

A NextGen Wake-Up Call

By Mike Byrnes

Advisors who continue to work with clients the same way they always have are not going to be as successful in the future. If advisors want to win more next-generation (NextGen) clients, they need to adopt the technology that is shaping how society demands communications and services.

Eye-Opening Facts

Focusing on the next generation is important for two main reasons:

Wealth passing to children.

Trillions of dollars will pass from one generation to the next over the next several decades.

Capturing the children as clients.

Research shows that most inheritors do not use their parents' advisors when they get an inheritance, so advisors stand to benefit by connecting with clients' children before the money transfers.

A Changing Client Service Landscape

The face-to-face meeting has been the cornerstone of the advisor service model for more than a century. Most think that the personal meeting helps deliver the best service, but that is not always true. Face time allows for more-effective communication, but visiting an advisor's office is an unfair burden on clients.

As time becomes more difficult to spare, clients—especially younger clients—are beginning to resist traveling to meetings.

The good news is that advisors who embrace technology are not tied down to a physical office. They are free to hold face-to-face meetings where and when it is most convenient for clients, either in person or using video conferencing tools, many of which are now free.

“Gen X and Gen Y advisors want to work with their baby boomer coun-

terparts,” said Jim Dario, managing director of product management at TD Ameritrade Institutional. “They just don't want to do it in a bricks-and-mortar office. Mobile tools allow them to be productive outside of the office.”

Working with the Next Generation

An advisor helps older clients just by getting the families to talk about what might happen when the parents or grandparents die. To retain the next generations and prepare them for the assets they will inherit, advisors need to help start the family legacy discussion.

The Institute for Preparing Heirs (<http://www.preparingheirs.com/>) recommends that multigenerational families should discuss family values and priorities, develop a family wealth mission, align family values with giving to charities, and provide family education around financial topics.

“Research shows that parents who work with their children early to develop a financial plan and clearly set financial expectations can help better prepare them for financial success later in life,” said Carrie Braxdale, managing director of investor services at the online broker TD Ameritrade, Inc.

Her firm's research shows that parents are still the number-one source among the next generation for education about financial responsibilities and money management.

So advisors who want to serve the next generation need to build trust, and the easiest way is through parents. Advisors also need to have top-notch communications skills.

Communications in the Digital Age

The world of communications is evolving—fast. Service and marketing tactics

that worked a generation ago do not work as well today, and they won't get the job done in years to come.

We live in a world where most of us cannot read every e-mail we receive. That means advisors need to find other ways for clients and prospects—especially those under age 50—to get messages.

Social networking is one powerful way to make these connections and keep them going. LinkedIn is phenomenal for networking with professionals, Facebook is terrific for making a personal connection and showing a brand personality, Twitter is a great real-time news source and tool to get more eyeballs on website content, and YouTube provides you with the benefits of the second-largest search engine and leveraging the strength of videos.

It's Not Just Social Media

In a recent Fidelity Investments survey (<https://fidelityinstitutional.fidelity.com/fi/campaigns/mobasi/comparison/index.html>), Gen X/Y investors made it clear that technology enhanced their relationships with advisors (55 percent vs. 28 percent for older investors) and enabled more-effective collaboration (62 percent vs. 33 percent).

Indeed, the survey found that Gen X/Y investors were more likely to use social media, phones, and tablets as tools for financial activities.

The NextGen wants their data available on the devices they use to access information, said David Lee, director of practice management at Raymond James Financial Services, Inc. They prefer faster, less-formal communications (such as e-mail, texts, blogs, and social networking) over face-to-face meetings and letters, he said.

Advisors also need impressive websites or they risk making poor first



impressions with prospects. “The next generation spends more time researching advisors online,” said Dario, of TD Ameritrade. “Well before they ever reach out to advisors, they are going to do everything they can to learn about them.”

Search-engine optimization (SEO) can be key. Landing on the first page of web search results for a top keyword can provide myriad new leads, according to Brien Shanahan, president of SEO4Advisors, which specializes in SEO for financial advisors.

“SEO is even more important for attracting the next generation of clients, because younger clients and prospects have grown up on the Web,” Shanahan said. “The Internet is how they find information before making any purchases and how they connect and build relationships with people. When we do Web searches, we naturally think of the top listings as being the most relevant and therefore the best.”

More NextGen Advisors Needed

Investors often like to work with advisors from their own generation. They talk the same language, have the same values, and don’t have to think about replacing the advisor who might retire before they do.

But most advisory firms are not doing a great job of hiring younger advisors.

“It is evident that the financial advice industry will face a talent shortage in the coming years,” said Kim Dellarocca, director of segment marketing and practice management at Pershing LLC. “Each day, the industry sees young advisors exit the industry and never return. Firms need to think about how to recruit and retain younger advisors by understanding their drivers and motivations—and convey to them that being an advisor is a rewarding and fulfilling career.”

Pershing’s “Inaugural Study of Advisory Success” showed that younger advisors are more likely to embrace and use technology, allowing them to better connect with Gen X and Gen Y investors, who are also more tech savvy ([https://](https://www.pershing.com/assets/whitepapers/the-study-of-advisory-success.html)

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TD Ameritrade Institutional shared two statistics that detail the industry’s aging-population issue:

- Over the next decade, the number of financial planning industry jobs is expected to grow by 32 percent, nearly twice the average growth rate of all other occupations (about 14 percent). Source: Bureau of Labor Statistics, “Employment Projections to 2020,” *Monthly Labor Review*, January 2012 (<http://www.bls.gov/opub/mlr/2012/01/art5full.pdf>)
- Strong demand for advisory services, coupled with the fact that fewer than 6 percent of existing advisors are under the age of 30, points to a worsening talent shortage. Source: *Cerulli Associates Quantitative Update, Advisor Metrics 2010* (https://clients.cerulli.com/files/pdf/2010-Cerulli_Quant_Update-Advisor_Metrics_Info-Packet.pdf)


“Advisors tell us recruiting is a top business challenge,” said Tom Nally, president of TD Ameritrade

Institutional. “They are concerned about succession planning and want to leave their clients in capable hands once they decide to retire or exit the business.”

The Tidal Wave is Coming

Businesses that embrace change are more successful. An organization that is counting on the next generation of investors for its own future success needs to get tech savvy.

Tech-savvy clients want around-the-clock online access through mobile devices and social networks. They want simple, straightforward, proactive communications.

Advisors who connect with the next generation are more likely to help Gen X and Y investors prepare for inheritance. In doing so, these advisors will help insure the effectiveness and future success of their advisory practices. 

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