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Wealth Management 4.0

How digital, social, and economic trends will transform the investment industry

4 April 2022

Agenda

Wealth Management 4.0

How digital, social, and economic trends will transform the investment industry

- **Welcome and introduction**
- **Key findings Wealth Management 4.0 Report**
- **Panel Discussion**
- **Q&A**

With you today!

Speakers

Jean-François Lagassé
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Lou Celi
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Thoughtlab

Ryan McNally
Head of Private Wealth Management
TD Bank Group

Michel Longhini
CEO Private Banking
Edmond de Rothschild Group

Andreas Przewloka
COO Wealth Management
UBS

John Taft
Vice Chairman
RW Baird

ThoughtLab

Wealth and asset management 4.0

How digital, social, and regulatory shifts will transform the industry

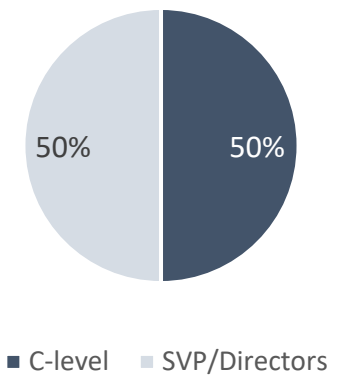
Lou Celi – CEO Thoughtlab

Research background

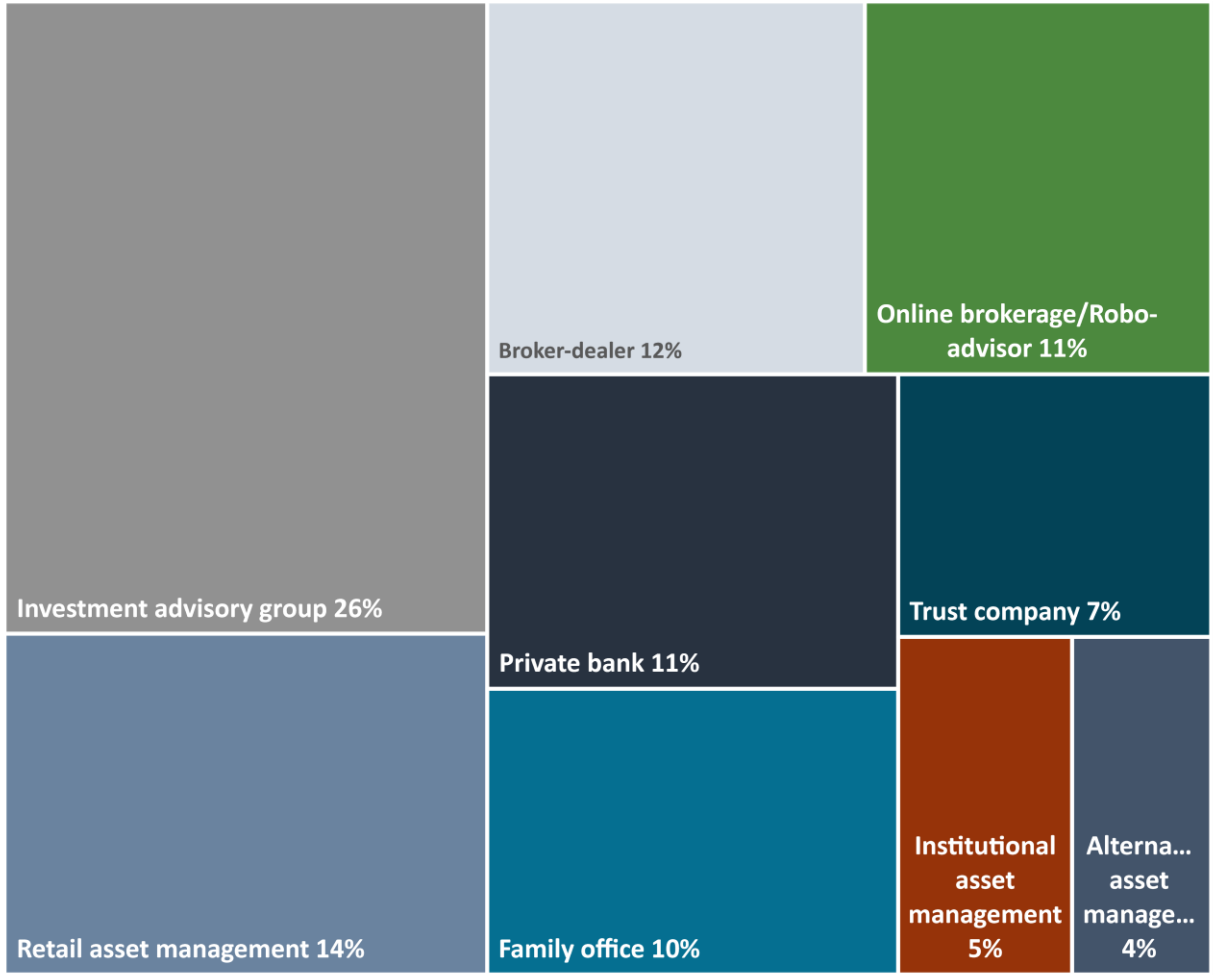
We surveyed varying types of providers accounting for one-third of world AUM

Countries surveyed
Asia Pacific 31%
Australia 5%
Hong Kong 6%
Japan 10%
China 6%
Singapore 4%
Europe 30%
Benelux 4%
Germany 4%
UK/Ireland 10%
France 5%
Switzerland 7%
North America 39%
Canada 11%
United States 28%

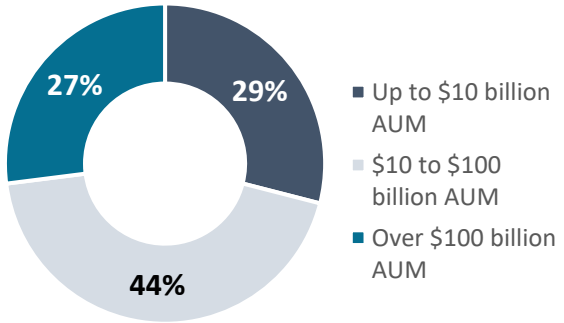
Respondents by executive level



Types of firms or divisions surveyed



Companies surveyed by AUM



Average AUM of $67 billion

Total AUM of $33.5 trillion

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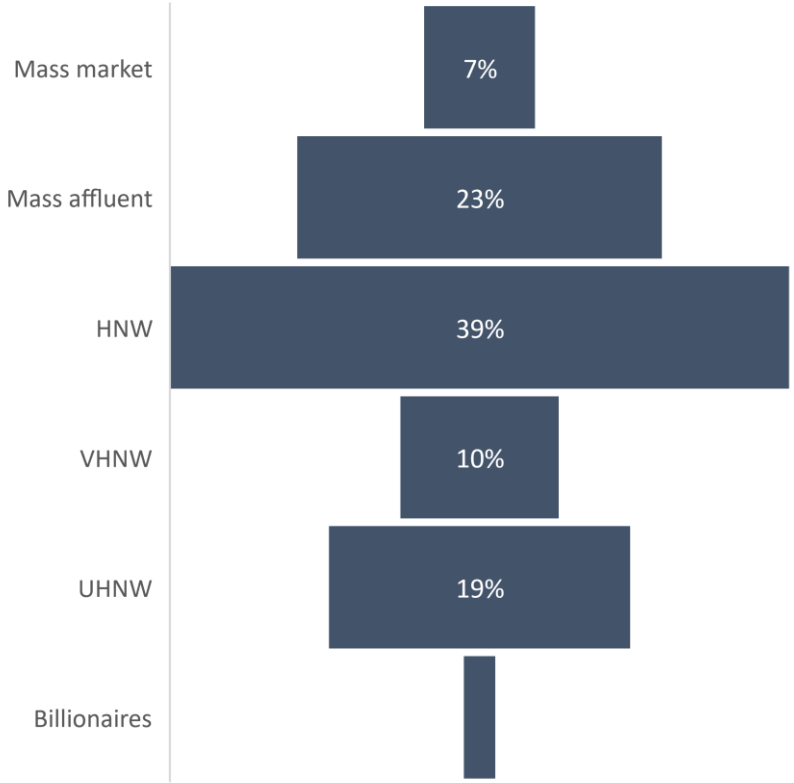
We also surveyed 2,325 investors across wealth levels, ages, and locations

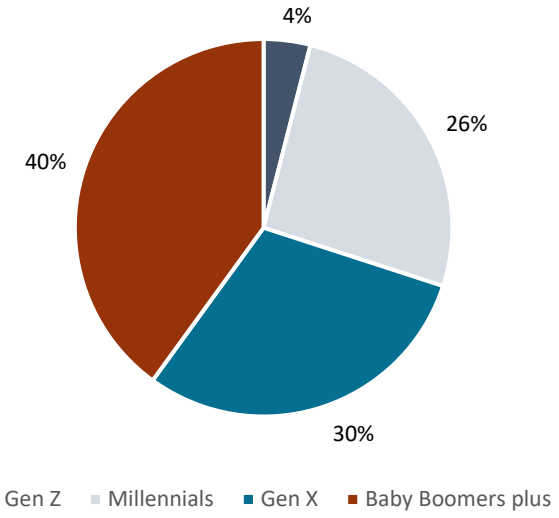
A rich mix of investors by wealth, age, gender, location, and other individual characteristics.

Countries surveyed
Asia Pacific 25%
Australia 3%
China 6%
Hong Kong 2%
India 4%
Japan 6%
Singapore 2%
Europe 29%
Benelux 3%
France 8%
Germany 8%
Switzerland 3%
UK 8%
Middle East 4%
Saudi Arabia 2%
UAE 2%
North America 42%
Canada 3%
US 39%

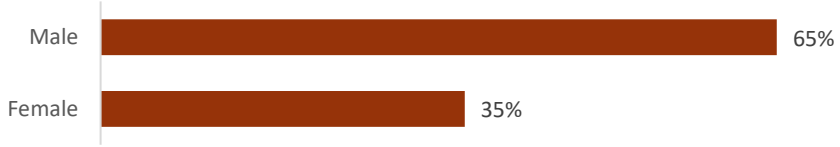
Respondents by wealth level



Respondents by generation



Respondents by gender



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The big shift

The pandemic accelerated six market megatrends

Megatrend 1
Shift to digital

Megatrend 2
Investing with purpose

Megatrend 3
Democratization

Megatrend 4
Higher standards

Megatrend 5
Transparent, lower fees

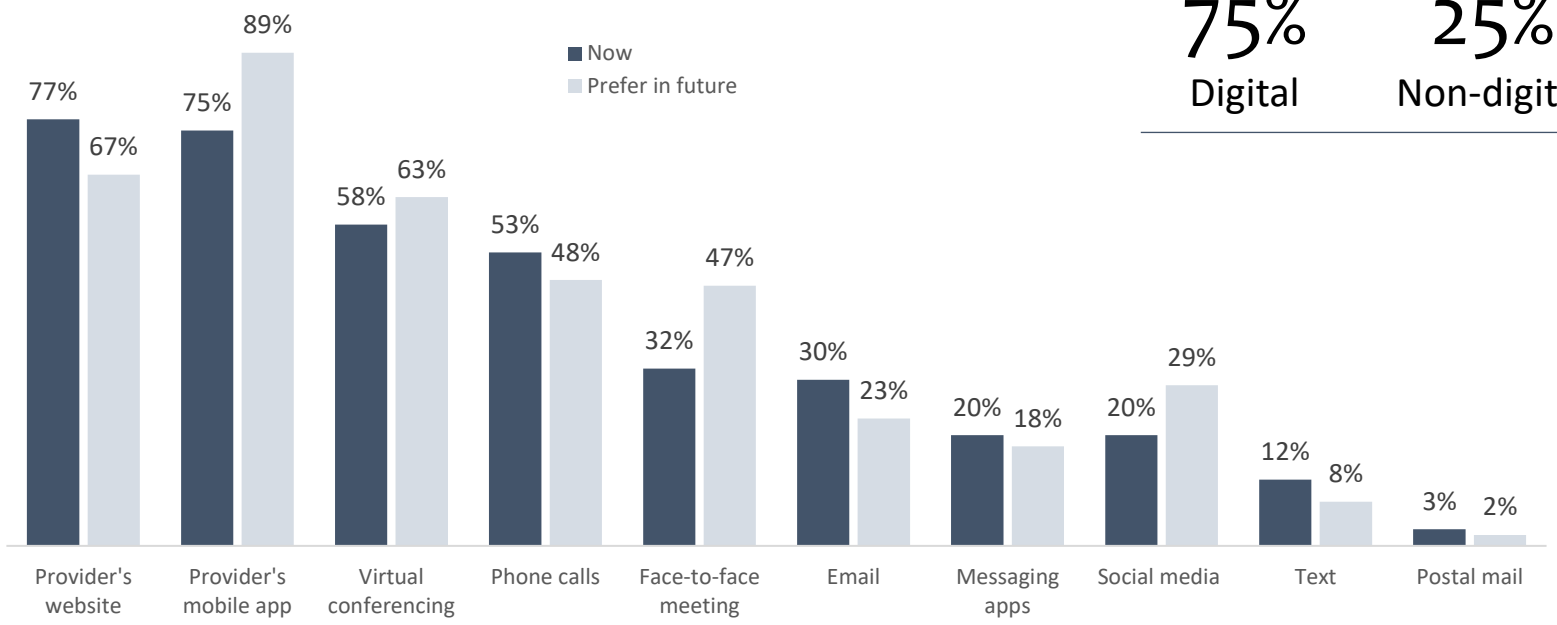
Megatrend 6
Switching providers

Megatrend 1
The shift to digital

Digital engagement becomes the norm

Wealth firms expect three-quarters of all their interactions with investors to be digital in two years. Investors agree.

Current channel use vs. future preference



The primary engagement channels providers expect to see in 2 years

75%	25%
Digital	Non-digital

The end-goal of a financial manager should be to be able to create a friction-less experience for customers when they want to engage, how they want to engage, and in what channel they want to engage, in real time.

IQ22. When you interact with your primary wealth management provider, how much do you now use each of the following channels and how much would you prefer to use them in the future?
PQ14. For the following client activities, which will be the primary mode of engagement between your firm's clients and advisors over the next two years?

Megatrend 1
The shift to digital

Mobile investing comes of age

In two years, investors will want to carry out most of their activities from the palm of their hand.

Channel usage in two years: investors vs. providers

Activity and channel	Investors prefer	Providers expect
Accessing account information		
Mobile app	55%	49%
Website	22%	20%
Accessing market insights and analysis		
Mobile app	41%	36%
Website	18%	21%
Learning about products and services		
Mobile app	41%	34%
Website	26%	31%
Opening accounts		
Mobile app	45%	42%
Website	19%	25%

Investor high-tech preferences

Activities for which investors will use mobile apps the most		Where websites will be used the most		Where virtual conferencing will be used the most	
Access account info	55%	Learn about products	26%	Scheduled meetings	38%
Monitor performance	50%	Submit trades	25%	Ad hoc interaction	36%
Learn about products	41%	Portfolio rebalancing	21%	Financial planning	20%
Open accounts	45%	Monitor performance	19%	Portfolio rebalancing	25%
Submit trades	41%	Open accounts	19%	Investment advice	18%
Access market insights	41%	Access market insights	18%	Opening accounts	13%

Investor high-touch preferences

Where phone calls will be used the most		Where face-to-face will be used the most	
Ad hoc interactions	22%	Scheduled meetings	22%
Investment advice	21%	Ad hoc interactions	16%
Scheduled meetings	20%	Financial planning	16%
Portfolio rebalancing	13%	Opening accounts	15%
Financial planning	10%	Investment advice	14%
Submit trades	8%	Portfolio rebalancing	13%

IQ23. For the following key activities that you handle with your wealth management firm(s), which is the primary channel that you used before the pandemic, which do you use today, and which one would you prefer to use in the future?
PQ14. For the following client activities, which will be the primary mode of engagement between your firm's clients and advisors over the next two years?

The pandemic has upended digital views about investors

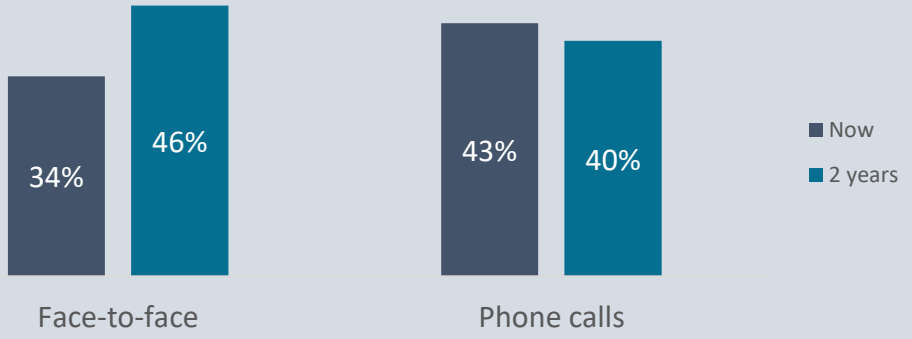
Myth #1: Digital is for the young and mass market

Our research shows the opposite: channel preferences are largely the same for *millennials* and the *oldest and richest investors*.

Channel preferred in the future	UHNW and billionaires	Baby Boomers	Millennials
Provider's mobile app	89%	89%	89%
Provider's website	74%	67%	62%
Virtual conferencing	63%	63%	65%
Face-to-face meetings	41%	47%	46%

Myth #2: Millennials only want to do things digitally

Thirty-four percent of *millennials* interact with primary wealth providers through face-to-face meetings and 46% prefer face-to-face interaction in the future. Personal phone calls will stay a key form of communication.



Megatrend 2
Invest with purpose

The rise of social impact investing

Wealth providers recognize the mounting importance of social impact investing to their clients: four out of 10 report that senior management is committed to social and cultural values, both in operations and investment. And greater regulation around the world will heighten the impact.

Statements about ESG investing	% agreeing
Clients expect us to know more about social impact investing & offer ESG products	41%
Our senior management is committed to inclusion & diversity	41%
Clients care about our firm's stance on environmental & social policies	39%
ESG investing is here to stay & it will grow significantly in the years ahead	36%
Clients are willing to accept lower returns in exchange for ESG investment goals	35%
Clients believe that they can achieve higher returns through their ESG investments	31%
Clients of all age & wealth levels are interested in ESG investing	27%
Clients care about whether ESG products meet industry-standards	24%
Interest in ESG investing will decrease if the broader market begins to decline	24%
Most ESG funds don't do a good job in selecting firms that deliver on ESG goals	12%

Most ESG driven	Senior management commitment	Clients expect ESG knowledge	Clients care about stance	ESG is here to stay
Japan	51%	47%	29%	45%
France	**52%**	43%	43%	30%
United States	44%	45%	38%	37%
UK/Ireland	42%	**56%**	36%	30%
Switzerland	43%	35%	32%	46%
Germany	50%	32%	32%	41%
Middling on ESG				
Canada	29%	43%	45%	28%
Hong Kong	21%	28%	45%	**52%**
Singapore	50%	32%	32%	32%
Australia	24%	28%	**64%**	32%
Least ESG driven				
Benelux	53%	16%	32%	21%
China	32%	32%	42%	26%

PQ24. How much do you agree with the following statements about ESG?

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COVID-19 has upended conventional wisdom about ESG

Myth 1
Younger generations care more about social and sustainability issues

In fact, baby boomers plan to invest more than millennials in green bonds and ESG funds over the next two years.

Investment and advice	Millennials	Boomers
Invest in green bonds	10%	15%
Invest in ESG funds	22%	32%
Use advice on social impact	29%	36%

Myth 2
Wealthy investors care less about ESG goals

Not so. Billionaires plan to invest much more in areas that seek to deliver environmental, social, and governance progress.

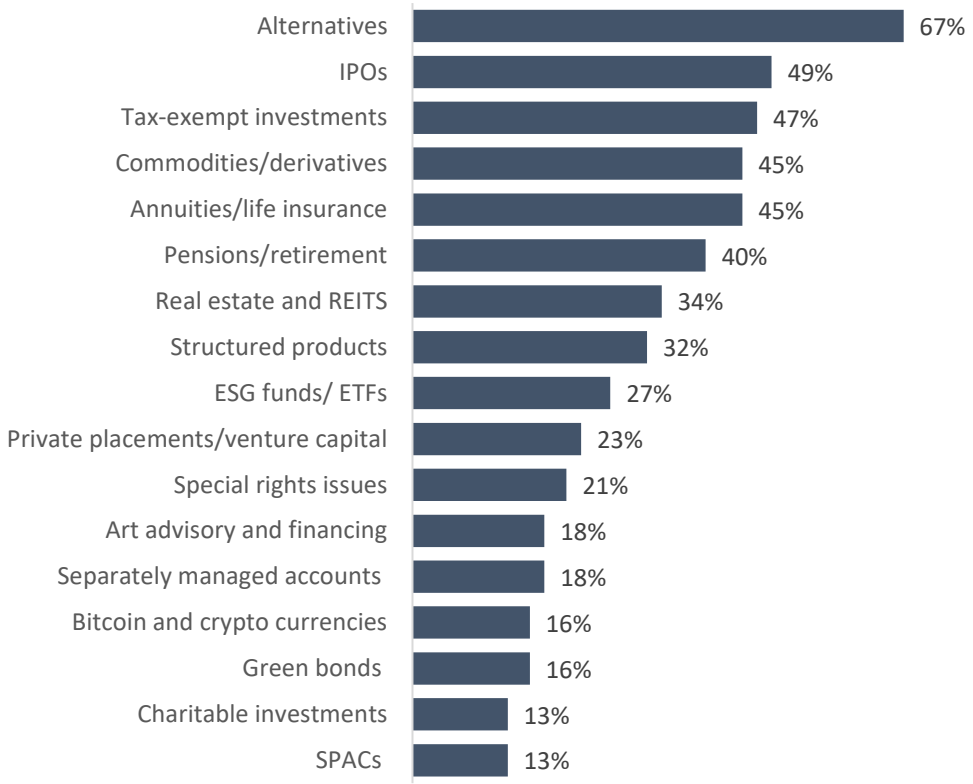
Investment	Billionaires	Average
Overall ESG investing	61%	34%
Invest in green bonds	50%	13%
Invest in ESG funds	36%	27%

Megatrend 3
Democratization

Democratization of investment products and services

In a bid to gain alpha, clients across generations and wealth levels are seeking more specialized products.

% of investors planning to use specialized products in 2 years



Plan to use, mass market/affluent vs. VHNW

Products/services	Mass market/ affluent	VHNW
Alternatives	69%	65%
IPOs	44%	51%
Tax exempt investment	59%	41%
Commodities	48%	44%
Real estate, REITs	32%	36%
Structured products	26%	28%
Art advisory and investing	16%	17%

% investors using traditional products now and in 2 years

Products	Now	2 years	Difference
Active mutual funds	74%	68%	-6%
Individual bonds	31%	39%	8%
Passive funds/ETFs	30%	39%	9%
Individual stocks	30%	37%	7%

PQ22. Which of the following investment products will your firm be starting to offer or continue to offer in two years? IQ27. Which of the following wealth management products and services will you start to use or use more over the next two years?

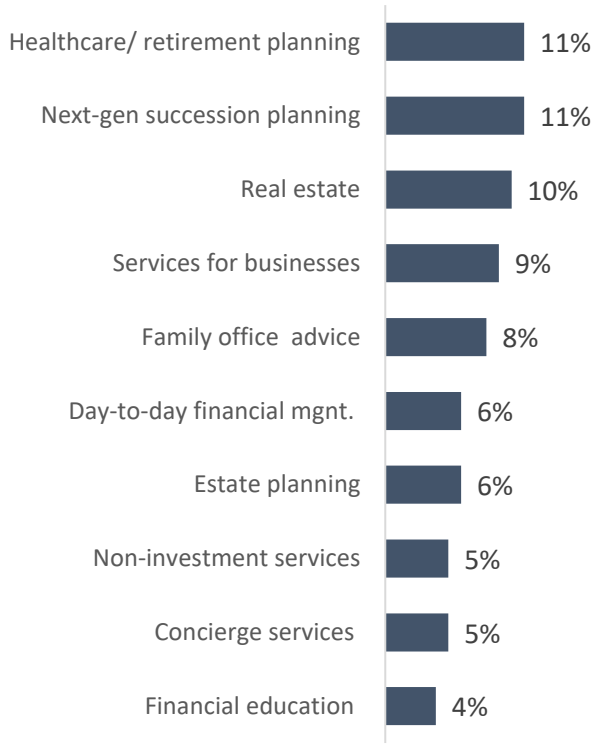
Megatrend 3
Democratization

Wealth management service needs converge across segments

The demand for personalized, goal-based planning and other specialized services continues to grow among investors, blurring differences across segments.

Services investors most use now	% citing
Personal financial budgeting & planning	**56%**
Advice on non-investment financial services	**49%**
Day-to-day financial management	**47%**
Tax planning	**41%**
Holistic advice/coaching on life goals	**39%**
Planning & financial services for businesses	37%
Estate planning	35%
Financial education & training	28%
Investing in real estate	28%
Healthcare, aging, & retirement planning	22%
Planning & financial services for businesses	37%
Next-gen succession planning	21%
Concierge services (travel, etc.)	19%
Access to loans	13%
Family office set-up & governance advice	11%
Guidance on philanthropy	9%

Services used more in 2 years (% pt. growth)



Plan to use, mass market/affluent vs. UHNW

Services	Mass market/ affluent	UHNW
Personal finance planning	61%	58%
Day-to-day financial mgt	55%	52%
Non-investment services	51%	58%
Holistic advice	42%	47%
Estate planning	50%	40%
Tax planning	42%	40%
Healthcare, aging	34%	34%

IQ28. Which of the following financial planning and specialized services are you using now, and which will you start to use or use more over the next two years?

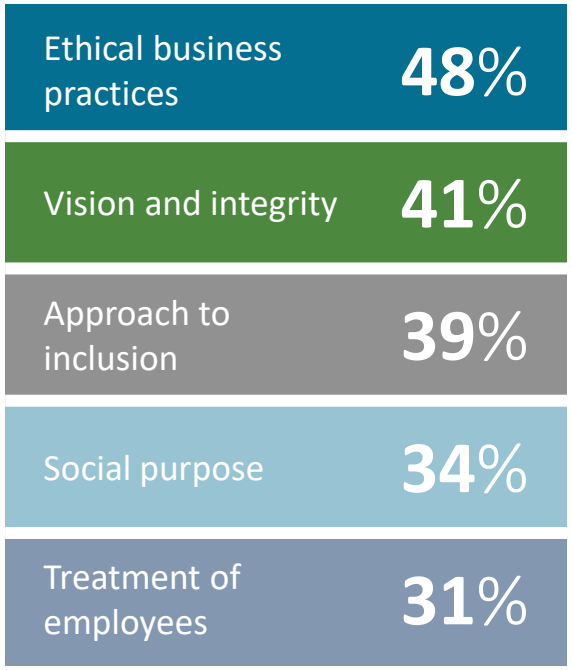
Megatrend 4
Higher standards

Investors expect firms to meet higher standards

Investors expect their advisors to act in their best interest and follow ethical business practices. And some, especially the richest, will switch accounts if they don't.

Best ways to build a relationship

Key criteria when selecting firms



59% of billionaires say that ethical business practices are a key selection criteria.

48% of billionaires say that supporting social and philanthropic initiatives is the best way for a firm to start a relationship with them.

46% of billionaires moved over 20% of their assets to another firm last year because their culture was more aligned with their social values.

IQ20. Which are the best ways for wealth management providers to attract your interest and build a relationship with you? IQ21. Which of the following aspects of the overall wealth management relationship are highly import to you when selecting and evaluation investment providers? IQ17a. Have you switched providers or made funds transfers of 20% or more of assets from one wealth management firm to another over the last year? If yes, why?

Megatrend 4
Higher standards

Regulators are upping the stakes

Governments around the world are on the move with new investor protection regulations, and in some areas, increasing taxes.

Top 10 regulations on the horizon

1. 55% **Data privacy**
2. 50% **Cybersecurity**
3. 40% **Fintech-related regulation**
4. 36% **Investor protection**
5. 33% **Anti-corruption**
6. 33% **Risk management**
7. 32% **KYC/AML**
8. 31% **Conduct & control**
9. 30% **Individual accountability**
10. 25% **Open data and open APIs**

Countries ranked by the most expected increases in regulations

2 CAN
5 USA
3 BLX
6 FRA
7 UK
9 SWI
11 GER
1 JAP
8 CHN
10 HK
12 SGP
4 AUS

*Based on cumulative percentages across 18 regulations

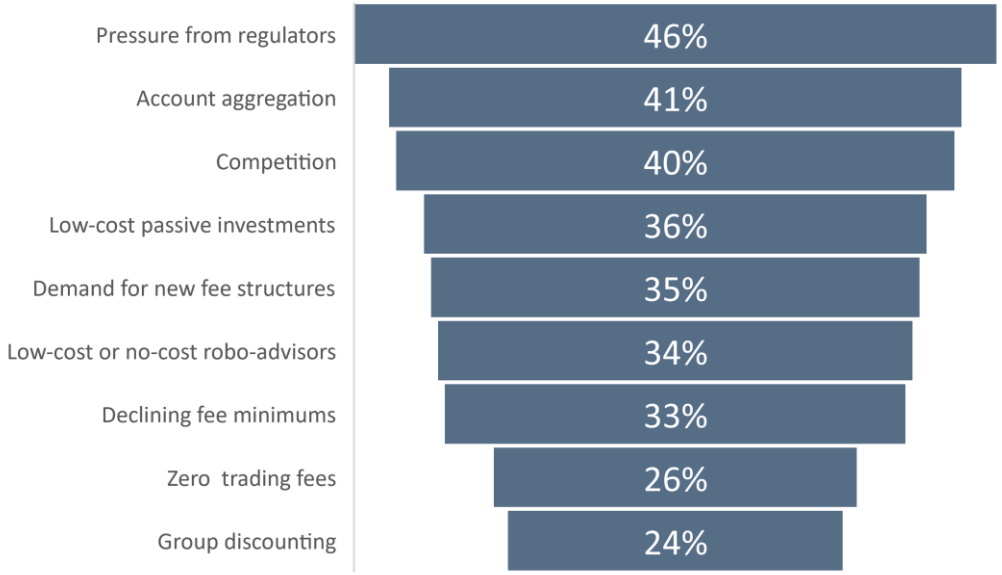
PQ11. Over the next two years, in the locations that you do business, where do you expect regulations to increase? PQ12. What are the main things that your firm plans to do over the next two years to respond to changing regulations and compliance policies?

Megatrend 5
Lower fees

Lower fees and greater transparency

As trading increased during the pandemic, so did pricing pressures from all directions, including regulators, changing fee structures, and fintech competitors.

Where firm are seeing the greatest pricing pressures



Feeling the pricing pinch: average % of all pressures

Sector	Average %
Institutional asset management	38.6%
Private bank	36.7%
Retail asset management	36.7%
Broker-dealer/wire-house	35.4%
Family/multifamily office	35.1%
All	35.0%
Investment/wealth advisory group	35.0%
Online brokerage/Robo-advisor	32.9%
Trust company	32.1%
Alternative asset management	31.7%

The pandemic has created a trading frenzy in the markets. But it has also made investors more aware of competitive pricing from firms like Robinhood, which started the move toward zero commissions.

PQ28. Where do you see the greatest pricing pressure in the market today?

Megatrend 5
Lower fees

Fees are a sore spot for many investors

Fewer than four out of 10 investors are happy with the fees their wealth providers charge and the way they charge them. Worse yet, only about a third understand how their wealth advisors are compensated.

% agreeing with statements about fees

Statements	All investors	Agree most	Agree least
I am happy with my provider's fees for managing my assets.	37%	Mass affluent, HNW, Billionaires	UHNW
I am happy with my provider's fee structures.	36%	VHNW	UNNW
I understand how my wealth manager is compensated.	35%	Billionaires	Mass affluent
I am happy with the fees I pay when managing my assets directly.	22%	VHNW	Mass affluent
I believe I am paying too much for transaction services.	18%	HNW	Billionaires
I am concerned about hidden costs.	16%	Mass affluent	Billionaires
I believe I am paying too much for investment products.	15%	HNW, VHNW, UHNW	Billionaires
I find it hard to understand the fees for investment products.	14%	HNW	Mass affluent
I would use discretionary investing more if their fees were lower.	10%	UHNW	Mass affluent
Taking fees into account, I can outperform a wealth manager.	3%	UNHW	Mass affluent

"I think we are paying too much for transaction services. There should be fixed fees for services."

US, Mass affluent, millennial

"To keep the process clean, hidden fees and inflated spreads must be avoided."

India, HNW, Gen Xer

"My advisor's fees for managing my assets should be more transparent."

US, VHNW, Baby boomer

"Wealth management advisors must maintain an easy and simplified fee structure."

Saudi Arabia, Mass market, Gen-Xer

IQ30. How much do you agree or disagree with the following statements about fees you pay your primary investment providers or advisors?

Megatrend 6
Switching providers

Over the next two years, investors will look to add providers

In their hunt for new products and services, and better returns, many investors will add providers over the next two years, especially as they get richer. Only 6% prefer fewer providers, which may stymie efforts to consolidate client assets.

Number of providers investors work with now

Number of providers	Mass market/ Mass affluent	HNW	VHNW	UHNW	Billionaires	Total
1	38%	37%	25%	26%	23%	34%
2	51%	46%	42%	32%	32%	44%
3	9%	16%	25%	25%	18%	16%
4	1%	1%	7%	14%	16%	4%
5	0%	1%	2%	2%	11%	1%
Prefer more firms in future	41%	42%	47%	39%	39%	42%

Fewer or more providers in the future?

Preference	Gen Z	Millennials	Gen X	Boomers & beyond	Total
Prefer fewer provider	3%	5%	7%	5%	6%
Stay with the same number	49%	48%	49%	60%	53%
Prefer more providers	47%	47%	44%	35%	42%

Reasons to prefer more providers

IQ15. How many providers do you currently work with and what are your preferences for the future IQ15d. Why do you prefer more providers?

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ThoughtLab is an innovative thought leadership and economic research firm providing fresh ideas and evidence-based analysis to help business and government leaders cope with transformative change. We specialize in analyzing the impact of technological, economic, and demographic shifts on industries, cities, and companies.

To learn more about ThoughtLab, visit: **www.thoughtlabgroup.com**

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Thank you

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