great resignation.” Almost six in ten (57%) have felt the impact of the trend.

For example, more than one-quarter (26%) say it has been a struggle to find qualified applicants to fill open positions on their teams. Financial professionals in Asia are feeling the labor squeeze more than any other region, including 45% of those in Hong Kong saying it’s a challenge despite a moderate increase in the

unemployment rate to 5.3%. Four in ten are feeling the labor squeeze in Singapore, where unemployment is at 3.6%, and Japan, where it’s at 2.8%.²

Financial professionals in the US, however, seemed to have found the silver lining as 31% report the great resignation has created rollover opportunities, which, as noted, can be an important source of new assets from both current clients and prospects.

FINANCIAL PROFESSIONALS ARE FEELING THE SQUEEZE

	Canada	Chile	France	Hong Kong	UK	US
We are struggling to find quality applicants	7%	39%	29%	45%	16%	16%
We have lost key staff	10%	27%	16%	43%	11%	5%
Our service quality has dropped due to staffing issues	13%	28%	15%	31%	8%	6%
Created rollover opportunities	6%	28%	10%	33%	5%	31%
Increased staffing costs	5%	40%	23%	53%	13%	17%
We have not been impacted	81%	21%	47%	3%	70%	53%



Explore the research: Insight for financial professionals

When it comes down to it, no matter where they are or where they look for new business, financial professionals will have their work cut out for them. They'll have to evaluate how world events could impact their clients. They'll have to navigate a more volatile market environment. They'll have to moderate client expectations and anticipate their reaction. They'll also need to think about how to adapt their business to changing client needs.

There are many challenges and much to consider, but financial professionals are optimistic despite their new circumstances. And from what they tell us, they're ready to take it on.

About the survey

Natixis Investment Managers, Global Survey of Financial Professionals conducted by CoreData Research in March and April 2022. Survey included 2,700 respondents in 16 countries.

About the Natixis Center for Investor Insight

The Natixis Center for Investor Insight is a global research initiative focused on the critical issues shaping today's investment landscape. The Center examines sentiment and behavior, market outlooks and trends, and risk perceptions of institutional investors, financial professionals and individuals around the world. Our goal is to fuel a more substantive discussion of issues with a 360° view of markets and insightful analysis of investment trends.

[Learn more](#)



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1. Natixis Investment Managers, Global Survey of Individual Investors conducted by CoreData Research, February-March 2019. Survey included 9,100 investors from 25 countries.

2. “Unemployment, Total (% of Total Labor Force) (Modeled ILO Estimate).” Data, The World Bank, <https://data.worldbank.org/indicator/SL.UEM.TOTL.ZS>.

Real estate investing may be subject to risks including but not limited to declines in the value of real estate, risks related to general economic conditions, changes in the value of the underlying property owned by the trust, and defaults by borrowers.

Alternative investments involve unique risks that may be different from those associated with traditional investments, including illiquidity and the potential for amplified losses or gains. Investors should fully understand the risks associated with any investment prior to investing.

Commodity-related investments, including derivatives, may be affected by a number of factors including commodity prices, world events, import controls, and economic conditions and therefore may involve substantial risk of loss.

Cryptocurrencies are subject to numerous market risks, they are speculative and volatile, can become illiquid at any time, and are for investors who can tolerate the full loss of their investment.

The MSCI All Country World Index is a free float-adjusted market capitalization weighted index designed to provide a broad measure of equity-market performance throughout the world. The MSCI ACWI is composed of stocks from 23 developed countries and 24 emerging markets.

S&P 500® Index is a widely recognized measure of US stock market performance. It is an unmanaged index of 500 common stocks chosen for market size, liquidity, and industry group representation, among other factors. It also measures the performance of the large-cap segment of the US equities market.

The FTSE 100 Index is one of the world's most recognized indices and accounts for 7.8% of the world's equity market capitalization. It represents the performance of the 100 largest blue chip companies listed on the London Stock Exchange, which meet the FTSE's size and liquidity screening. The index represents approximately 85.2% of the UK's market and is currently used as the basis for a wealth of financial products available on the London Stock Exchange, National Stock Exchange of India and others institutions globally.

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