Millennials and Gen Xers Shaping the Future of Financial Planning by Establishing New Norms with Financial Professionals

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AIG Life & Retirement and MIT AgeLab Study Reveals Clients Desire Wider-Ranging Conversations with Advisors

Despite Technological Advances, Human Interactions and Deeper Discussions Drive Greater Satisfaction

NEW YORK--(BUSINESS WIRE)--Aug. 26, 2020-- According to a new study from AIG Life & Retirement and the MIT AgeLab, financial clients are expressing a willingness and desire to step beyond traditional conversational boundaries with their financial professionals. This is particularly apparent with younger clients between the ages of 30 and 45 who indicate the most interest in discussing a range of topics beyond money management.

The *Future of Client-Advisor Relationships* study, which surveyed more than 2,000 financial clients between the ages of 30 and 75, finds that clients' trust in and satisfaction with their financial professional increases when both parties are willing to broaden their conversations and engage in a more transparent, holistic approach to financial and future planning.

This approach requires going beyond traditional concerns regarding financial advice and engaging on topics that are top of mind for clients. These include health and future care, identity theft and fraud prevention, housing, future goals and aspirations, and work and career transitions. For financial professionals, having conversations about these topics and drawing on available resources to provide information and insight can help deepen their relationships with clients and identify issues that can affect a client's future.

"While portfolio performance, good service and financial expertise remain important drivers of satisfaction, clients are increasingly looking to have more meaningful conversations with their financial advisors," said **Kevin Hogan, Chief Executive Officer, AIG Life & Retirement**. "We recognize that financial advisors cannot be experts on all topics; however, they have an opportunity to help clients identify areas of concern and act as a 'resource connector,' using a broader network to help clients find the right expertise and services to address their needs."

Broadening Client Conversations

The study reveals how expanding discussions with all age groups has the potential to deliver more value to clients. Respondents who report the highest levels of satisfaction are more likely to say they have discussed a variety of topics with their financial professional:

- 85% of highly satisfied clients have discussed future goals and aspirations
- 77% have discussed job transitions, new careers or retirement
- 72% have discussed potential expenses for their own care
- 62% have discussed their family members' finances

Identity Theft and Fraud Prevention

An emerging area of concern for financial clients are topics related to identity theft and fraud. This is especially relevant for older clients (ages 61-75) who say this is a top concern yet who are least likely to have had a related conversation with their advisor (only 30%).

Nearly all clients who have had this conversation are open to continuing the discussion (97%). Of those who have not discussed the topic, 80% are open to doing so. There is an opportunity here for advisors to become familiar with resources they can share with clients to aid understanding on the topic.

Health and Future Care

When asked to identify which topics are top of mind, respondents largely note physical health as a top concern; however, more than half (57%) say they have not discussed it with their advisor.

Younger respondents (ages 30-45) are more likely to have discussed physical health with their financial professional, with more than three out of four (78%) saying they'd like to do so again. Approximately 60% of older clients (ages 46-70) who have not discussed the topic say they either want to or are willing to if the topic came up.

Across all ages, potential expenses for their own care is the health and security topic that clients most want to broach for the first time (53%).

Housing

Across all four health- and security-related topics surveyed, housing is the topic that clients are most eager to revisit—especially younger clients, 88% of whom say they want to return to the topic. Among those who have not yet discussed their current housing situation, most want or are willing to have an initial conversation (79%), with the youngest clients again expressing the greatest level of interest (92%).

Family and Loved Ones' Finances

In addition to talking about their own finances, more than half of clients (58%) say they have discussed family and loved ones' finances with their financial professional.

Younger clients (ages 30-45) are most likely to have had this discussion (72%). Further, 82% percent of younger clients expect their financial professionals to continue to advise them on this topic, as do 74% of middle-aged clients (ages 46-60) and 54% of older clients (ages 61-75). This points to a willingness for financial advisors to include the topic of family and loved ones' finances in ongoing conversations with clients of all ages.

Retirement Planning

Along with physical health, respondents say they are most concerned with their financial plan for retirement. While the vast majority (92%) of clients surveyed have already discussed retirement with a financial professional, 85% say they want to continue discussing the topic. Two-thirds of those who have not discussed their financial plan for retirement say they want to, reinforcing the point that retirement planning remains a crucial part of the conversation.

Qualities of an Ideal Financial Professional

To help better understand evolving client needs and expectations, the study also explored factors beyond financial performance that drive client satisfaction. The top driver for middle-aged and older clients—and the second most important driver for younger clients—is the advisor's understanding of their financial and life goals, underscoring the importance of deepening client conversations.

"The future of advice is at a crossroads. While robo-advice—or advice by algorithm—brings efficiency, technology alone cannot replicate the full value proposition of a highly engaged advisor," said **Joe Coughlin, Ph.D., Director of MIT AgeLab**. "Trusted, successful financial transactions are only part of the story. The balance comes from the more personal, 'softer' aspects of the relationship–and relationships, boiled down, consist of conversations."

Personal connections make a difference, with many survey respondents saying they value financial professionals who look beyond financial domains and take a wider view of their lives and their plans for the future. When asked about the role an ideal financial professional should play, more than half (54%) say "helping me plan for the future." More than one-third of younger clients say they view their ideal advisor as a life coach (40%) or friend (35%) and note their financial professional's network (53%) and personality (48%) as key drivers of satisfaction.

The survey finds that most clients are satisfied with their current financial professional; however, about 1 in 5 (19%) say it is possible they could part ways. While two of the top four reasons for leaving a financial professional relate to portfolio performance and service (49% and 48%, respectively), the other two—relocation (28%) and lack of personal connection (25%)—are not related to financial matters or service concerns. With more clients getting used to virtual meetings, "relocation" could become a lesser concern for financial professionals who are prepared to make a virtual relationship easier for clients. By broadening conversations to include non-financial topics that are of importance to clients, there is an opportunity to deepen personal connections.

"Even in a high-tech world, people still want someone to talk to, someone to explain complex financial concepts, and someone to understand them as unique individuals," continued **Kevin Hogan**. "As people move through different life stages, they're not looking to be stereotyped–they're seeking someone who truly understands them and will work with them to identify their specific financial and life needs, rather than placing them in a demographic or a pre-programmed investing profile."

Additional information regarding the study, including an executive summary, can be found here.

Survey Methodology

The MIT AgeLab conducted a national survey of 2,038 participants between March 6 and March 26, 2020. The survey asked participants when, where and how they interacted with financial professionals and what topics they felt most comfortable and interested in discussing. Participants ranged in age from 30 to 75 and reported a yearly household income of $50,000 or more and total savings of $50,000 or more, including savings accounts, checking accounts and investment or retirement accounts. All participants reported regularly working with a financial professional.

Sample Characteristics

Survey respondents were distributed relatively evenly across ages (33% 30-45, 34% 46-60, 34% 61-75) and gender (50% female, 50% male). Additionally, the majority of the sample reported working full-time (58%), while the next largest employment group reported being retired (26%). Other, smaller employment categories included working part-time, being self-employed, being unemployed, and being a student.

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About MIT AgeLab

The MIT AgeLab was created in 1999 to invent new ideas and creatively translate technologies into practical solutions that improve the quality of life of older adults and those who care for them. Through research ranging from longevity planning to caregiving, transportation, smart home, multigenerational work, and more, the AgeLab applies consumer-centered systems thinking to understand the challenges and opportunities of longevity and emerging generational lifestyles to catalyze innovation across business markets. Follow the MIT AgeLab on Twitter @MIT_AgeLab.

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