



2024 NATIXIS GLOBAL SURVEY OF FINANCIAL ADVISORS

Future Shock

Financial advisors navigate short-term risk to ensure long-term success

Executive Summary



Trapped between long-term demographic threats and short-term economic risks

Financial advisors are feeling pressure from all sides as they look to ensure the future of their businesses. Investment assumptions are being tested by lower inflation, lower rates, and slowing growth. Clients are demanding more specialized services while holding high expectations for investment performance. And portfolio construction is becoming more complex as advisors adopt a wide range of new products and look to incorporate private investments in their strategies.

To futureproof their practices, advisors will need to address the short-term challenges and long-term pressures shaping four critical areas of the business:



CLIENT
ACQUISITION



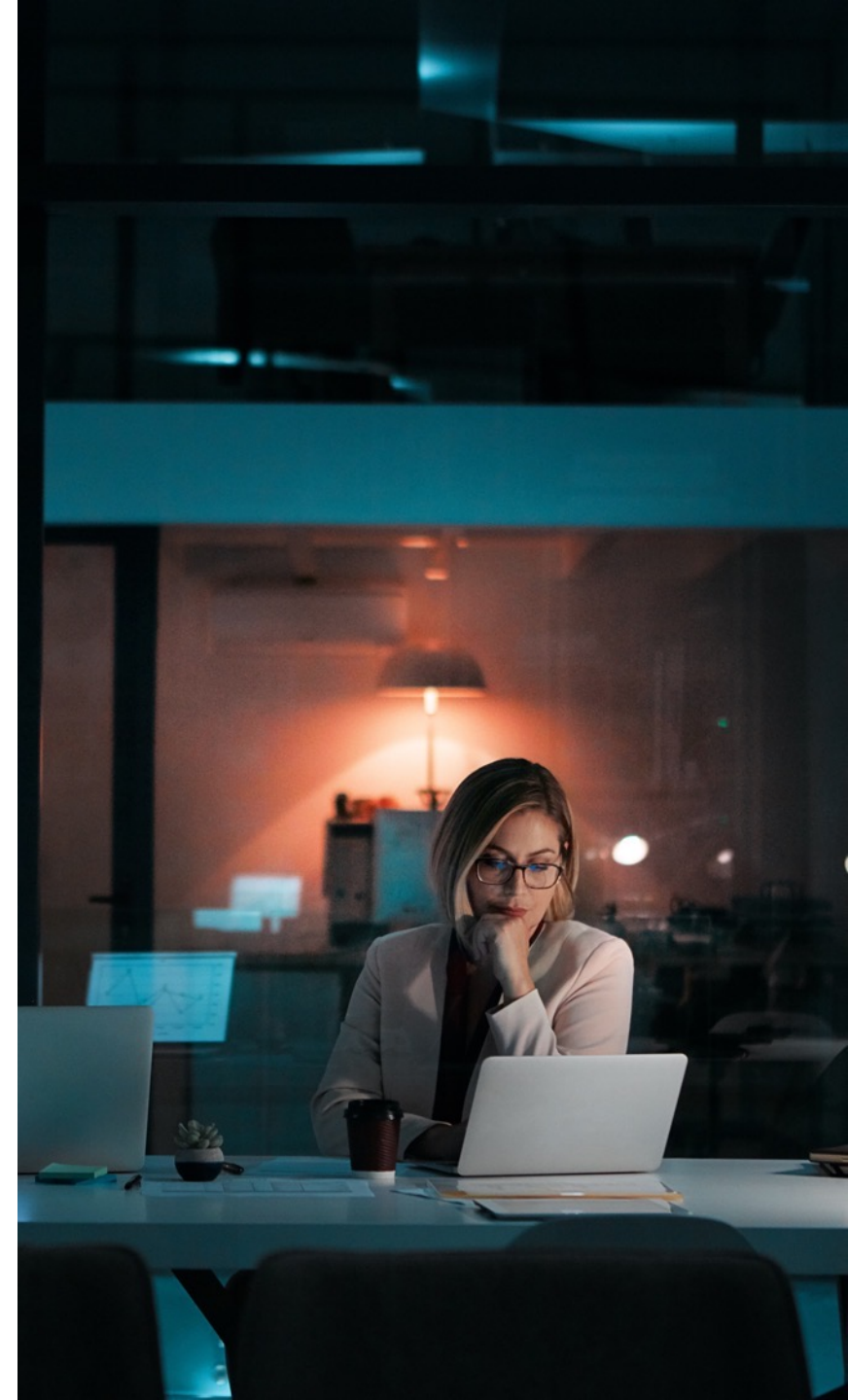
INVESTMENT
MANAGEMENT



CLIENT
MANAGEMENT



PRODUCT
SELECTION

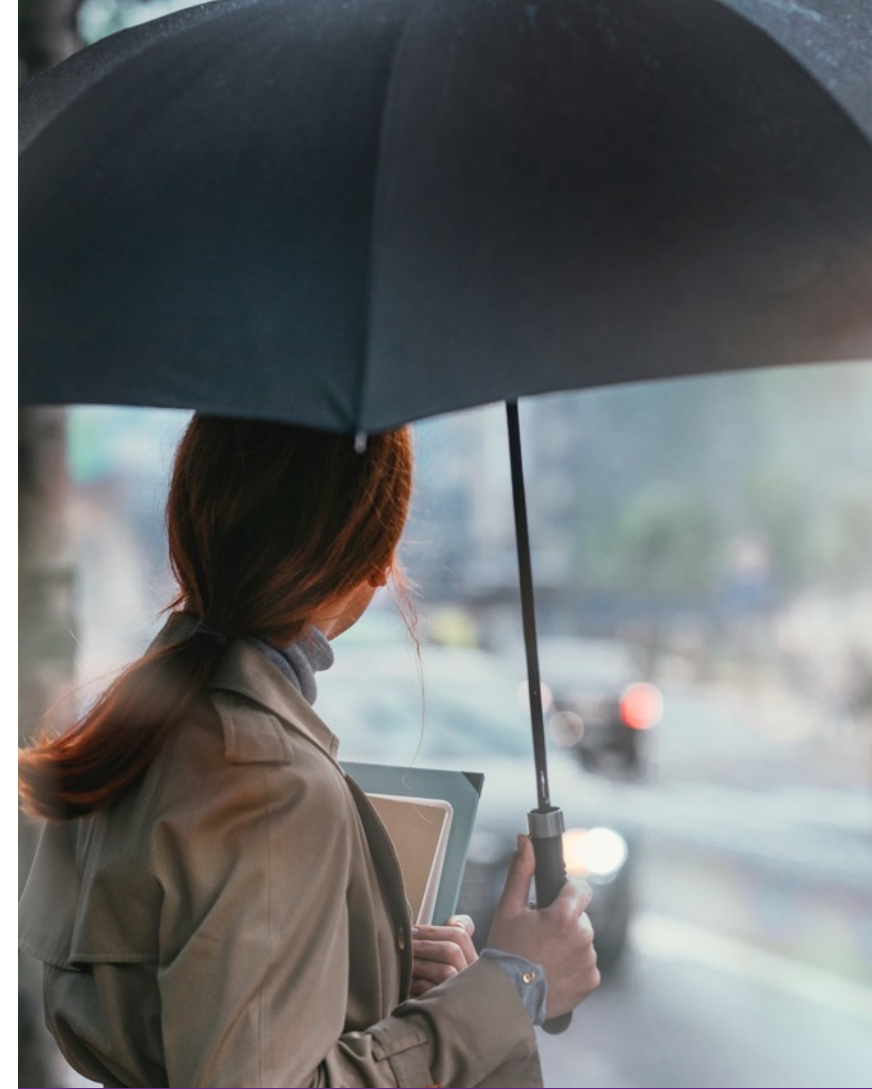


What it takes to grow

Despite the pressure, advisors are optimistic. They anticipate an average of 11.5% growth on a one-year basis and expect annualized growth of 12.4% over the next three years. How will they get there?

Key growth factors

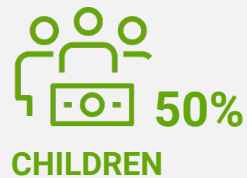
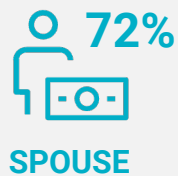
- 59% ▶ Demonstrate value beyond asset allocation
- 52% ▶ Establish relationships with client heirs
- 46% ▶ Help clients better assess their risk profile
- 43% ▶ Getting clients to invest beyond cash
- 36% ▶ Transitioning more of my clients to model portfolios
- 31% ▶ Merger/Acquisition
- 30% ▶ Meet demand for private assets



Advisors say they'll need to add an average of 34 new clients each year for the next three years to meet their growth goals.

Wealth transfer: Existential threat or growth opportunity?

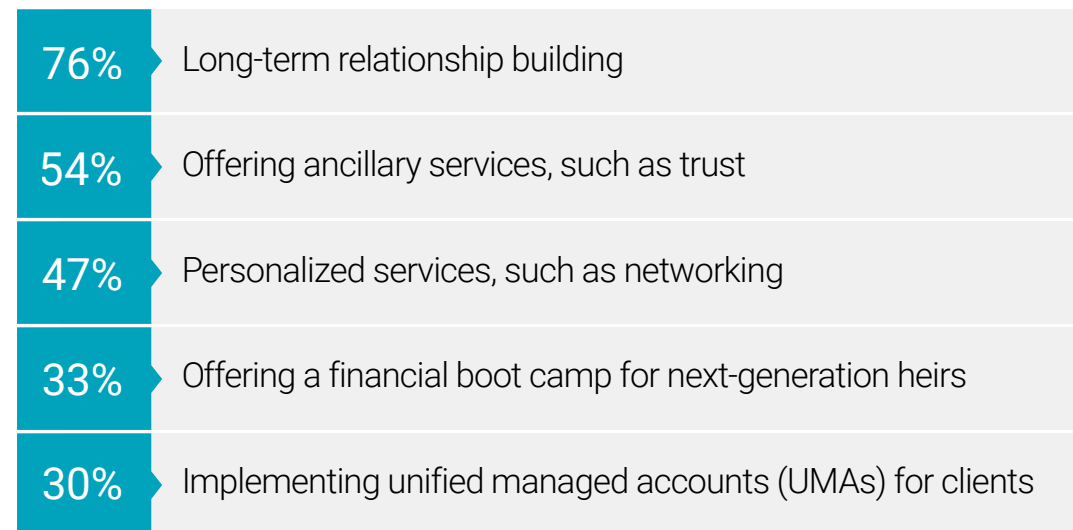
How often
advisors retain
assets



With \$84 trillion passing from one generation to the next over the next 20 years,¹ 46% of financial advisors globally say generational wealth transfer presents an existential threat to their business. The future looks challenging, and 43% are increasingly worried they will not retain assets from clients' spouses or next-generation heirs.

Despite this, advisors have had some success in retaining assets. Overall, they report holding on to client relationships 72% of the time when the spouse inherits. But when a client's children inherit, asset retention is a 50/50 proposition. And nothing is guaranteed: One-third say they've lost significant assets through generational attrition.

What helps retain assets?



CLIENT
ACQUISITION

Clients come first in growth plans

While keeping clients on the books is essential to growing a business, adding new clients is just as important. But time-strapped advisors currently dedicate less than 10% of their time on this critical growth activity.

Many advisors are focused on finding efficiencies that can help them get better at prospecting. Most put client segmentation (52%) at the top of the list, but many are chasing the same clients. Globally, advisors say younger individuals either entering or in the midst of their prime earning years represent the sweet spot for prospecting: 72% focused on those between the ages of 35 and under 50, while 85% focused on those between age 50 and 60.

Segment priorities for client acquisition in next 12 months

	Global	LatAm	Col	Asia	US	UK
18-34	46%	67%				
35-49	72%	88%	99%	70%		
50-59	85%				96%	
60-64	61%				88%	
65+	37%				56%	53%
No demo targets	27%			12%		36%

How much do elections matter?

Given the speed and frequency at which macro and market factors have changed in recent years, it's easy to say that the US presidential election is yet another reason for concern about investments. But the November election is just one of many national elections in 2024, and advisors see greater risks in the policies that come out of the election than the election itself.

Surveyed from June to August 2024, advisors were in the thick of political disruption. In the UK, a landslide victory for the Labour Party ushered in a new center-left government. In France, a surge for the left resulted in a deadlocked parliament. And in the US, one candidate survived an assassination attempt, the other dropped out, and a new candidate took over the party mantle. All in the span of just 33 days.

Despite dramatic shifts, advisors express two clear views on how much politics matter to markets.

72%

of those surveyed globally say that underlying fundamentals are more important than election results.

For the US election:

54%

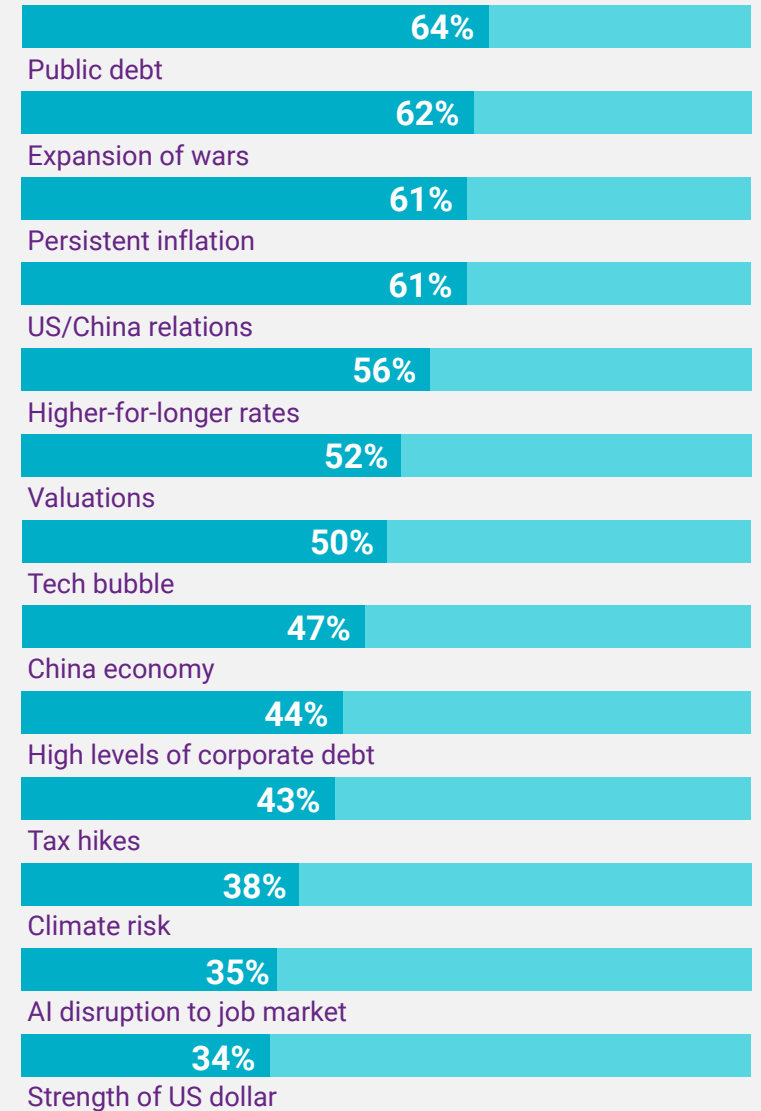
say the results have already been priced into the market (though given events in the US during July, it's not surprising that only 39% of US advisors agree).

Policy presents greater long-term considerations

In an environment marked by the first rate cuts in four years, market highs, and slowing growth, financial advisors have the added challenge of navigating a year of contentious elections globally. In the short-term, 72% say the fundamentals are more important than elections. In the long term, policy will ultimately matter, as 64% rank public debt as a top economic risk.



Where advisors see high risk ahead



A matter of time

Advisors spend 43% of their time meeting with or managing clients, but there's still more work to be done. In the long term, advisors need to address growing client demand for financial planning services, which 57% believe differentiates their practice. In the short term, advisors have to keep client invested and help them avoid their number-one investor mistake: timing the market.

Advisors also caution that after an extended run-up in equities, investors should be aware of unrealistic expectations (29%). When asked in 2023, investors said they expect their investments to earn 12.8% above inflation over the long-term.² In 2024, advisors said 8.3% above inflation is more realistic, leaving a 54% expectations gap between the two.

Top risks clients need to pay attention to right now



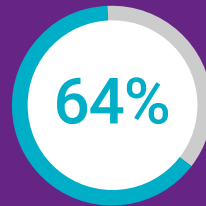
Top client questions:



Am I protected from a downturn?



What do I need to do to outpace inflation?



Am I going to meet my goals?



How do I preserve and pass on what I built?



Should I be worried about my investment because of the election?



Why should I get back in the market when cash looks so good?

Getting cash off the sidelines

Asked to define risk in our 2023 investor survey, individuals cited exposure to volatility (26%) or loss of capital (23%). Few thought of risk in terms of failing to meet their goals (11%) or having too much allocated to cash (6%).³

45%

of advisors say it's important to remind clients that cash is not risk-free

Today, nearly one-third of advisors globally (32%) and as many as 62% in Singapore and 41% in the UK think having too much cash on the sidelines is something clients need to be aware of.

With rates reaching 15-year highs since 2023, investors have been flooding into cash instruments to chase risk-free returns. The problem is that even at 5%, cash alone cannot generate the returns most investors need to meet long-term funding goals. Advisors have much to discuss with clients in order to get them reinvested, but they say most effective is educating them on the risk of missing out (52%) on market performance.

To help clients become comfortable with investing again, advisors say it's important to help them understand their risk capacity (48%) and remind them that they need growth so they don't outlive their assets (47%).

Discussing key points about cash will be critical:

Inflation will cut into their earnings over time.

Interest rates could be significantly lower when they have to reinvest.

If their investments don't earn enough, they could outlive their assets.

PRODUCT
SELECTION

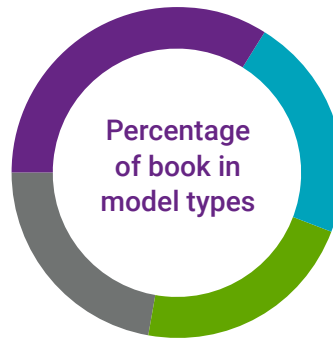
Models offer more than efficiency

As advisors look to grow their business, model portfolios are taking on a critical role in the investment process, while also helping advisors achieve greater efficiency in their practice. Over the long term, advisors know transitioning more clients to model portfolios will help free up the time needed to deliver financial planning and other services (50%). Consistency may be the greatest investment benefit advisors derive from model portfolios.

48% report that model portfolios enhance the consistency of their investment process.

62% say models make it easier for them to implement rebalancing, tactical shifts, and other portfolio changes across their entire book of business.

48% find that models allow them to offer clients access to more asset classes and investment strategies.



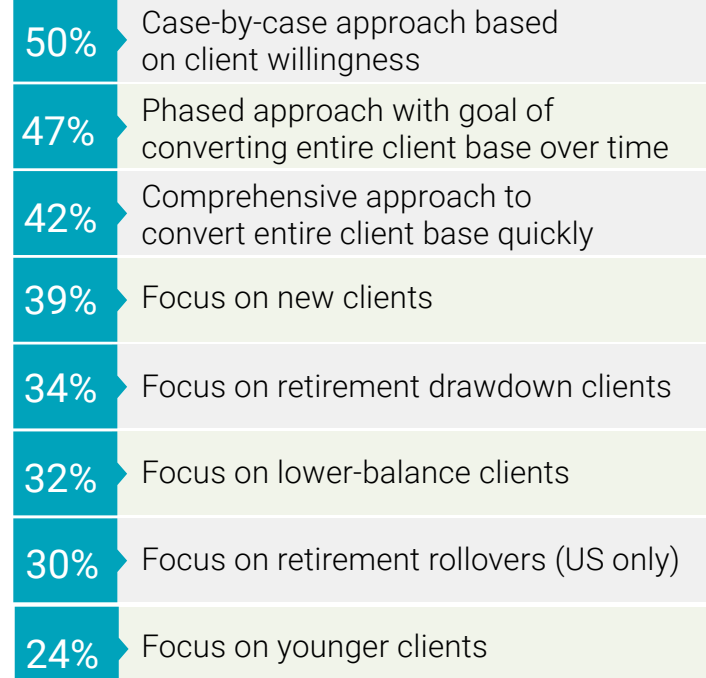
34% | Firm models

22% | Third party

22% | DIY

22% | Not in models

Best strategies for implementing models



PRODUCT
SELECTION

Access, liquidity essential to private asset adoption

Although there's demand for private assets, the biggest challenge is that it's difficult to build a portfolio of private assets at scale, according to 65% of financial advisors worldwide. Given increased investor demand, 56% also plan to augment the use of private assets in the next five years. But 68% say the availability of more liquid products will lead them to recommend private assets to clients more often.

49% say private assets are more attractive given high correlations in public markets.

52% say private assets have improved outcomes for clients.

72% say clients don't understand the holding period that comes with private investment, so more investor education is needed.

Active ETFs: Pinpointing opportunity, managing risk

Active exchange-traded funds (ETFs) are the best of both worlds: Clients get access to investments that focus on beating the benchmark, but that still provide the tax benefits, intra-day liquidity and fee structure of an ETF.

53% of financial advisors say they plan to increase their use of active ETFs.

63% see potential beyond outperformance and are looking to active EFTs to manage client risk exposures.

36% say they increase their use of active ETFs when volatility increases.

Summary

Futureproofing the business

Financial advisors have set big goals for growth over the next three years. They're under pressure from all sides as they look to add assets and clients. But even as they recognize the challenge, they're responding with smart solutions.

- The generational wealth transfer puts assets at risk, but they know they'll need to focus their efforts on keeping client heirs on the books.
- They also know that bringing in new clients is fundamental, and they're streamlining operations and their investment process to increase their opportunity set.
- They'll need to manage investments through a changing macro and market environment, but the bigger challenge will be managing clients through the change. To be successful, they'll need to reeducate clients on key investment concepts, get them acclimatized to new risks, and help them manage their expectations.

When it comes down to it all, advisors genuinely have all they need to futureproof their business. To succeed they will need to continually adapt – something they've become accustomed to over the past two decades.



About the Survey: Natixis Investment Managers, Global Survey of Financial Professionals, conducted by CoreData Research between June 2024 and August 2024. Survey included 2,700 respondents in 20 countries.

1. Cerulli Associates: U.S. High-Net-Worth and Ultra-High-Net-Worth Markets 2021.

2. Natixis Investment Managers, Global Survey of Individual Investors, conducted by CoreData Research in March 2023 and April 2023. Survey included 8,550 individual investors in 23 countries.

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