Survey Report

Winning the Battle for the Wealthy Investor:

New Cisco IBSG Study Uncovers Significant Opportunity To Address Needs of Wealthy Under-50 Investors

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Cisco Internet Business Solutions Group (IBSG)

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Executive Summary

Financial services firms that provide wealth advisory services[1] (hereafter referred to as "financial services firms") have survived the worst financial crisis since the Great Depression. Despite fears of an exodus, they have retained a large share of their wealthiest and most profitable clients. Going forward, financial services firms must find a way to thrive amidst market conditions in which the returns wealthy investors expect, and the profits firms need, are harder to deliver.

Wealthy investors (those with at least $500,000 in investable assets) are perhaps the most important customers for financial services firms, accounting for the bulk of assets under management (AUM) and revenues. For example, clients with at least $1 million in investable assets make up 4.1 percent of all households in the United States, but hold 53 percent of the investable assets.[2] Yet, wealthy investors are demanding more value from their financial advisers and financial services firms, especially the kind of tailored advice that leads to better returns.[3] Financial services firms that meet the demands of wealthy investors can take advantage of one of the few promising growth opportunities in a challenging economic environment.

The Cisco Internet Business Solutions Group (IBSG) recently conducted a survey of 1,000 wealthy U.S. investors.[4] Nearly half (47 percent) were "affluent investors" with investable assets of between $500,000 and $999,999; 53 percent were high-net-worth individuals (HNWIs) with more than $1 million in investable assets; and 18 percent had at least $2.5 million in investable assets. Cisco IBSG wanted to understand their attitudes toward investing in today's challenging economic environment; their relationships with financial advisers; and how they prefer to interact with financial services firms and advisers.

Key Findings

- **Wealthy investors have suffered losses that are affecting both their attitude toward investing and their future prospects:** 37 percent have lost faith in the fairness of the market, and believe that the individual investor does not have a fair chance to succeed; 50 percent of those who have not yet retired expect that their retirement will be delayed, with 18 percent expecting a delay of five years or more.
- **Despite these concerns, most wealthy investors have stayed with their financial advisers through the financial crisis, and remain satisfied:** While 15 percent switched advisers in the past two years, 26 percent have more confidence in their financial adviser now than they did before the crisis.
- **Wealthy investors spread their assets across multiple firms and financial advisers:** 80 percent have their assets at more than one firm, with over a quarter spreading investments to four firms or more. Among wealthy investors with a financial adviser, 28 percent have more than one financial adviser.

- **30 percent of wealthy investors do not have a financial adviser:** These investors have doubts about the fundamental value proposition of a financial adviser, and have decided to "go it alone": 49 percent said the fees charged by financial advisers are too high; 40 percent said they believe they can get better results on their own; and 37 percent said they do not believe financial advisers have their clients' best interests at heart.

The Wealthy Under-50 Opportunity

- **A crucial customer segment emerged from Cisco IBSG's research: *wealthy investors under 50 years of age (Wealthy Under-50s).*** They represented 29 percent of the survey's respondents, yet they held 37 percent of assets. Across all asset classes, Wealthy Under-50s hold 28 percent of total wealth in the United States.[5]
- **Cisco IBSG analysis indicates that Wealthy Under-50s constitute an $18.6 billion revenue opportunity for financial services firms in North America.[6]** While Wealthy Under-50s can help increase AUM and profits for firms willing to meet their unique needs, they also pose a serious challenge to firms that fail to tailor their approach to these critical investors.
- **Wealthy Under-50s spend more time managing their investments and interact more frequently with their advisers:** 39 percent spend at least eight hours a month managing investments (vs. 27 percent of older investors), and 38 percent interact with their advisers at least weekly (vs. only 7 percent of older clients).
- **Wealthy Under-50s are much more likely to switch advisers than older investors:** 27 percent of Wealthy Under-50s switched advisers in the past two years, versus 7 percent of older wealthy investors. And going forward, 32 percent of Wealthy Under-50s say they will switch advisers in the next year, compared to 8 percent of wealthy baby boomers and 5 percent of wealthy silvers.
- **Wealthy Under-50s are restless in part because financial services firms do not deliver the appropriate mix of interactions:** Wealthy Under-50s want faster, more convenient options for interacting with their advisers and firms that move beyond in-person meetings, phone conversations, and email.
- **Interactions and services desired by Wealthy Under-50s can be enabled by a range of technologies, including high-definition video conferencing and social networking:** Financial services firms have the opportunity to design and deliver "high touch" services in ways that improve productivity and scale scarce (and often expensive) expertise. But the biggest opportunity is the ability to attract and retain the most desirable segment of wealthy investors: young clients who are still accumulating wealth and have a higher customer-lifetime value.

Recommendations for Financial Services Firms

- **Grow "Share of Wallet":** Wealthy investors have their assets spread across many firms (many use multiple financial advisers as well). Firms should seek to grow their "share of wallet" with these investors by building and offering enhanced capabilities that deliver greater convenience and access to expertise that investors want. These investors—particularly Wealthy Under-50s—are willing to move their assets to gain these capabilities, so firms have an opportunity to grow their share with these investors.

- **Acquire / Retain Wealthy Under-50s:** Wealthy Under-50 investors are much more likely than their older counterparts to move to a new firm or adviser, so client acquisition and retention strategies should focus on this segment while they are "in play."
- **Provide a "lighter touch" model to self-directed investors and investors with fewer assets:** 30 percent of survey respondents had no financial adviser, many saying the services provided by the adviser were not worth the price. Investors with fewer assets also get less attention from their financial advisers, and it is not economically viable to provide them with the same level of service reserved for wealthier investors. Firms that can offer some of the services a financial adviser provides—but more efficiently, and at lower cost using online functionality—can also attract investors with fewer assets in a profitable way.

Introduction: After Surviving, Finding Opportunities To Thrive

In the midst of the global financial meltdown, the wealth management industry faced an uncertain future. Even financial services firms[7] that avoided the "distressed assets" that threatened to topple some of the industry's biggest names were holding on for dear life. Globally, assets under management (AUM) fell by $11.6 trillion in 2008 alone.[8] Wealthy investors,[9] the most profitable and highly sought clients, assumed that the expertise of their financial advisers would insulate them from catastrophic losses. Instead, much of their wealth quickly evaporated.

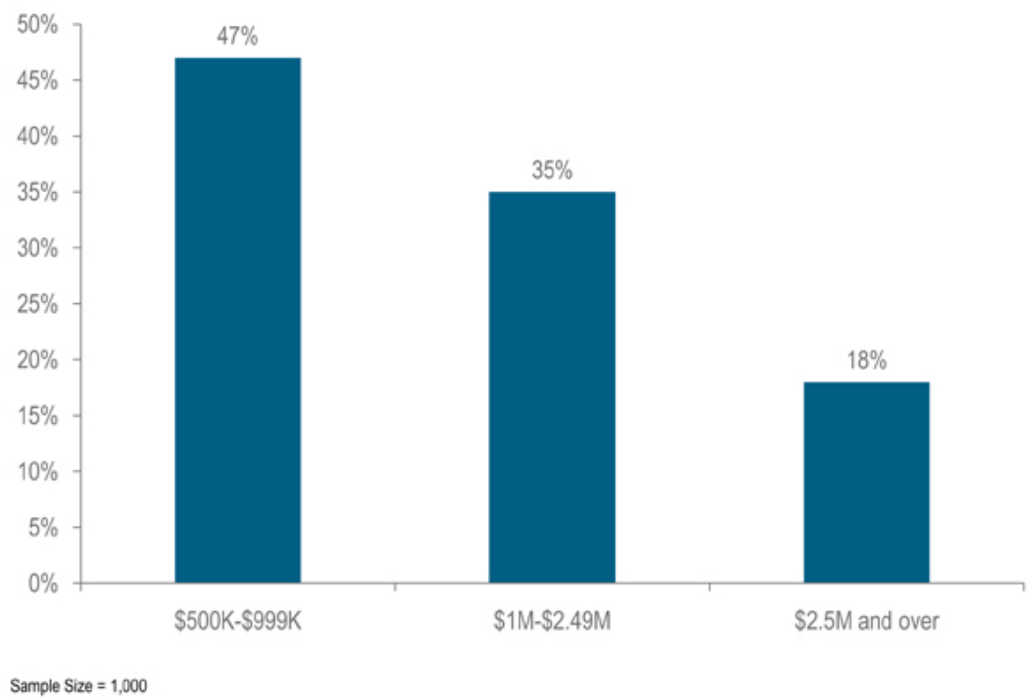
Globally, high-net-worth individuals[10] (HNWIs) lost $7.9 trillion in 2008, nearly 20 percent of their total assets.[11] Many wealthy clients questioned whether their financial advisers were worth the high fees they received. A series of high-profile scandals, such as the Bernard Madoff affair, caused them to doubt advisers' motives and veracity as well.[12] And when a top investment bank was fined $550 million by the U.S. Securities and Exchange Commission to settle charges that it misled investors who bought subprime mortgage-backed securities, it seemed to confirm the belief that the financial markets are rigged by well-connected insiders at the expense of individual investors.[13] Financial services firms braced for an exodus of wealthy clients as satisfaction hit all-time lows.[14] Some firms believed that as many as 80 percent of their clients were considering switching to competitors.[15]

The financial markets' rebound in 2009—and the concerted effort of governments in the United States and Europe to stabilize the financial system—soothed nervous investors and allayed fears that the wealth management industry itself would be forever weakened. Globally, AUM at financial services firms has enjoyed a nearly full recovery, although in North America, firms were still down an estimated $3.2 trillion at the end of 2009.[16] The portfolios of wealthy investors have rebounded nicely as well: the wealth of HNWIs worldwide grew by $6.2 trillion in 2009, and North American HNWIs saw their investments increase by $1.6 trillion—still $1 trillion short of 2007's peak.[17]

While the worst has been averted, conditions remain challenging for financial services firms. Bond interest rates are low and, in the wake of sovereign debt scares, hardly risk-free. Although they have recovered much of their value, equities markets are volatile. The high returns wealthy investors expect are increasingly difficult to produce. Many investors are still skittish, requiring extensive "hand-holding" from their financial advisers, which can be expensive to provide.[18] And profits are under pressure, as lower asset values cut into earnings and wealthy investors grow increasingly sensitive to the cost of financial advice.[19] Having survived the financial crisis, how can financial services firms thrive once more?

From listening to its customers in the wealth management market, the Cisco Internet Business Solutions Group (IBSG) understands the obstacles facing firms attempting to rebound from the financial crisis. To advise financial services firms on how best to meet these challenges, and to gain an even better understanding of the wealth management market now that the most acute phase of the financial crisis has passed, Cisco IBSG sought the perspective of financial services firms' wealthiest, most valuable clients. In August and September 2010, IBSG conducted a survey of 1,000 wealthy investors[20] in the United States. Nearly half (47 percent) were "affluent investors," with investable assets of between $500,000 and $999,999; 53 percent were HNWIs with at least $1 million in investable assets; and 18 percent had at least $2.5 million of investable assets.

Figure 1. Percentage Breakdown of Survey Respondents, Based on Investable Assets



Source: Cisco IBSG Research & Economics Practice, 2010

Cisco IBSG asked these investors about their attitudes toward the financial markets, the impact of the financial crisis on their portfolios and future plans, and their relationship with financial advisers and financial services firms.

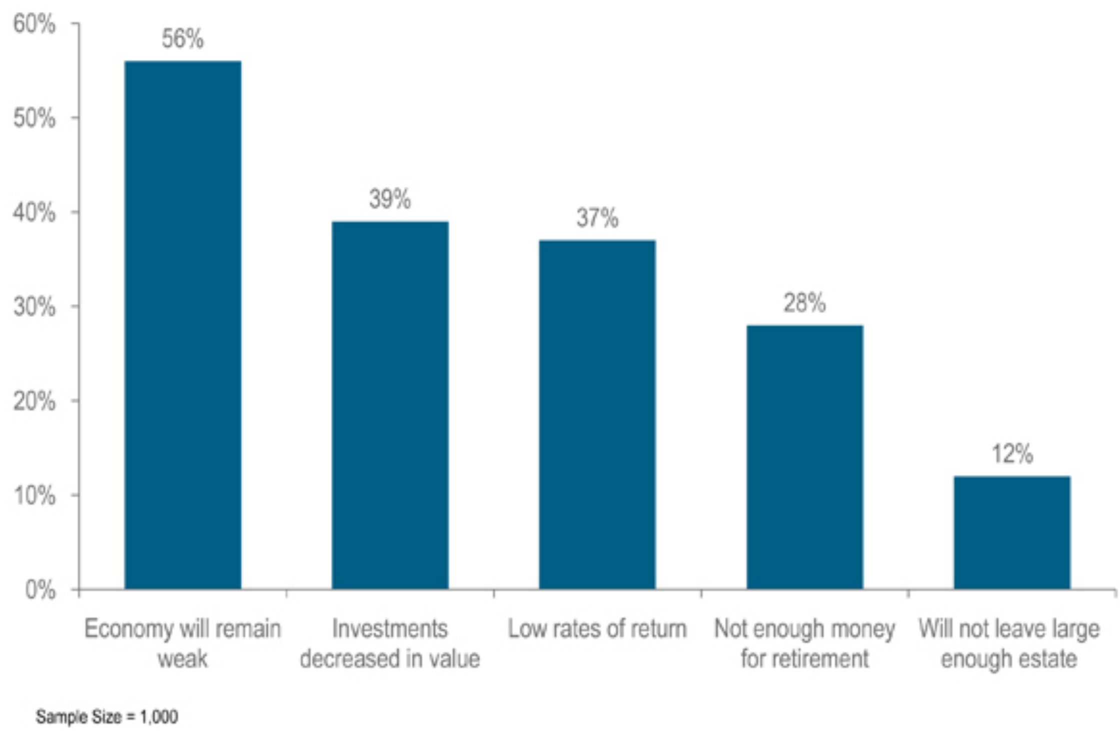
In addition, Cisco IBSG was interested in testing concepts in the wealth management market that have driven business-model innovation for customers in other industries. Are there new ways of interacting with financial advisers that could improve the customer experience of wealthy investors while also increasing adviser productivity? Can financial services firms deliver new services—even new business models—that can fulfill the unmet needs of their wealthy clients? And which clients are ready for these innovations right now?

Wealthy Investors: Bloodied, but Unbowed

With the worst financial crisis since the Great Depression still posing many challenges, it would not be surprising that wealthy investors are concerned about their losses, and have lost some of their enthusiasm for the financial markets as a whole. This is, in fact, what we found.

When asked to name their greatest financial concerns, wealthy investors cited the continued weakness of the economy (which ultimately drives market performance), losses in their portfolios, and low rates of return.

Figure 2. Top Financial Concerns of Wealthy U.S. Investors

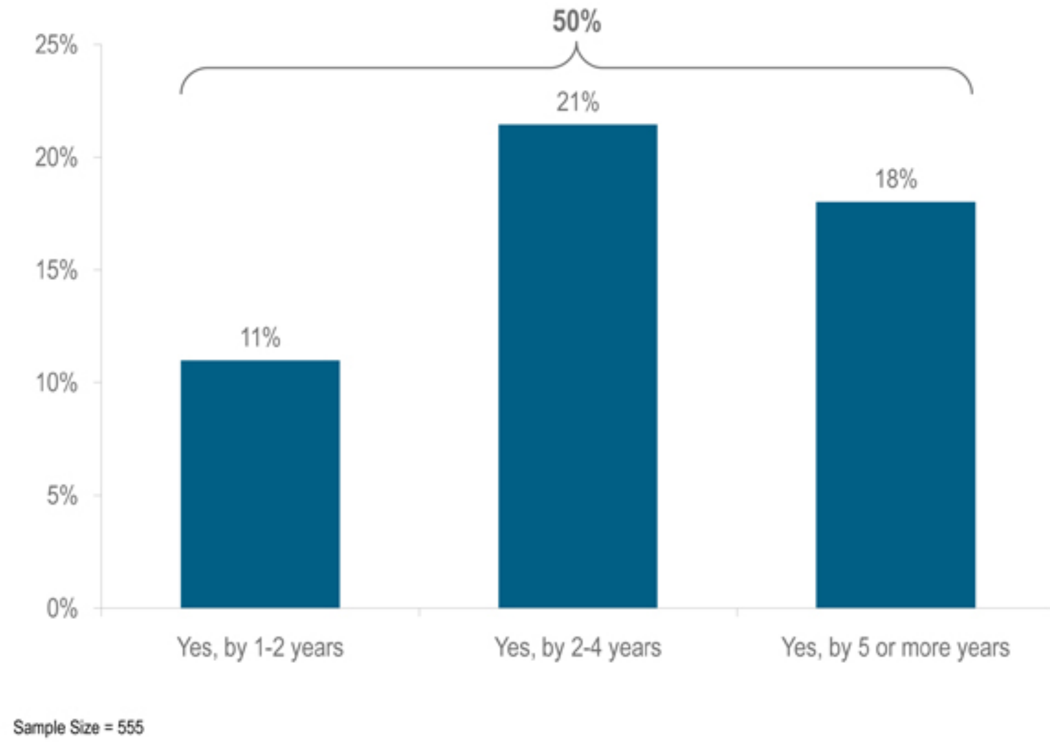


Source: Cisco IBSG Research & Economics Practice, 2010

Clearly, while their portfolios may have rebounded somewhat, wealthy investors are still smarting from their recent losses and are frustrated about their post-crisis rates of return. For a strikingly high percentage of wealthy investors, these concerns and frustrations have hardened into cynicism: 37 percent feel that the financial markets are not “a level playing field where investors like me have a fair chance to succeed.”

While respondents are concerned about their investments, they are not especially troubled by their levels of debt (3 percent) or lack of savings (4 percent). Contrast this with Cisco IBSG’s 2009 survey of U.S. consumers as a whole, in which debt levels (24 percent) and inability to save for long-term financial goals (21 percent) were among the top four financial concerns.[21] That is not to suggest that wealthy investors have avoided stark consequences. In fact, half of wealthy investors who have not yet retired believe they will be forced to delay their retirement because of the poor performance of their investments since the financial crisis began. In addition, 18 percent of this group believes their retirement will be delayed at least five years. On the other hand, 76 percent of wealthy investors are confident they will eventually reach their main financial goals in retirement.[22]

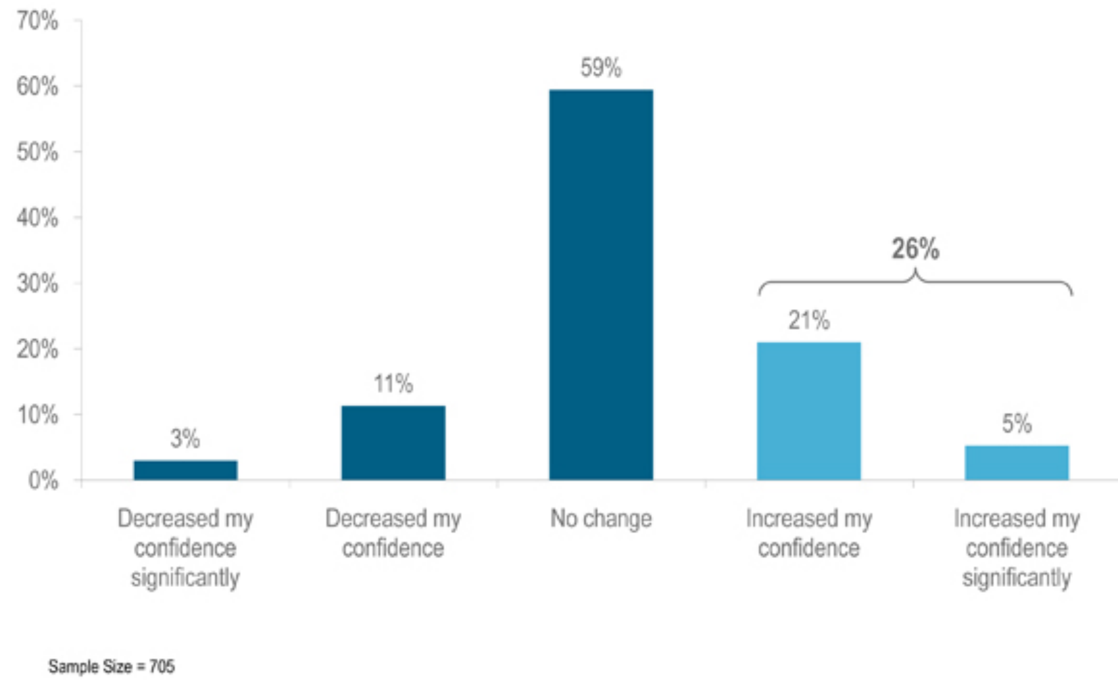
Figure 3. Percentage of Wealthy U.S. Investors Who Will Delay Retirement Due to Investment Performance



Source: Cisco IBSG Research & Economics Practice, 2010

Given the significant impact of the financial crisis not only on their investments, but also on their retirement plans, wealthy investors would be expected to express discontent with their advisers, and exhibit high rates of defection. Instead, Cisco IBSG found that 86 percent of wealthy investors who have a financial adviser are satisfied with the overall experience. Even more surprising, 26 percent of these investors have more confidence in their financial adviser now than before the financial crisis (see Figure 5).

Figure 4. Impact of Financial Crisis on Confidence in Financial Adviser



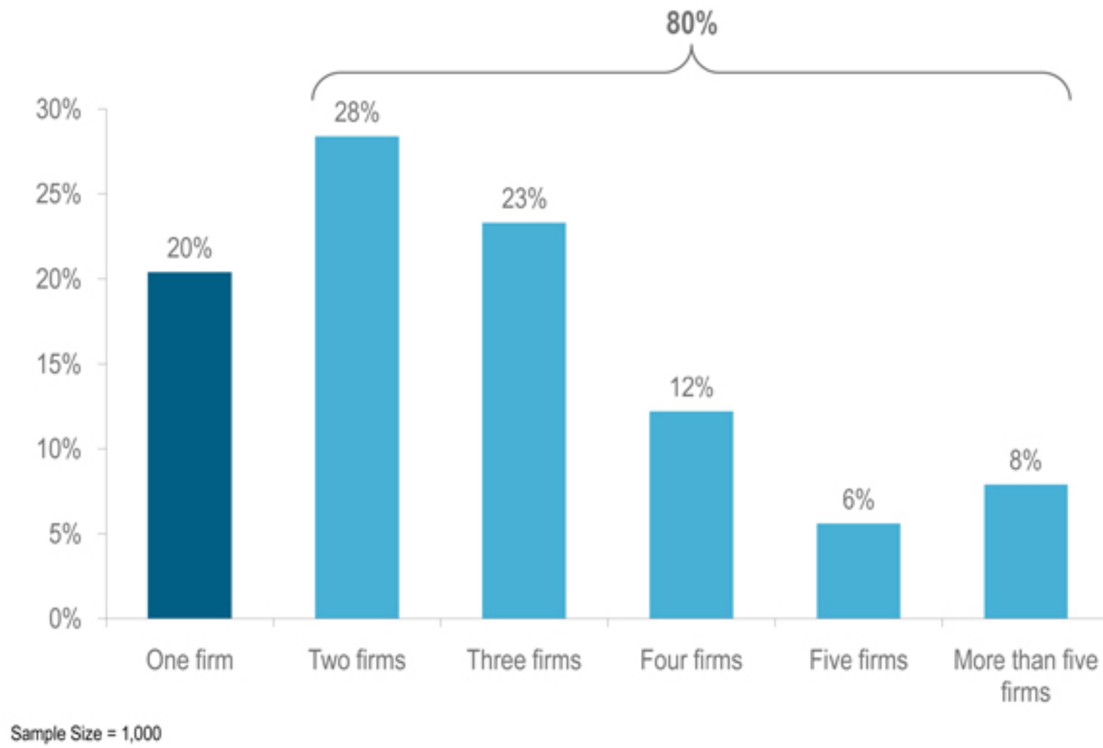
Source: Cisco IBSG Research & Economics Practice, 2010

These findings suggest that many wealthy investors believe their financial losses were unpreventable, even by an extremely skillful financial adviser. The results also imply that as financial markets rebounded in 2009, at least some of those losses were recouped.

Cisco IBSG's survey indicates that financial services firms managed to avoid the client exodus they feared. Only 15 percent of surveyed wealthy investors switched financial advisers in the past two years, and 73 percent are likely to keep the same financial adviser in the next year.

Even though they have retained the majority of their clients, financial services firms may not be managing the majority of their clients' investable assets. Eighty percent of all respondents hold assets at more than one firm, with more than a quarter spreading investments among four or more firms. Among respondents who have a financial adviser, a significant share of—28 percent—consult more than one financial adviser.

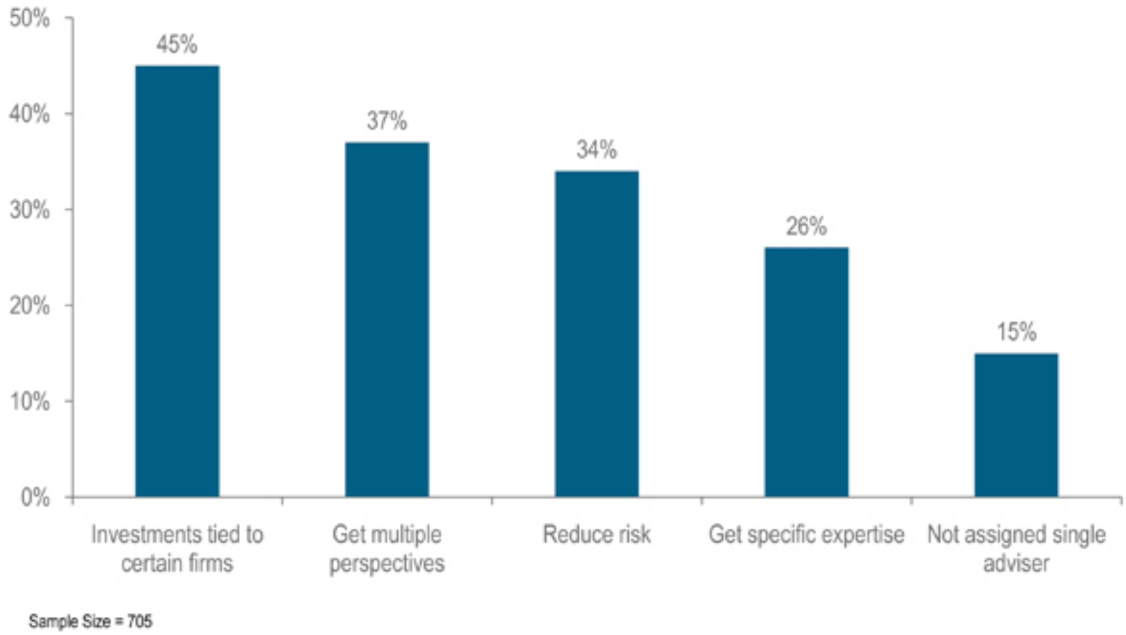
Figure 5. Number of Firms with Which Wealthy Investors Have Invested Assets



Source: Cisco IBSG Research & Economics Practice, 2010

While 45 percent of respondents cited specific investments (such as employer IRAs administered by a specific firm) as the reason they work with multiple firms, clearly many wealthy investors consult multiple financial advisers because they feel a single adviser cannot meet their needs.

Figure 6. Reasons Wealthy Investors Have More than One Financial Adviser

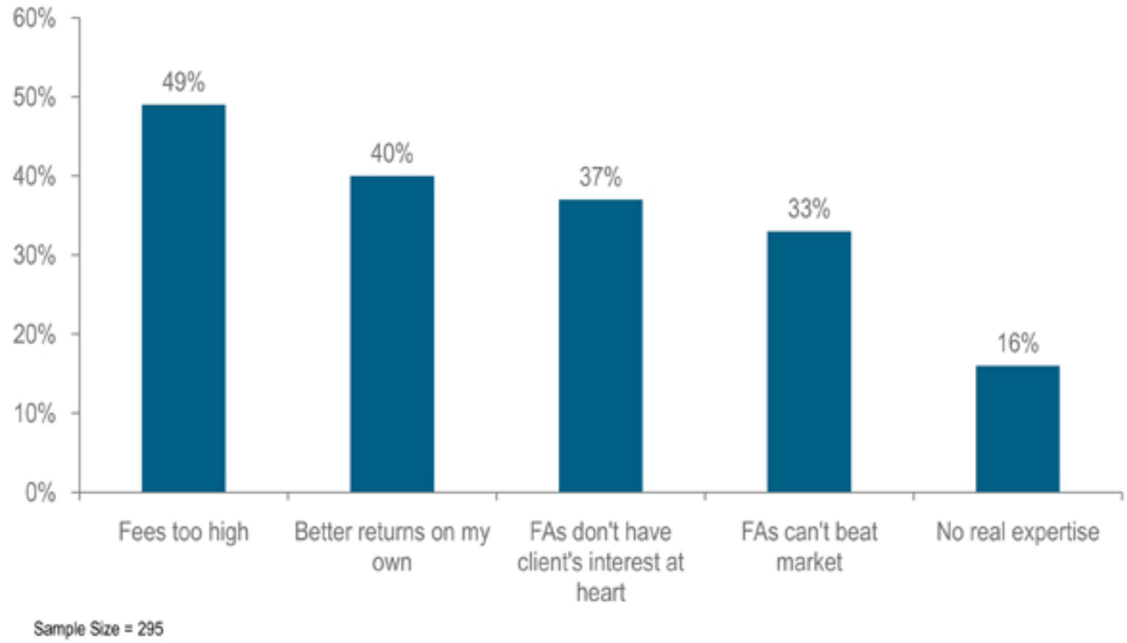


Source: Cisco IBSG Research & Economics Practice, 2010

Thirty-seven percent of wealthy investors with multiple advisers feel they need more than one perspective on their investments and strategy, and 34 percent do so to reduce risk. In addition, some wealthy investors seek multiple advisers to obtain expertise they feel individual advisers lack.

Financial services firms have an enticing opportunity to expand AUM by capturing a share of wealthy investors who are currently “outside the system.” A surprisingly high 30 percent of wealthy investors have no financial adviser at all. Nearly half of these investors choose to “go it alone” because they feel the fees charged by financial advisers are too high.

Figure 7. Reasons Wealthy Investors Do Not Have a Financial Adviser (FA)



Source: Cisco IBSG Research & Economics Practice, 2010

Many also doubt the fundamental value proposition—and even the motives—of financial advisers: 40 percent of investors without a financial adviser believe they can achieve better returns on their own, and 33 percent feel financial advisers are incapable of beating the market (and thus not worth engaging). Perhaps most disturbing, 37 percent simply do not trust financial advisers to put the investor's interest ahead of their own, and 16 percent feel financial advisers lack expertise in managing investments. In addition, 14 percent cite a negative experience with financial advisers in the past.

Cisco IBSG believes that, for many of these investors, concerns about high fees are closely linked to the perceived value of the advice financial advisers provide. If financial advisers provide investment strategies and services that are better tailored to investors' needs, perceptions about the cost of that advice could change. Other investors, however, are simply sensitive to the cost of financial advice. "Light touch" services with lower fee structures might appeal to these potential customers. Given their reservations, however, winning the assets and trust of investors who do not have a financial adviser will not be easy.

Wealthy Under-50 Investors: Opportunity—and Challenge

At first glance, it appears that there are two main customer segments among wealthy investors. Those with a financial adviser—70 percent of our respondents—appear to be satisfied with their experience, and by and large are not likely to switch to another adviser. They seem to constitute a contented and stable customer base.

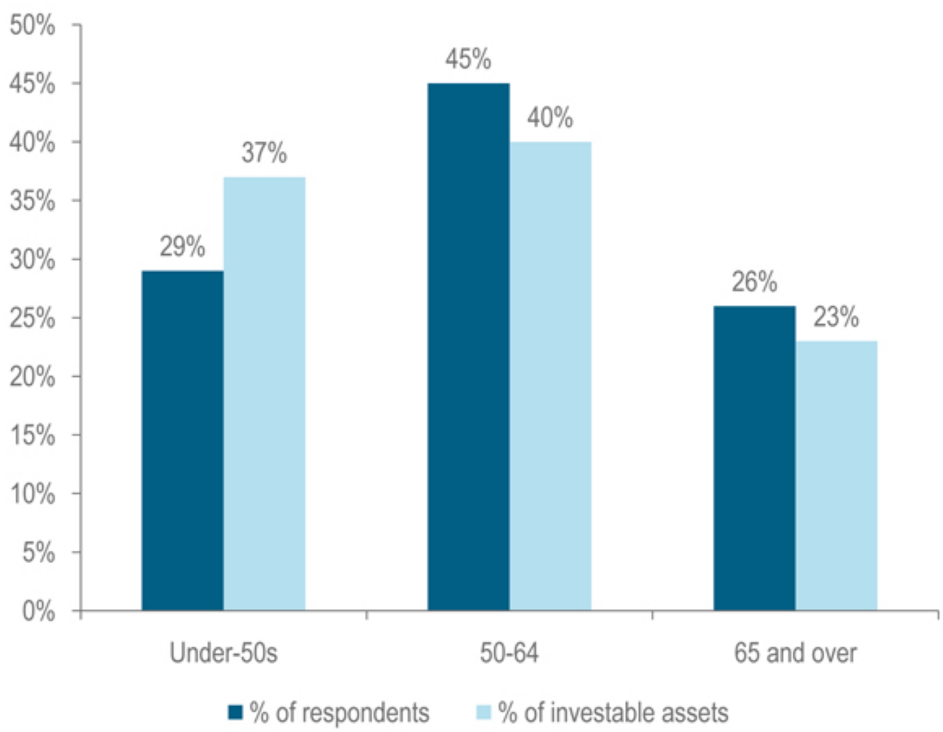
On closer inspection, however, we found that wealthy investors with a financial adviser are not as uniform or contented as they appear. In conducting our analysis, we were surprised at the importance of a single factor—the investor's age—in determining key elements such as investor loyalty, pain points, and receptivity to new services.

A crucial customer segment emerged from our research: *wealthy investors under 50 years of age (Wealthy Under-50s).* IBSG analysis indicates that Wealthy Under-50s constitute an $18.6 billion revenue opportunity for financial services firms in North America.[23] While Wealthy Under-50s can help increase AUM and profits for firms willing to meet their unique needs, they also pose a serious challenge to firms that fail to tailor their approach to these critical investors.

Wealthy Under-50s are looking for a "custom fit," including services tailored to their investing needs, and a wider range of options for interacting with their financial advisers. They want their financial advisers to provide greater value in terms of results, expertise, and accessibility. Most important, *Wealthy Under-50s are poised to move to firms that can provide these things—and to leave those that can't.*

Wealthy Under-50s constitute a significant percentage of both wealthy investors and investable assets. Wealthy Under-50s represented 29 percent of the survey's respondents, yet they held 37 percent of assets. Across all asset classes, Wealthy Under-50s hold 28 percent of total wealth in the United States.[24] Wealthy Under-50s are much more likely to own their own business, and they have a higher average income than older investors.[25] Their importance to financial services firms will only increase as wealth is transferred from older to younger generations: 67 percent of Wealthy Under-50s in our survey expect to receive a substantial gift or inheritance in the next 10 years.

Figure 8. Percentage of Respondents and Investable Assets, by Age

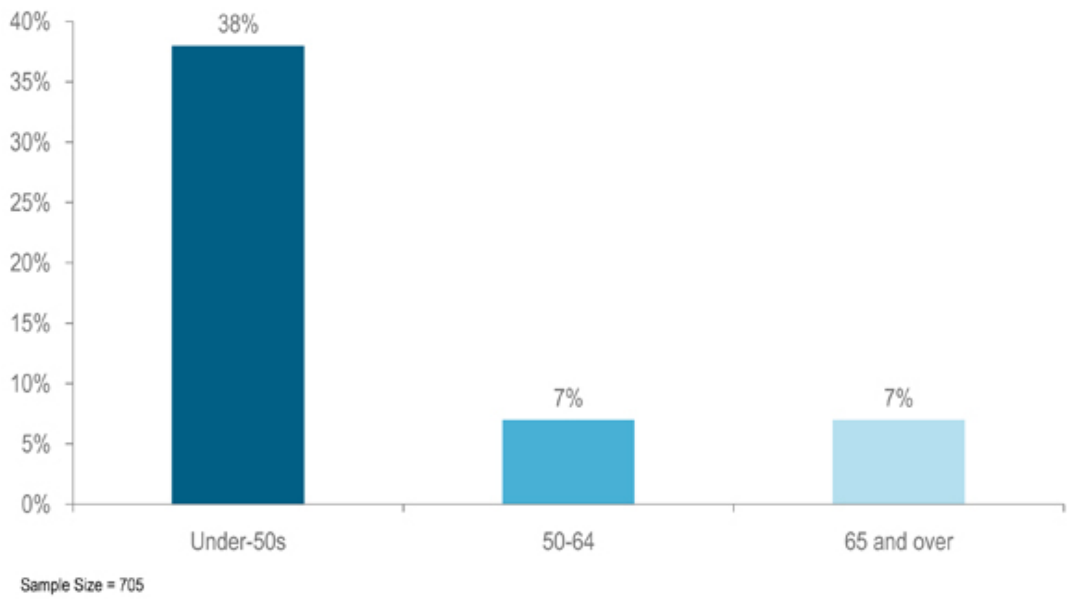


Source: Cisco IBSG Research & Economics Practice, 2010

Younger investors typically have a high percentage of equities in their portfolios because they have a longer period over which to invest—and to "ride out" fluctuations in the financial markets—before they retire. Consequently, the importance of reacting quickly to market developments is greater than it is for older investors, whose portfolios typically have lower risk and volatility. This could help to explain why Wealthy Under-50s are more actively engaged in managing their investments than wealthy baby boomers (for this study, defined as those born between 1946 and 1960) or silvers (those born before 1946)[26]: 39 percent of Wealthy Under-50s spend at least eight hours per month managing their investments, as opposed to 27 percent of wealthy boomers and 22 percent of silvers.

Because they are actively involved in managing their investments, Wealthy Under-50s demand a significant amount of their financial advisers' time and attention: 38 percent of Wealthy Under-50s with a financial adviser interact with him or her daily or weekly to discuss investments, versus only 7 percent of both boomers and silvers.[27]

Figure 9. Percentage of Respondents Who Interact Daily or Weekly with Financial Advisers To Discuss Investments, by Age



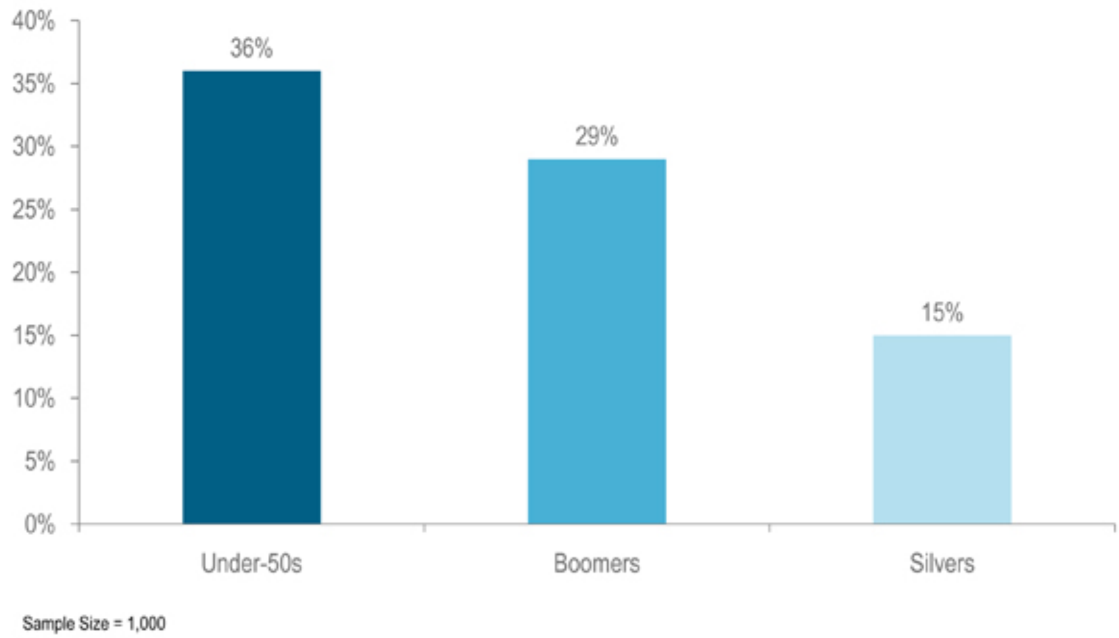
Source: Cisco IBSG Research & Economics Practice, 2010

The amount of contact Wealthy-Under 50s demand also can be explained by the relatively lackluster performance of equities in recent years. Much has been written about the "lost decade" of growth among U.S. equities.[28] From December 1, 2000 to November 29, 2010, Standard & Poor's S&P 500 index fell 152.89 points, or 11.39 percent. The decline was anything but gradual, however: the S&P topped 1560 in October 2007, and fell to a low of 1188.9 on March 9, 2009. The steep gains and subsequent drops have led many investors to question the continuing relevance of the "buy and hold" strategy,[29] which requires less contact between financial advisers and their clients. Even more exotic forms of investments, typically marketed only to the wealthy, have failed to deliver: recent research from Ibbotson Associates shows that, in the past 10 years, investors in hedge funds would have done equally well by putting their money directly into the S&P 500.[30]

The sharp decline in the percentage of employees covered by defined benefit plans[31] means that for an increasing percentage of Wealthy Under-50s, the quality of their retirement will depend on the performance of their investments to a greater extent than for wealthy boomers and silvers. Wealthy Under-50s are keenly aware of this. Despite the longer period over which they can invest, 49 percent of Wealthy Under-50s believe losses during the financial crisis will delay their retirement.

Historically weak returns, turbulent markets, and less security in retirement are combining to create a general sense of anxiety about money for many Under-50s.

Figure 10. Percentage of Respondents Who Agreed with the Statement "Thinking About Money Is Stressful for Me," by Age

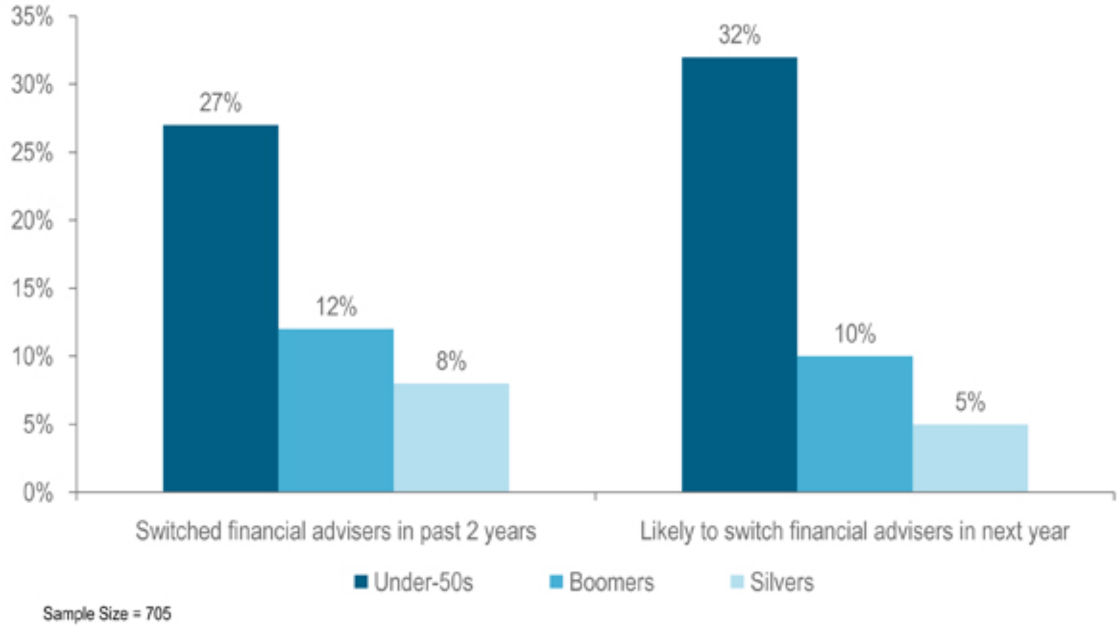


Source: Cisco IBSG Research & Economics Practice, 2010

These factors also explain why we believe Wealthy Under-50s will continue to demand more time and attention from their financial advisers than older investors. This has serious implications for the cost of servicing Wealthy Under-50s. Financial services firms must find ways to deliver advice more efficiently, or the high frequency of interactions Wealthy Under-50s demand could erode profit margins on a per-client basis.

Unfortunately for financial advisers, the attention they lavish on Wealthy Under-50s does not translate into client loyalty. While 15 percent of wealthy investors stated that they switched financial advisers in the past two years, 27 percent of Wealthy Under-50s did so—a much higher percentage than for either boomers or silvers. And 33 percent of Wealthy Under-50s are likely to switch financial advisers in the next year.

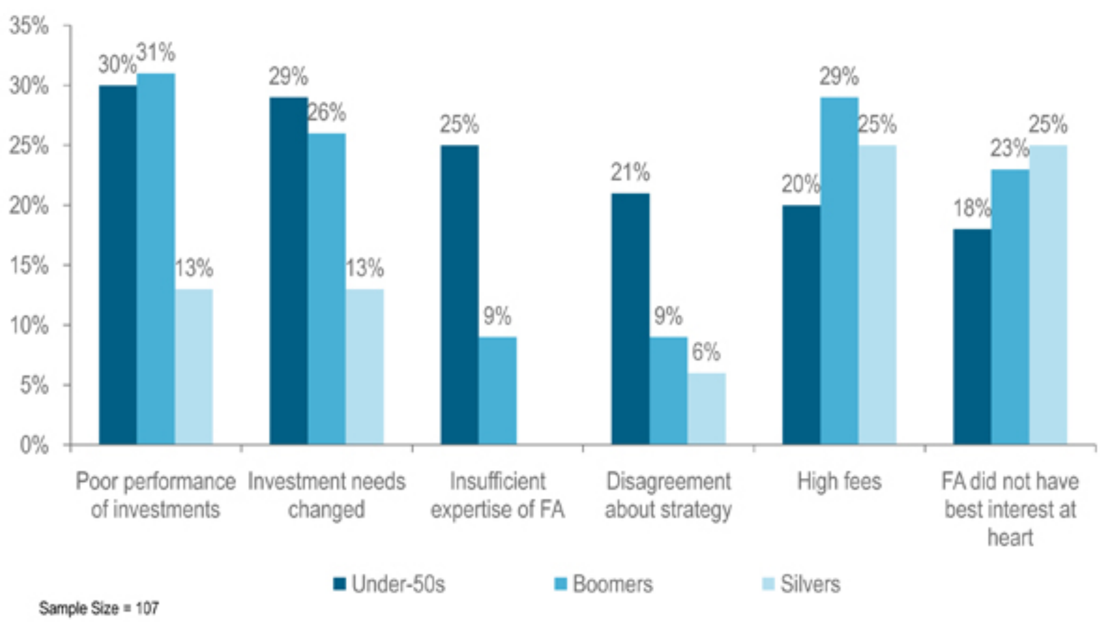
Figure 11. Percentage of Respondents Who Have Switched / Are Likely To Switch Financial Advisers, by Age



Source: Cisco IBSG Research & Economics Practice, 2010

When we examined why they decided to switch financial advisers, we found that while wealthy investors in all age groups are sensitive to high fees and the performance of their investments, Wealthy Under-50s are especially critical of their advisers' strategic advice and expertise. This is likely because they pay more attention to their investments, and play a more active role in making investment decisions.

Figure 12. Reasons Wealthy Investors Switched Financial Advisers, by Age



Source: Cisco IBSG Research & Economics Practice, 2010

These findings are significant for three reasons:

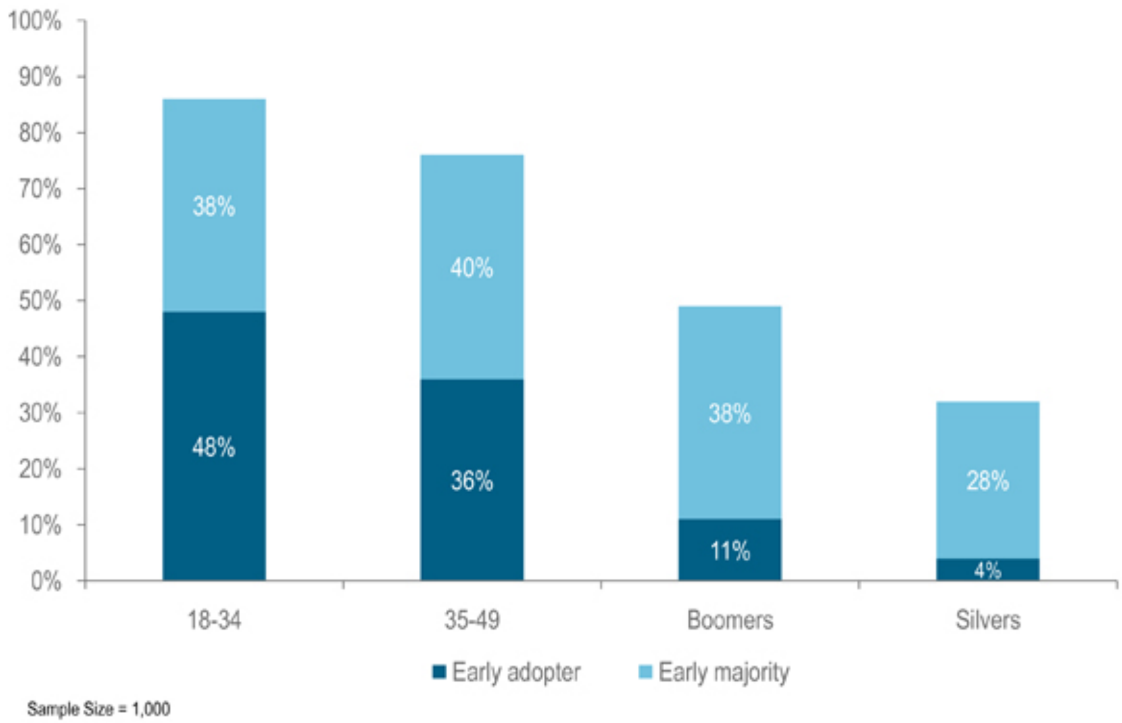
1. **Because a high percentage of Wealthy Under-50s are not getting what they need from their financial advisers, they are now "in play":** Financial advisers who merely "stay in touch," however, will not keep Under-50s' business for long. Rather, advisers must continually prove their value by understanding the Under-50s' investment goals and by demonstrating expertise. This may require more time and attention than financial advisers can provide, given the number of clients they advise and the current model of interacting with their clients.
2. **As wealthy investors age, they become more likely to stay with their financial advisers**: To gain a greater share of the Wealthy Under-50 segment, therefore, financial services firms must act quickly. Once these investors cross the 50+ age threshold, they become much harder to dislodge from competitors.
3. **If Wealthy Under-50s do not feel their financial advisers are proactively guiding them through market transitions, they may decide they are better off investing on their own**: 28 percent of Wealthy Under-50s have done so already. Moreover, they do not lack confidence in their ability to make good investment decisions: 27 percent of Wealthy Under-50s describe themselves as "very knowledgeable" about investing, a far higher percentage than boomers (15 percent) or silvers (13 percent).

Perhaps the most dramatic difference between Wealthy Under-50s and older investors is in their comfort with, and use of, technology. It is not surprising that the youngest investors, 18 to 34, are avid technology users, since they have grown up with both the Internet and rapid advances in consumer technology devices. It is surprising, however, that investors in the next age group, 35 to 49, have very similar characteristics. We asked respondents to describe their technology ownership and attitudes, and classified their responses according to Geoffrey Moore's classic technology adoption lifecycle.[32]

Nearly half of wealthy investors aged 18 to 34 were early adopters—technology enthusiasts who are typically the first among their friends and family to purchase and use innovative technology products. Another 38 percent were in the "early majority," who are conversant with technology and own some innovative products, but for whom having the latest device is less important. Wealthy investors in the 34-49 category were not far behind (see Figure 13).

Boomers and silvers were far less likely to identify themselves as early adopters or early majority technology users. When analyzing the data, it became clear that the age of 50 was the natural point at which respondents were much more likely to identify themselves as "late majority" or "laggard" technology users.

Figure 13. Percentage of Wealthy U.S. Investors Who Identify Themselves as Early Adopters and Early Majority, by Age

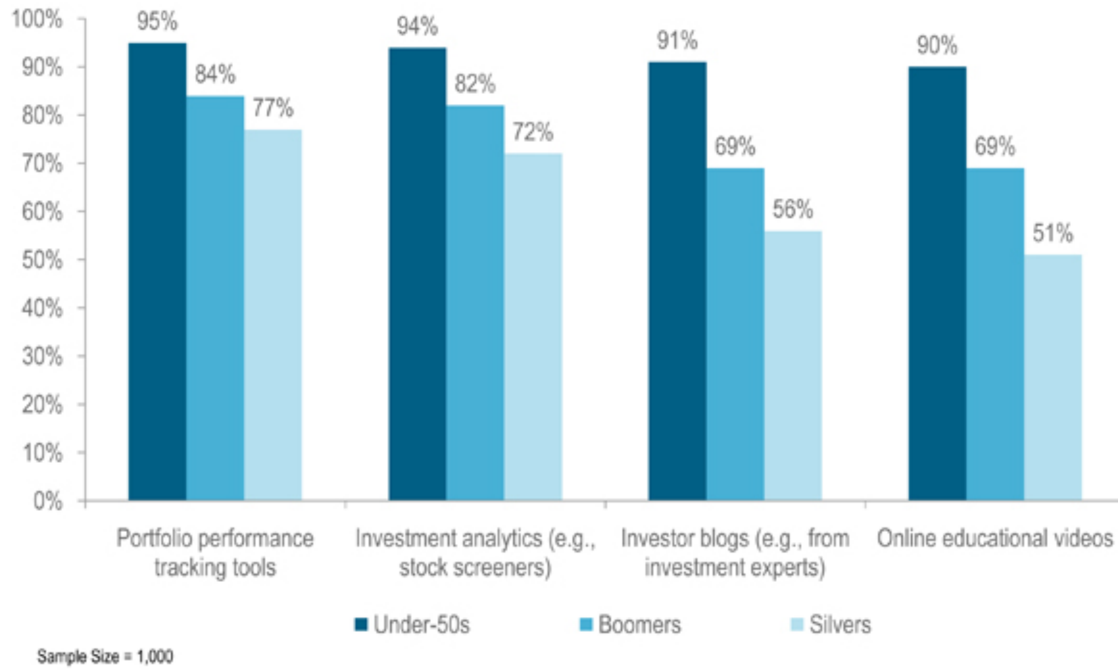


Source: Cisco IBSG Research & Economics Practice, 2010

The similarities in how the 18-34 and 35-49 age groups describe their technology usage and adoption are confirmed by their device ownership. A higher percentage of these groups owns innovative devices such as tablet computers than does either boomers or silvers.[33] In short, 35- to 49-year-old wealthy investors have much more in common with their young, tech-savvy peers than with boomers who are just a few years older.[34]

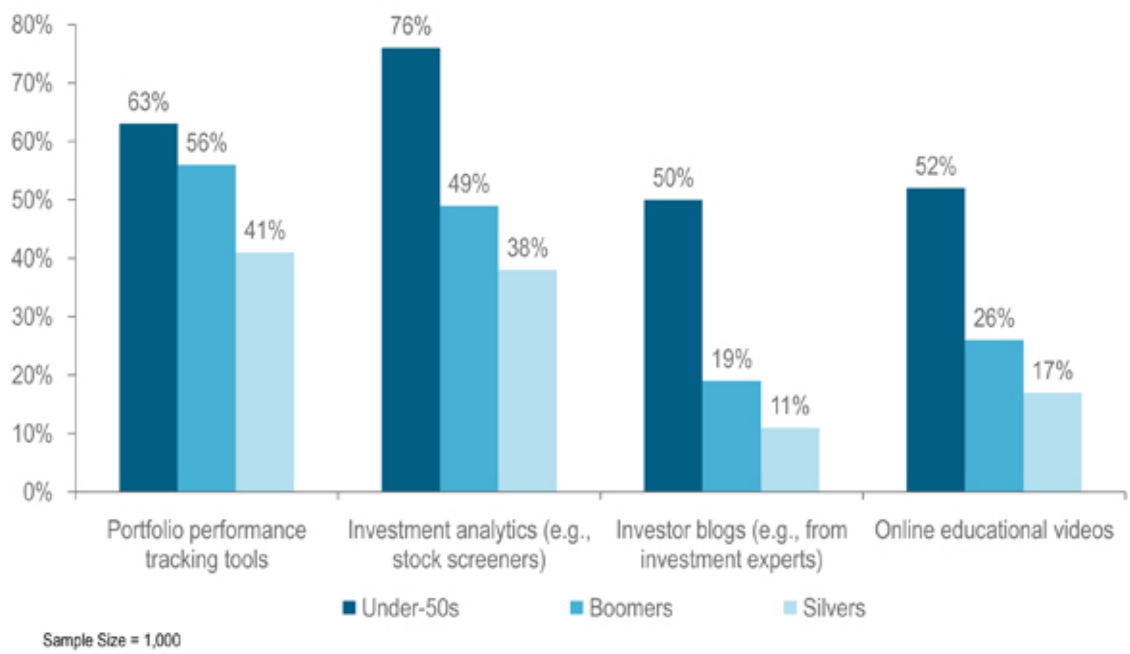
Wealthy Under-50s have incorporated technology into their daily lives, including how they research and manage their investments. Most wealthy investors in all age groups manage their investments online at least occasionally,[35] and have tried online resources to research, analyze, and select investments (see Figure 14). Wealthy Under-50s, however, find these tools much more valuable than boomers and silvers (see Figure 15).

Figure 14. Percentage of Wealthy U.S. Investors Who Use the Following Online Investment Resources, by Age



Source: Cisco IBSG Research & Economics Practice, 2010

Figure 15. Percentage of Wealthy U.S. Investors Who Find the Following Online Investment Resources Valuable, by Age



Source: Cisco IBSG Research & Economics Practice, 2010

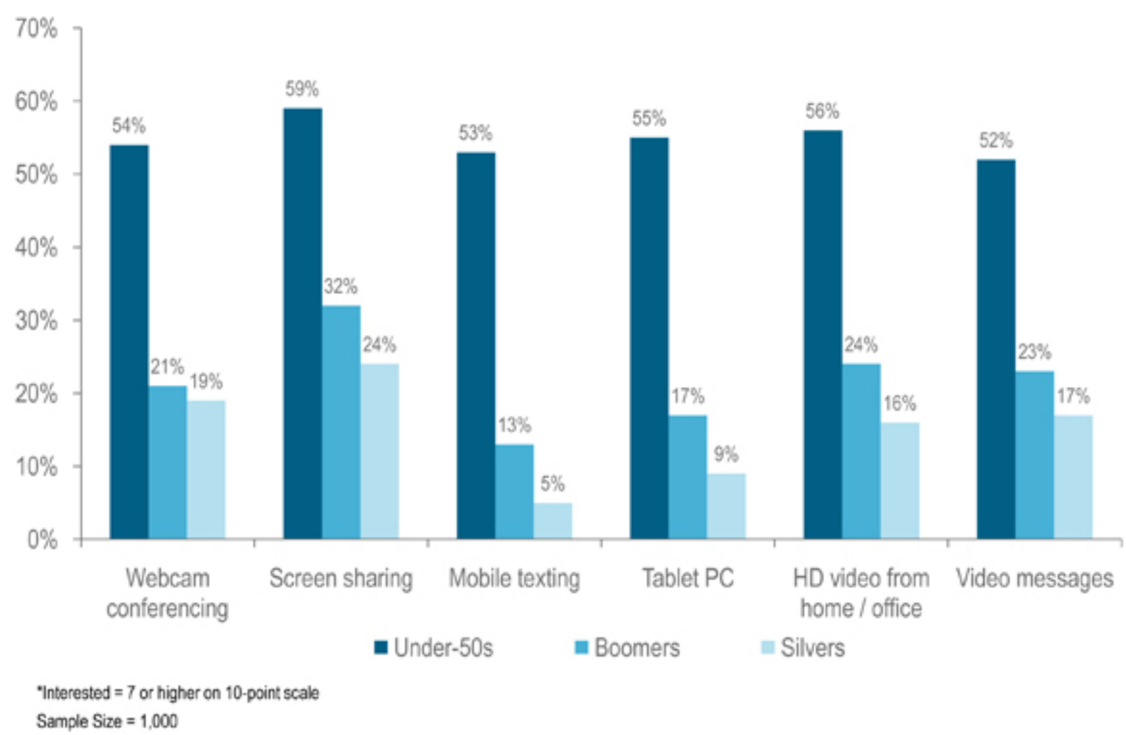
The fact that Wealthy Under-50s are more likely than wealthy boomers or silvers to switch advisers, combined with the higher value Wealthy Under-50s place on technology (both in their daily lives and in how they invest), has profound implications for financial services firms. As we shall see in the next section, Wealthy Under-50s are receptive to a range of technology-enabled services and business models that Cisco IBSG believes can be used to attract, retain, and gain a greater share of this segment's investable assets.

Next-Generation Wealth Management Services: What Wealthy Under-50 Investors Want

Our survey asked wealthy investors a series of questions about their interest in using technology to interact with their financial advisers or, if they did not have a financial adviser, their wealth management firm. We had two main objectives:

1. Understand wealthy investors' appetite for using technologies that can help financial services firms maintain their level of personalized, "high touch" services, while increasing the productivity of their financial advisers and reducing costs
2. Test specific scenarios that apply technology-enabled solutions to meet the specific needs of wealthy investors

Figure 16. Percentage of Wealthy U.S. Investors Interested in Using the Following Technologies To Interact with their Financial Adviser or Investment Firm, by Age



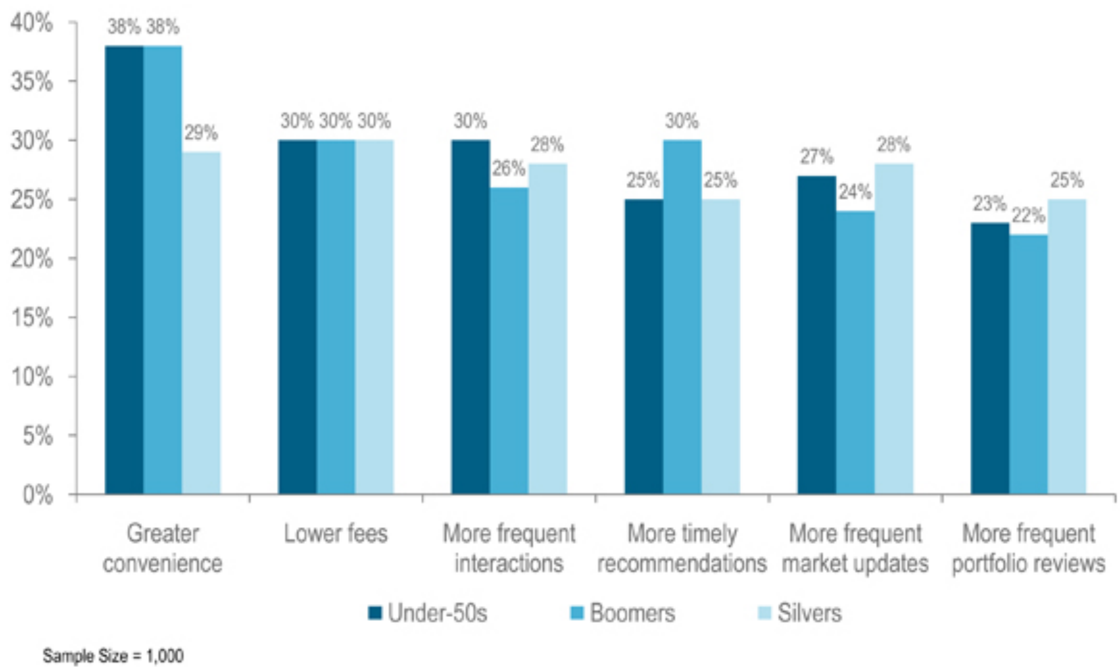
Source: Cisco IBSG Research & Economics Practice, 2010

We first asked investors about their interest in using technology to interact with financial advisers or financial services firms, without providing a specific business context, in order to understand wealthy investors' general receptivity to technology and the benefits they expect to receive. Overall, wealthy investors are receptive: about 30 percent of all respondents said they were interested[36] in using each of these technologies to interact with their financial advisers or firms.

Wealthy Under-50s were about twice as likely as wealthy boomers and silvers to be interested in using the six technologies we tested. The difference in interest was greatest in the area of mobility: mobile texting and tablet PC.

When we asked wealthy investors to consider the main benefits of using technology for interactions, the results did not vary significantly among the different age groups. The top anticipated benefit of technology-based interactions is greater convenience, although wealthy silvers are less convinced than younger investors.[37]

Figure 17. Most Significant Benefits of Using Technology To Interact with Financial Adviser or Wealth Management Firm, by Age



Source: Cisco IBSG Research & Economics Practice, 2010

For all wealthy investors, the potential to reduce fees for financial advice is an attractive benefit of technology-enabled interactions. Business models that provide a mix of in-person and virtual advice could help financial services firms attract and retain price-sensitive wealthy investors, which we discuss in greater detail below. Wealthy investors also saw the benefits of more frequent contact with their financial advisers and timelier advice and market updates.

Given the similarities in perceived technology benefits among Wealthy Under-50s, boomers, and silvers, what accounts for the "interest gap" between generations? Because most Wealthy Under-50s are comfortable using technology, and have high rates of device ownership, they are enthusiastic about the possibilities of applying technologies that they use in other contexts to interact with their financial advisers or financial services firms.[38]

Moreover, we have seen that a higher percentage of Wealthy Under-50s currently use technology when investing than wealthy boomers and silvers, and place a higher value on the efficacy of technology to enable better investment decisions. Thus, Wealthy Under-50s welcome the opportunity to enhance their interactions with investment firms through the novel application of familiar technologies. For example, 52 percent of Wealthy Under-50s find online educational videos valuable. Exactly the same percentage of Wealthy Under-50s is interested in receiving video messages from their financial adviser on their PC or mobile device. Innovative services such as video messages could provide several capabilities that investors of all ages value (see Figure 17), including timely buy and sell recommendations, and updates on the state of the market. A majority of Wealthy Under-50s intuitively understand the value proposition because they are already "tech-enabled investors."

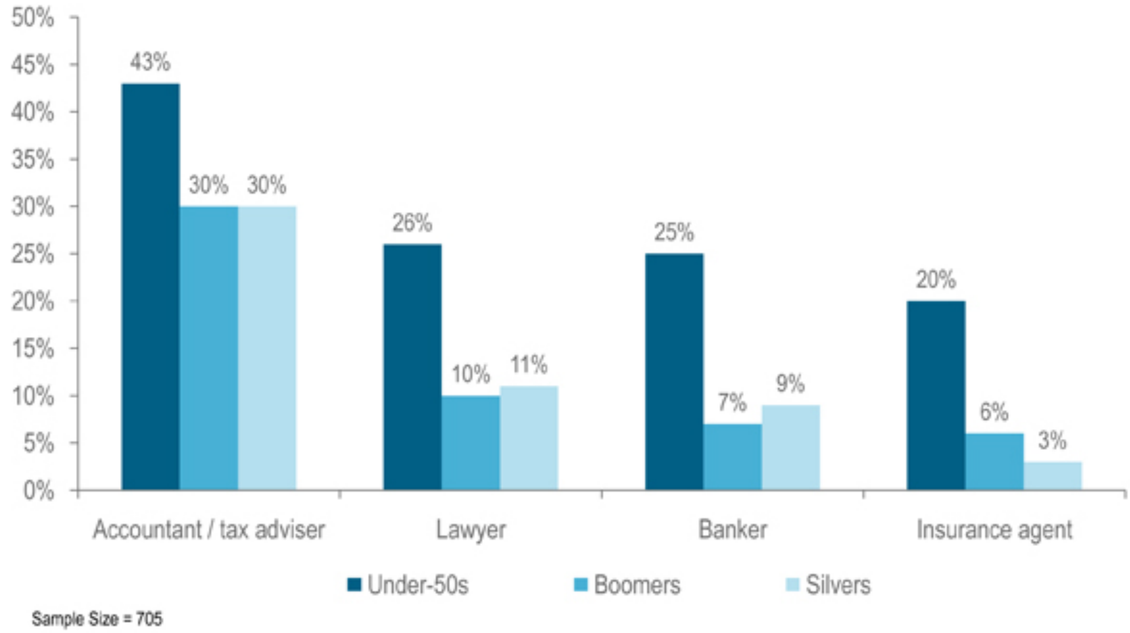
By offering technology-enabled interactions, financial services firms can reduce the cost of serving Wealthy Under-50 clients, while giving them access to information and advice through the devices they use every day. For example, financial services firms could send "one-to-many" video alerts described above, routed only to investors for whom the information is relevant. Such a service would proactively alert investors about an important development, while potentially reducing the frequency of "one-to-one" interactions that are not scalable.

In addition to understanding how wealthy investors feel about using technology in general, Cisco IBSG was interested in testing wealthy investors' interest in services and business models that could be enabled by technology:

- Access to multiple experts with specific expertise, such as accountants and lawyers, via high-definition video rooms in the financial adviser's office. Meetings would be coordinated by the financial adviser.
- Ability to meet simultaneously with a financial adviser and family members who do not live nearby (i.e., another city, state, overseas). Meetings would take place in high-definition video rooms, available at the financial adviser's office.
- Access to an online investor community (social network) to discuss strategies, ideas, and stock picks with other investors. Wealthy investors could follow the trades of other investors, chat online, and so forth.

We asked wealthy investors who have a financial adviser[39] whether they consult other professionals, such as tax advisers and lawyers, when they make investment decisions. Given the size of their investable assets and the potential complexity of managing their investments, it is not surprising that 61 percent of wealthy investors seek expertise their financial adviser does not provide. It *is* surprising, however, that Wealthy Under-50s (77 percent) are more likely than wealthy boomers (56 percent) or silvers (49 percent) to do so. Wealthy Under-50s also involve more kinds of experts in their decision making, including bankers and insurance agents.

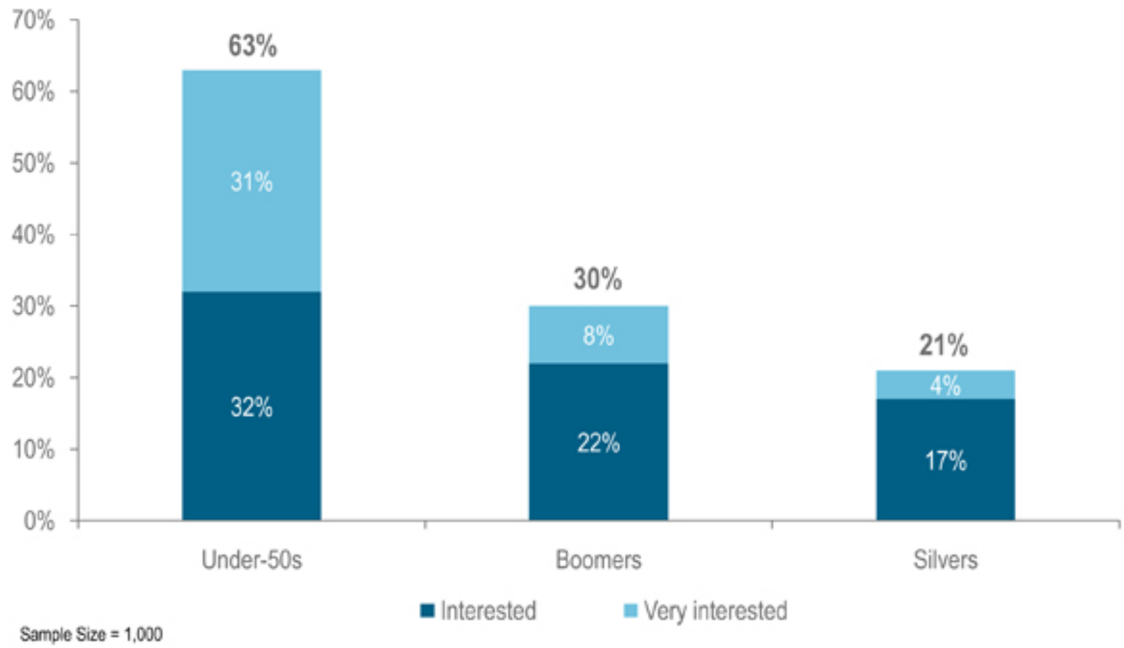
Figure 18. Professionals (Other than Financial Adviser) Wealthy Investors Consult About Their Investments, by Age



Source: Cisco IBSG Research & Economics Practice, 2010

We then asked all of our respondents[40] whether they would be interested in a service that provides access to multiple professionals, such as accountants or other financial advisers with specific expertise, via two-way high-definition video rooms. These rooms would be located in their financial adviser's office, and the adviser would coordinate the participation of the other professionals. Overall, the response was welcoming: 39 percent of wealthy investors were interested. Wealthy Under-50s were the most enthusiastic segment, with 63 percent interested, compared to 30 percent of boomers and 21 percent of silvers.

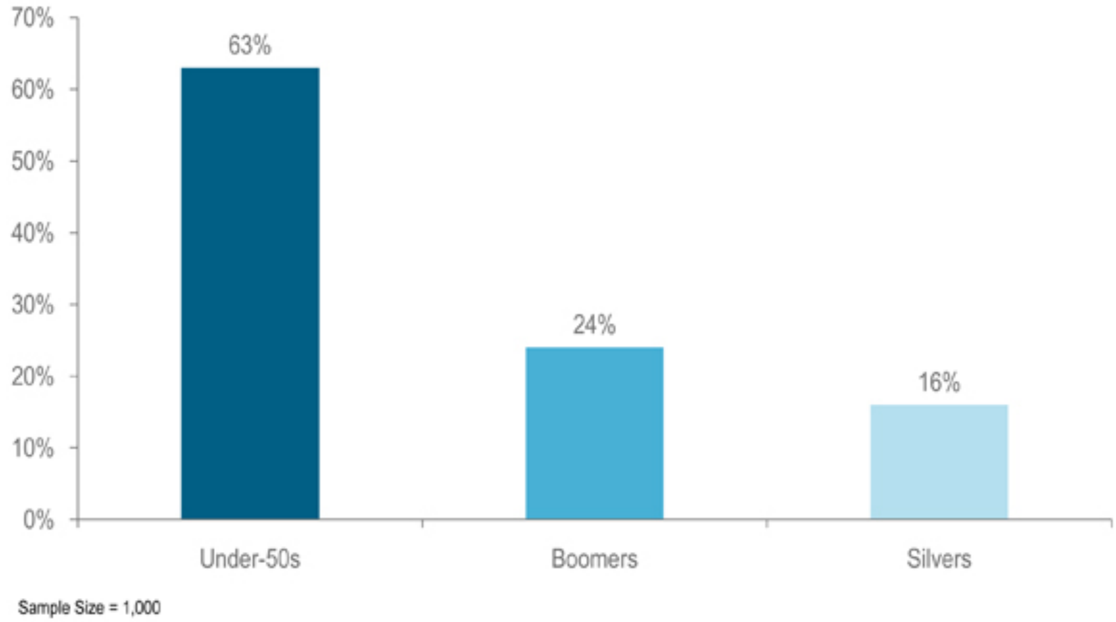
Figure 19. Percentage of Wealthy Investors "Interested" and "Very Interested" in Using Two-Way High-Definition Video To Meet with Multiple Experts, by Age



Source: Cisco IBSG Research & Economics Practice, 2010

The intensity of interest among Wealthy Under-50s also stands out: 31 percent were "very interested,"[41] a higher percentage than the overall interest indicated by either wealthy boomers or silvers. Wealthy Under-50s appear willing to back up their interest with action. When we asked respondents whether they would consider moving assets from their current financial adviser or wealth management firm to a rival that offered this service, 63 percent of Wealthy Under 50s said they would move at least some assets.[42] IBSG estimates that the willingness of Wealthy Under-50s to move assets to access technology-enabled capabilities translates into an $18.6 billion revenue opportunity for North American financial services firms. When older investors are included, the figure jumps to $28.6 billion.[43]

Figure 20. Percentage of Wealthy Investors Interested in Moving Assets to Another Firm To Gain High-Definition Video Access to Multiple Experts, by Age

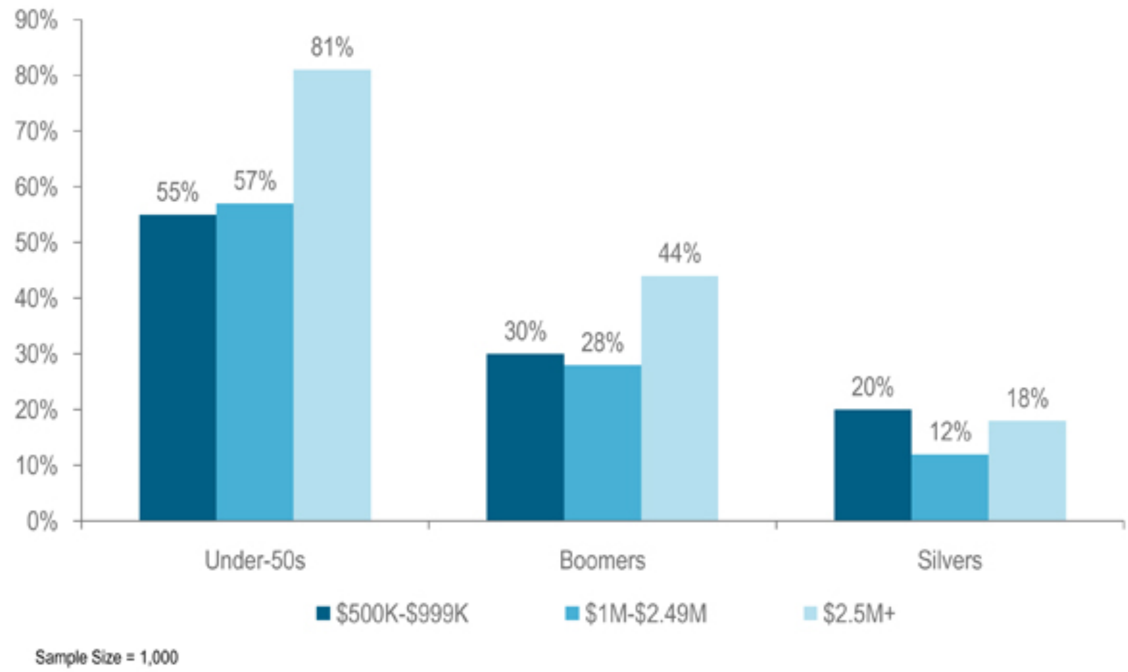


Source: Cisco IBSG Research & Economics Practice, 2010

Certainly, innovative services such as the one we tested are among many factors that could encourage wealthy investors to switch wealth management firms. Our data suggests that for Wealthy Under-50s, however, the ability to access multiple professionals via two-way high-definition video rooms holds strong appeal, and firms that offer it should enjoy an advantage in attracting or retaining these investors.

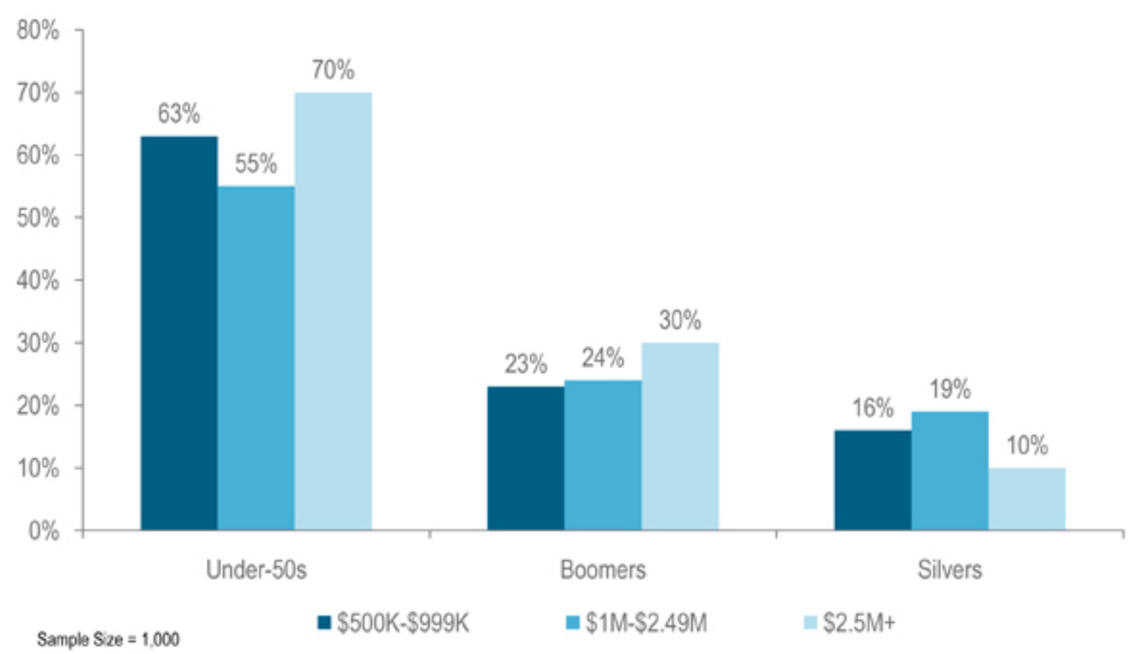
When we examined interest among wealthy investors in accessing multiple professionals via two-way high-definition video rooms, we found that the wealthiest investors—those with at least $2.5 million in investable assets—would be most likely to adopt such a service (see Figure 21), and to move assets in order to access it (see Figure 22).

Figure 21. Percentage of Wealthy Investors Interested in Using Two-Way High-Definition Video To Meet with Multiple Experts, by Age and Assets



Source: Cisco IBSG Research & Economics Practice, 2010

Figure 22. Percentage of Wealthy Investors Interested in Moving Assets to Another Firm To Gain Two-Way High-Definition Video Access to Multiple Experts, by Age and Assets



Source: Cisco IBSG Research & Economics Practice, 2010

Compared to the other asset classes in their segment, the wealthiest Under-50s showed 24 percent greater interest in high-definition video rooms, and were also more likely to shift assets to a firm that provided it. The data also illustrates that the wealthy boomer segment is far from monolithic. Boomers with investable assets above $2.5 million were more intrigued with this service—and in all of the technology-enabled interactions we tested—than their less-wealthy peers, with 44 percent interested in the service, and 30 percent willing to move assets. For this reason, Cisco IBSG believes that the wealthiest boomers represent an attractive audience for financial services firms to attract or retain with technology-enabled services and business models.

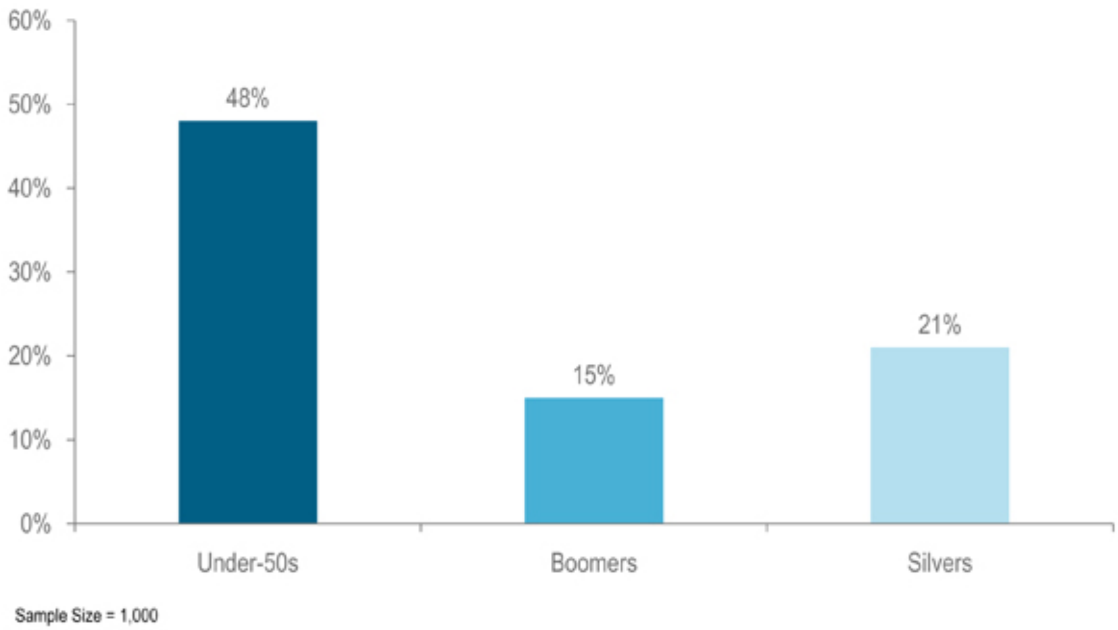
Providing access to multiple professionals satisfies two interrelated needs of wealthy investors: 1) expertise the financial adviser cannot provide directly, and 2) integration of that expertise into the investor's strategy or financial plan. We have seen that a strong majority of wealthy investors with a financial adviser discuss investment decisions with other professionals: 54 percent of these investors[44] have no help in reconciling the advice they receive from professionals into their overall investment strategy. They are forced to do it themselves, if it gets done at all. In this service, the financial adviser, by coordinating the participants and conducting the video meeting, is positioned to synthesize the advice for the investor and make recommendations.

The technology component—two-way, high-definition video-conferencing rooms—facilitates meetings of multiple professionals, who may be in different locations. For financial services firms, such a service would provide an opportunity to scale expertise from across its offices and lines of business, and perhaps to cross-sell or gain a greater percentage of the wealthy investor's assets. Recall that only 20 percent of wealthy investors have their assets at one firm, and that 29 percent of wealthy investors who have a financial adviser hire more than one because they feel a single adviser cannot meet their various needs, such as risk mitigation and multiple perspectives on their investments. High-definition video rooms could enable a team approach to meeting these needs. It could also deliver a more convenient experience for the wealthy investor, who can attend a single meeting at his or her financial adviser's office, rather than having to organize multiple meetings and be left trying to make sense of potentially conflicting advice.

In addition to outside experts, wealthy investors may need to include family members when meeting with their financial advisers. Some investment decisions may even require the express consent of certain family members before they can be executed. When these family members live in a different city, state, or country, arranging meetings can be more complicated, and important decisions can be delayed.

Our survey shows that, when they meet with their financial advisers, over a quarter of wealthy investors—and nearly half of Wealthy Under-50s—involve family members who do not live near them.[45] We asked these investors[46] whether they would be interested in using two-way high-definition video rooms at the financial adviser's office for meetings with their family members and advisers.

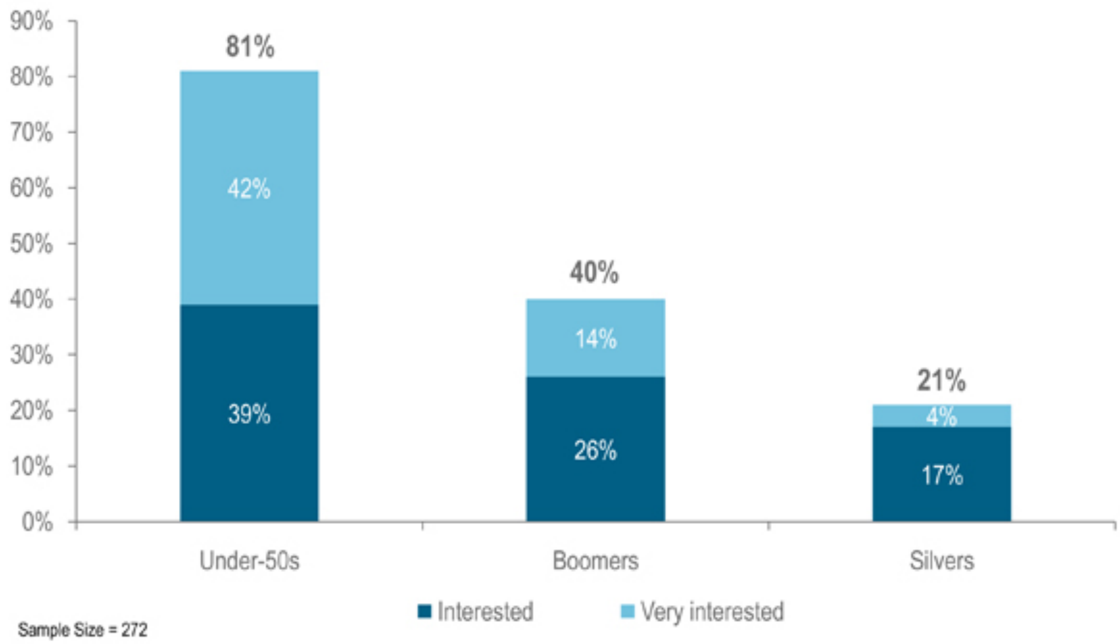
Figure 23. Percentage of Wealthy Investors Who Include Family Members Not Living Nearby When Meeting with Financial Adviser or Investment Firm, by Age



Source: Cisco IBSG Research & Economics Practice, 2010

We found that Wealthy Under-50s were much more open to using high-definition video rooms than wealthy boomers or silvers. Eighty-one percent of this group would welcome the opportunity to use such a service, including 42 percent who were "very interested." Once again, the wealthiest Under-50s expressed the strongest demand: 59 percent of those with investable assets over $2.5 million were "very interested" in the service.

Figure 24. Percentage of Wealthy Investors "Interested" and "Very Interested" in Using Two-Way High-Definition Video To Meet with Remotely Located Family Members and Financial Adviser, by Age



Source: Cisco IBSG Research & Economics Practice, 2010

In general, Wealthy Under-50s appear to be more collaborative than wealthy boomers and silvers in making decisions about investments. They seek input both from professionals whose expertise extends beyond the financial adviser's traditional role, and from family members.[47] By facilitating meetings through high-definition video-conferencing rooms, financial services firms can satisfy the desire of Wealthy Under-50s to collaborate, while putting the financial adviser in the center of the extended relationship.

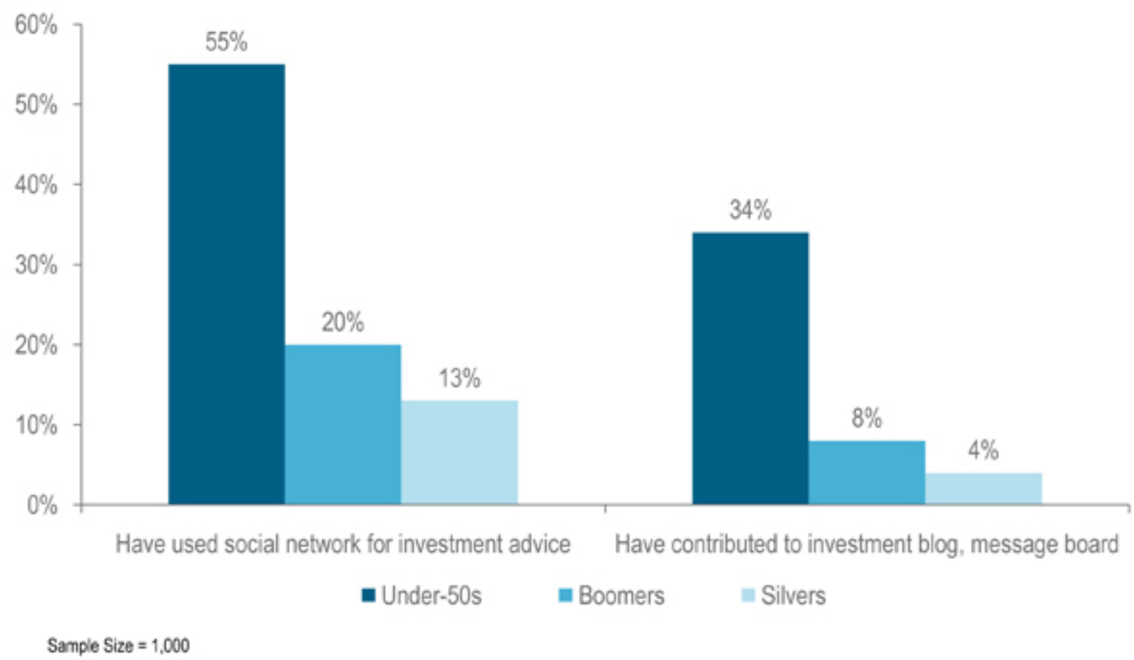
It is noteworthy that 40 percent of wealthy boomers who involve remotely located family members in their investment decisions were interested in using two-way, high-definition video rooms. This demonstrates that older, wealthy investors for whom the service is relevant are a potentially strong target segment.

The ability to bring multiple parties to the same virtual table—be they financial experts or family members—also naturally extends to a "virtual family office" business model that could make family office services accessible to a wider range of investors.

Finally, we asked wealthy investors to gauge their interest in an online investor community, or social network. Wealthy investors would be able to interact with one another to navigate key investment decisions, such as asset allocation, retirement, and estate planning. For example, investors could follow the trades of others with a similar strategy, interact through live chat, and share their investment ideas and experiences.

A surprisingly high percentage of wealthy investors are already using social networks to interact with other investors: 28 percent have used a social network to solicit or provide advice on investing, ranging from Facebook (19 percent) and Twitter (8 percent) to investor-specific communities like The Motley Fool's CAPS Community (12 percent); 15 percent of wealthy investors have contributed to a blog or online message board.

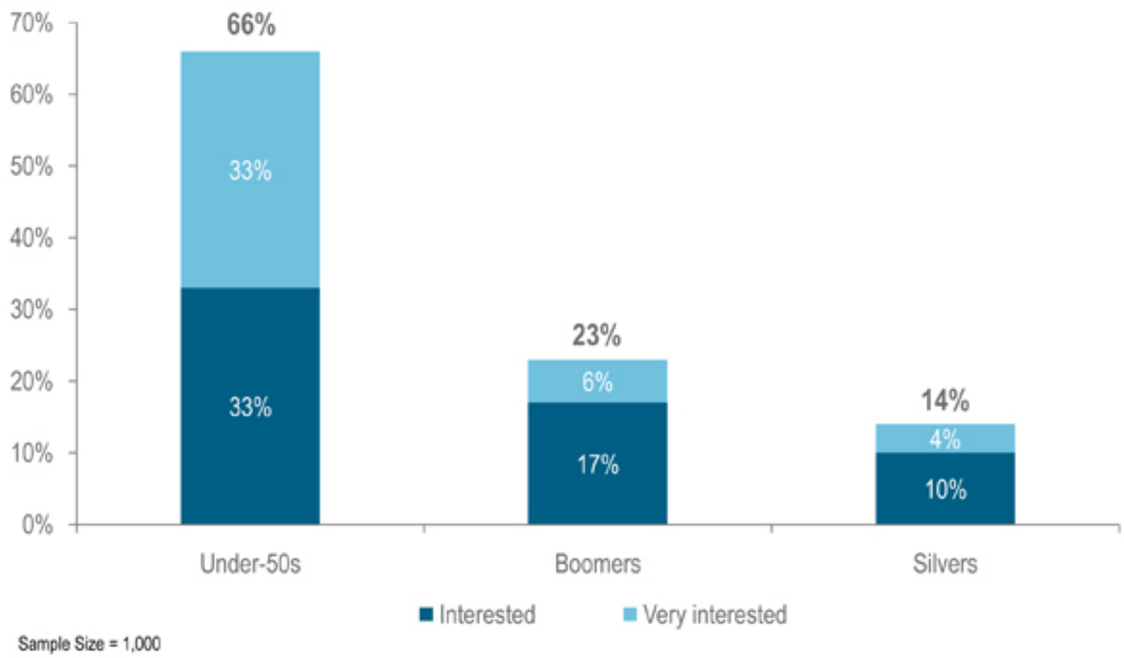
Figure 25. Percentage of Wealthy U.S. Investors Who Have Sought or Shared Advice Through Social Networks, and Through Blogs or Online Message Boards, by Age



Source: Cisco IBSG Research & Economics Practice, 2010

Providing yet more evidence of the collaborative investment behavior of Wealthy Under-50s, 55 percent of them have used social networks, and 34 percent have written a blog or message board post. Since many Wealthy Under-50s have already used social networking in an investment context, they were very receptive to joining a social investment community: a total of 66 percent said they were interested, including 33 percent who were "very interested."

Figure 26. Percentage of Wealthy U.S. Investors “Interested” and “Very Interested” in Online Investment Community, by Age



Source: Cisco IBSG Research & Economics Practice, 2010

Once again, Wealthy Under-50s with at least $2.5 million in investable assets were the most enthusiastic among asset classes in their segment: 76 percent were interested, among whom a whopping 53 percent were “very interested.” Nearly a quarter of wealthy boomers also indicated interest.

For a financial services firm, operating an investment community exclusively for affluent clients could help strengthen its relationship with investors. The profusion of free online investment sites and tools makes it difficult for financial services firms to become the preferred source of investment education and advice. Recent research has shown that while almost 80 percent of wealthy investors visit the website of their wealth management firm, the vast majority does so primarily to view their account balances and portfolios, rather than to conduct research or place trades.[48]

Cisco IBSG believes there is a strong opportunity to integrate online investor communities, access to financial advisers, and stock analytics and research tools with the account and portfolio management tools that financial services firms typically offer. Discount brokerages are already providing investors with many of these elements. Upstarts like Zecco and TradeKing have made investor communities and blogs central to their value propositions to online investors, in addition to inexpensive trades and a full suite of research and analysis tools. Members can join subgroups based on their holdings, strategies, or investment style (e.g., value investor), and make trades based on recommendations from other investors. And while few financial services firms offer online access to financial advisers, Charles Schwab provides a link to the investor’s financial adviser on every page.[49]

Full-service financial services firms can improve upon these ideas to deliver valuable services to various wealth investor segments. For example, we have seen that for the 30 percent of wealthy investors who do not have a financial adviser, the high cost of financial advice was the most important factor. A service that augmented online trades and tools with both a community of investors and virtual access to a financial adviser could help self-directed investors make their trades with more confidence. A financial adviser could provide portfolio reviews, or help an investor decide whether to purchase a stock, through on-demand tools like “click to chat” or instant video meetings.

For Under-50 investors who already have an adviser, but who are hungry for more resources and modes of interaction, a more robust online offering that includes the ability to chat with like-minded investors could keep these investors engaged, while developing a closer relationship with the firm. Such an offering could also provide an online space that enables wealthy investors to receive customized research, recommendations, and videos from their financial advisers, as well as tools for desktop sharing and scheduling meetings.

Implications for Financial Services Firms

As the survey indicates, there are several kinds of opportunities for financial services firms to pursue as part of their client growth and retention strategies for wealth management:

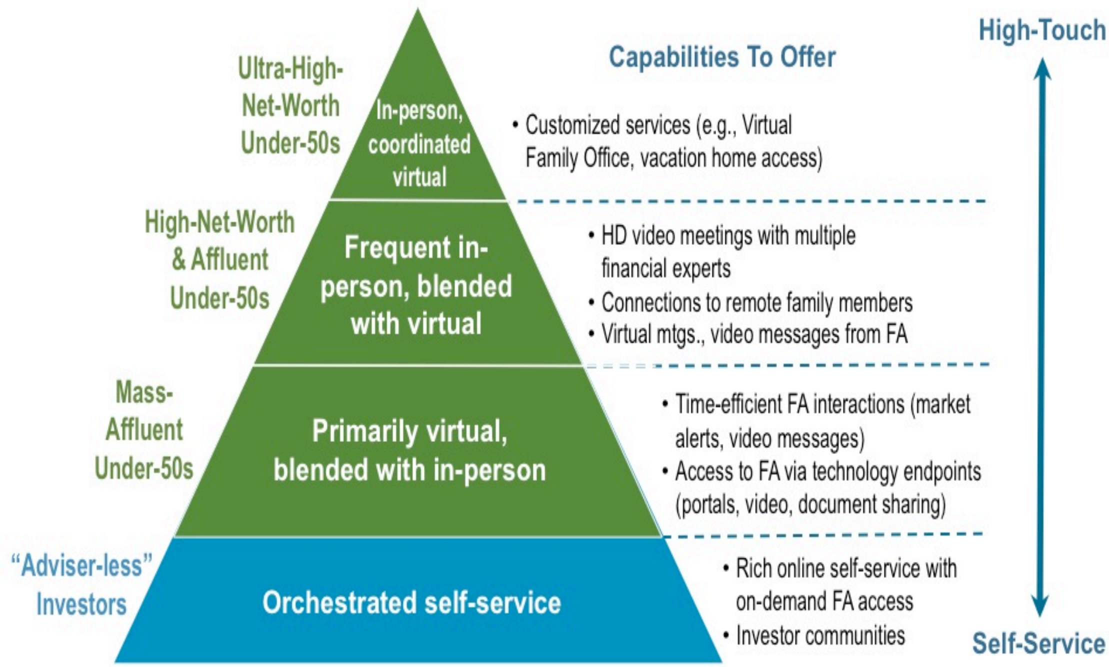
- **Grow “Share of Wallet”:** We noted that 80 percent of wealthy investors have their assets spread across many firms (many use multiple financial advisers as well). Firms should seek to grow their “share of wallet” with these investors by building and offering enhanced capabilities that deliver greater convenience and access to expertise that investors want. These investors—particularly Wealthy Under-50s—have also stated they would be willing to move their assets to gain these capabilities, so firms have an opportunity to grow their share with these investors.
- **Acquire / Retain Wealthy Under-50s:** Wealthy Under-50 investors are much more likely than their older counterparts to move to a new firm or adviser, so client acquisition and retention strategies should focus on this segment while they are “in play.”
- **Provide a “lighter touch” model to self-directed investors and investors with fewer assets:** 30 percent of survey respondents had no financial adviser, many saying the services provided by the adviser were not worth the price. Investors with fewer assets also get less attention from their financial advisers, and it is not economically viable to provide them with the same level of service reserved for wealthier investors. Firms that can offer some of the services a financial adviser provides—but more efficiently, and at lower cost using online functionality—can also attract investors with fewer assets in a profitable way.

Pursuing these strategies will require firms to invest, pilot, and refine a set of new capabilities. Interest among wealthy investors appears strong for a number of select capabilities, including: 1) accessing experts and including family members via high-quality video from the adviser’s office or from the investor’s home; 2) receiving relevant video and other messages remotely; and 3) participating in social networks related to investment interests.

Firms will, of course, need to tailor offerings and capabilities based on their current client mix and strategies for acquiring new clients. Cisco IBSG’s research shows, however, that financial services firms should focus on two segments, each with specific needs (see Figure 27):

1. Wealthy Under-50 investors
2. Self-directed wealthy investors (of all ages) who do not have a financial adviser

Figure 27. Opportunity Map: Wealthy Under-50s and Wealthy Investors with No Adviser



Source: Cisco IBSG, 2010

1. Deliver Technology-Enabled Services Geared to Wealthy Under-50 Investors

Cisco IBSG believes that by implementing the following strategies *now,* financial services firms can retain the Wealthy Under-50 investors they have, and gain market share from slower-moving competitors:

- For **ULTRA-HIGH-NET-WORTH** Under-50 investors:
  - *Design customized, technology-enabled services.* Financial services firms should design customized, technology-enabled services to increase loyalty and attract new clients in this most highly sought asset class. The findings showed that Wealthy Under-50s with at least $2.5 million in investable assets are even more enthusiastic than their less-wealthy counterparts about using technology to interact with financial advisers and firms. These important customers do not exclusively desire face-to-face contact; instead, they want myriad ways to interact with financial advisers and to access multiple sources of information. As the wealth of these investors grows into the ultra-high-net-worth range ($30 million and above), they become candidates for a variety of highly profitable services, including high-definition video capabilities via a "virtual family office" or various other locations (for example, a vacation home).

  - *Assign a virtual team featuring top experts from across geographies.* One Cisco IBSG client (a major North American bank) is piloting Cisco TelePresence™ services with its private banking clients in order to provide access to the bank's specialized financial experts located in other cities. The service proved so seamless and valuable that the technology quickly faded into the background; clients were "wowed" not by the technology, but by the convenience and value of the service itself.

- For Under-50s with **AT LEAST $1 MILLION** in investable assets:
  - *Enable meetings with multiple financial advisers and family members via high-definition video conferencing.* Wealthy Under-50s are collaborative investors who are more likely than older investors to consult with professionals other than their financial adviser about their investments. For many Wealthy Under-50s, the financial adviser does not play a role in synthesizing this advice into a coherent strategy; they are "on the outside" of these other relationships, unable to add value to the investor. By coordinating the participation of multiple professionals, financial services firms can address two key opportunities:

    1. *Grow wallet share* by (1) attracting new clients through a differentiating service that addresses an important need of Wealthy Under-50s, and by (2) providing multiple perspectives, expertise, and portfolio balancing *from the firm's own experts*—information investors are currently using several financial advisers and firms to attain.
    2. *Retain Wealthy Under-50s* (and increase client loyalty) by (1) placing the financial adviser at the center of the investor's extended financial team, and by (2) scaling expensive and scarce expertise from within the firm that wealthy investors need to access, but that cannot be provided at all of the firm's locations.

    Many Wealthy Under-50s also involve family members who live in other locations when they discuss their investments with their financial advisers. By offering access to high-definition video meetings, financial services firms can (1) attract and retain clients by providing a differentiating service that Wealthy Under-50s value, and (2) gain new clients from family members not currently investing with the firm.

- For Under-50s with **LESS THAN $1 MILLION** in investable assets:
  - *Deliver scalable interactions and timely advice via video messages.* Cisco IBSG believes financial services firms should use video messages delivered to PCs, tablets, and smartphones to provide alerts, market commentary, and buy-and-sell recommendations tied to specific, time-sensitive events. These messages could be recorded by the financial adviser using a desktop PC, then sent directly to all clients for whom the news or recommendations are relevant. Services such as video messages provide "high-touch" interactions at lower cost than one-to-one interactions.
  - *Provide a range of technology-enabled capabilities.* Wealthy Under-50s want more access to their financial advisers, and to information that is relevant to their

investments. According to statistical and anecdotal evidence gathered by Cisco IBSG, however, Wealthy Under-50s are frustrated that they cannot use the technologies with which they are comfortable—smartphones, tablets, webcams, online video—to speak with their financial advisers or to receive up-to-the-minute investment updates. To address this shortcoming, firms should offer the following technology-enabled capabilities:

1. Robust and relevant online portals through which financial advisers (and their staffs) can provide videos, market updates, and recommendations tailored to the needs of Wealthy Under-50 investors.
2. Video technologies (home-based high-definition video conferencing, webcam, mobile video) that enable interactions with financial advisers via convenient, ad-hoc meetings and portfolio updates. Make video interactions available through mobile devices (e.g., smartphone, tablet PC) that support two-way video.

2. Provide Low-Cost Services To Attract "Adviser-less" Investors

Representing 30 percent of wealthy investors, this group is too big to ignore. Cisco IBSG believes that it will be difficult to attract "adviser-less" wealthy investors using the current business models they have already opted out of. But an approach that brings self-directed investors under a financial services firm's "umbrella" could be the first step toward developing some of the important elements of an advisory relationship. To achieve this objective, firms should consider an offering that provides "light-touch" and "on-demand" financial advisory services:

- Research and analysis tools that self-directed investors need to be successful, including firm-exclusive research and how-to videos
- Online community featuring investor discussion forums and blogs from experts
- Financial adviser services, either "on demand" or virtual-only, depending on what clients are willing to pay. Advisers could offer a full range of services (e.g., financial strategy, portfolio allocation, selecting stocks), or ad-hoc, on-demand advice ("Should I sell?" "What do you think of this investment idea?") via virtual-only interactions.

In conclusion, Cisco IBSG believes that all the elements are in place to improve fundamentally how investors work with their wealth management firms and financial advisers. Investors (especially Wealthy Under-50s) are already using capabilities described above in their personal and professional lives, and want to incorporate them into the management of their financial lives. These investors represent a significant opportunity (and challenge) today, and will become an even bigger factor in the future.

The time is now for firms to identify and invest in delivery models that will boost wallet share and attract / retain more customers. In fact, Cisco IBSG is already working with leading-edge banks that have started to explore a new strategy and approach to wealth management enabled by technology. There is much to be learned, but the winners will enjoy the benefits for years to come.

To learn more about this study, and about wealth management opportunities for financial services firms, please contact:

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Endnotes

1. By “financial services firms,” we mean all financial services firms that provide wealth advisory services, including retail banks, investment banks, retail financial management firms, and boutique financial services firms.
2. “Global Wealth 2010: Regaining Lost Ground,” Boston Consulting Group, June 2010.
3. Ibid.
4. Our respondents averaged nearly $1.7 million in household investable assets, with average household income of $223,500.
5. “Changes in U.S. Family Finances from 2004 to 2007: Evidence from the Survey of Consumer Finances,” Federal Reserve Bulletin, February 2009; Cisco IBSG, December 2010.
6. The total size of AUM in North America (U.S. and Canada) is $35.1 trillion (Source: “Global Wealth 2010: Regaining Lost Ground,” Boston Consulting Group, June 2010). Under-50 investors make up 28 percent of the total net worth in the U.S., boomers are 41 percent, and silvers are 31 percent (Source: U.S. Federal Reserve Survey of Consumer Finances, February-March 2009, and U.S. Census Current Population Survey, March 2010). In the Cisco IBSG wealth management survey, respondents were asked what percentage of their assets they would consider moving to a firm that provided two-way high-quality video to connect with multiple financial experts. From

this, total assets at risk were calculated to be $2.2 trillion for the Under-50s, and $3.4 trillion overall. Return on assets was estimated at 83 basis points (Source: "Global Wealth 2010: Regaining Lost Ground," Boston Consulting Group, June 2010), yielding a total a revenue opportunity of $18.6 billion for Under-50s and $28.6 billion overall.

7. In this study, we will refer both to independent wealth management companies and wealth management divisions of larger financial services firms as "financial services firms."
8. Assets held by financial services firms globally. "Global Wealth 2010: Regaining Lost Ground," Boston Consulting Group, June 2010.
9. In this study, we refer to all investors with investable assets over $500,000 as wealthy investors. Within these groups, investors with investable assets between $500,000 and $999,999 are considered "affluent." Investors with $1 million and above in investable assets are referred to as "high-net-worth individuals" (HNWI).
10. See note above for definition of HNWIs.
11. "World Wealth Report: 2010," Capgemini and Merrill Lynch, 2010. The wealth of high-net-worth individuals (HNWIs) globally fell from $40.7 trillion in 2007 to $32.8 trillion in 2008.
12. See "After Madoff, Who Can You Trust?" *Barron's,* September 28, 2009.
13. "Where's the Goldman Sachs That I Used to Know?" *The Wall Street Journal,* April 21, 2010, and "SEC Wins Approval for Goldman Sachs Penalty over Subprime CDOs," Bloomberg, July 21, 2010.
14. "Client satisfaction levels decreased to all-time lows during the financial crisis as investment performance decreased." "U.S. Wealth Management Survey: Trends and Emerging Business Models," Booz & Co., 2010.
15. "Who Can Wealthy Investors Trust?" *Barron's,* October 1, 2009.
16. AUM at financial services firms globally grew in 2009 to $111.5 trillion, almost equaling the 2007 peak of $111.6 trillion, although in North America, AUM is still down by $3.2 trillion. "Global Wealth 2010: Regaining Lost Ground," Boston Consulting Group, June 2010.
17. In North America, the wealth of HNWIs increased by over $1.8 trillion in 2009 from the trough in 2008, but they have still lost an estimated $1 trillion. "World Wealth Report: 2010," Capgemini and Merrill Lynch, 2010.
18. "Financial Advisors, Losing Clients, Revamp Strategies," *TIME* Magazine, July 1, 2010.
19. "Global Wealth 2010: Regaining Lost Ground," Boston Consulting Group, June 2010.
20. The survey was conducted online in August and September 2010. All respondents had broadband access in the home and played at least some role in making investment decisions. The ages and assets of the respondents are broadly representative of the U.S. population as a whole in these asset classes, according to the most recent data—the IRS Personal Wealth study—released in 2008. The Personal Wealth study provides an age and gender distribution of the "top wealth holders" in the United States, defined as individuals with gross assets of $1.5 million, including personal residence. This roughly corresponds to the asset classes represented in our survey: individuals with investable assets (*excluding* principal residence) from $500,000 to $2.5 million and above. In the IRS Personal Wealth survey, the age breakdown of top

wealth holders was as follows: Under 50, 25.8 percent; 50-64, 35 percent; 65 and older, 39.2 percent. Forty-one percent of the top wealth holders were women. In our survey, the age and gender distribution is as follows: under 50, 29.1 percent; 50-64, 45.3 percent; 65 and older, 25.6 percent. Thirty-seven percent of respondents were women. As a whole, our survey respondents are slightly younger than those in the IRS study, due to a larger 50-64 group. We do not believe that broadband access acts as a significant barrier to participation among individuals in our asset classes. According to the Pew Internet and American Life project, in 2008, only 3 percent of Americans were non-Internet users, and in 2010, 87 percent of Americans with annual incomes of $75,000 and above had broadband access in the home.

21. "The Next Growth Opportunity for Banks: How the Post-Crisis Financial Needs of Younger Consumers Will Transform Retail Banking Services," Cisco IBSG, February, 2010, http://www.cisco.com/web/about/ac79/docs/fs/nextgrowthopportunityforbanks.pdf
22. These goals ranged from modest (14 percent want simply to avoid outliving their funds) to grand (13 percent plan to leave a substantial holdings to pass on once they retire).
23. See endnote number 6.
24. "Changes in U.S. Family Finances from 2004 to 2007: Evidence from the Survey of Consumer Finances," Federal Reserve Bulletin, February 2009; Cisco IBSG, December 2010.
25. Twenty-two percent of Wealthy Under-50s say their biggest source of personal income is from a business owned by themselves or their family, as opposed to 7 percent of investors 50-64, and 5 percent of investors 65 and over. The difference in average household income is significant: under-50s, $338K; 50-64, $176K; 65 and over, $141K.
26. Baby boomers are typically defined as Americans born between 1946 and 1964. As defined, boomers correspond very closely with investors in our 50-64 age range (born between 1946 and 1960). We will, therefore, refer to investors in the 50-64 age range as "boomers," and investors 65 and older as "silvers."
27. This does not include administrative contacts. In our survey question, we asked, "How often do you interact with your financial adviser to discuss your investments?" We did not specify the mode of contact (e.g., in-person, phone, email), but the context of the question asked respondents to consider the context of discussing investments, rather than other reasons for interacting (e.g., administrative tasks).
28. For example, see "After Lost Decade, It's Still Tough to Find Returns," *Barron's,* February 26, 2010.
29. "More Investors Say Bye-Bye to Buy-and-Hold," *The Wall Street Journal,* April 8, 2009.
30. "What Good Is Wall Street?" *The New Yorker,* November, 29, 2010.
31. Only 45 percent of Fortune 500 companies offer a defined benefits plan to new employees. "The Defined Contribution Plans of Fortune 500 Companies: 2008 Plan Year," Watson Wyatt, December 2009.
32. See *Crossing the Chasm,* by Geoffrey Moore, 1999. We have modified Moore's adoption lifecycle somewhat by including four main categories instead of five. We have excluded innovators and kept early adopters, early majority, late majority, and

laggards. The main point remains the same: Wealthy Under-50s are much more likely to consider themselves technology enthusiasts.

33. The tablet computer is a device category that was revitalized when Apple launched the iPad in April 2010. Twenty-eight percent of wealthy investors 18-34 years old own a tablet computer, while 35- to 49-year-olds are not far behind at 23 percent; 6 percent of boomers and 5 percent of silvers owned one, which is close to the average household penetration of iPads in the United States. As of October 2010, 4 percent of U.S. households have an iPad (Source: The Nielsen Company, October 22, 2010)
34. Cisco IBSG believes this gap in technology usage between wealthy boomers and older members of the Wealthy Under-50 category is caused in part by divergent exposure to technology in the workplace. For Wealthy Under-50s, technology has been incorporated into their job roles to a greater extent than for boomers. The comfort level with technology that Under-50s first developed in the workplace then made its way into their personal lives.
35. A relatively high percentage of investors in all age groups manage their investments online at least quarterly: under-50s, 94 percent; boomers, 83 percent; silvers, 75 percent.
36. Interest was gauged using a 10-point scale, where 1 is “not at all interested” and 10 is “extremely interested.” We define “interested” as at least 7 on the 10-point scale.
37. Wealthy silvers are more likely than other age groups simply to prefer traditional forms of communication such as in-person meetings and telephone conversations.
38. In previous research undertaken by Cisco IBSG, we found that regular webcam users were far more likely to be interested in using two-way, high-definition video in their homes to communicate with friends, family, and businesses than those who did not use them regularly (or at all). Having understood the value of using video to interact with others, regular webcam users were more interested in having a higher-quality experience than those who had not incorporated webcams into their lives.
39. Seventy percent of our respondent base.
40. In this question, we asked both those who have a financial adviser and those who do not have one: 1000 respondents in total. In the previous question about those who discuss their investments with an expert other than a financial adviser, only those who currently have a financial adviser: 705 respondents.
41. See note 22 above. Here, we define “interested” as 7 or 8 on a 10-point scale, and “very interested” as 9 or 10.
42. The choices ranged from “Some, but I’m not sure how many” to “I would move all (or nearly all) of my assets.”
43. See endnote number 6.
44. Here, we mean investors who consult a professional other than their financial adviser: 427 respondents.
45. Choices ranged from “never” to “always.” Twenty-six percent of wealthy investors—272 respondents—include remotely located family members at least “sometimes” when meeting with their financial advisers.
46. Two hundred and seventy-two respondents. See above.

47. Given their relatively young age, Wealthy Under-50s may need the approval of older family members for some of their investment decisions.
48. "What U.S. Affluent Investors Want From Their Investment Firms' Web Sites," Forrester Research, February 2010.
49. "Full-Service Financial Services Firms Neglect the Net at Their Peril," Forrester Research, April 2010.

More Information

Cisco Internet Business Solutions Group (IBSG), the company's global consultancy, helps CXOs from the world's largest public and private organizations solve critical business challenges. By connecting strategy, process, and technology, Cisco IBSG industry experts enable customers to turn visionary ideas into value.

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