

# U.S. Retail Investor Advice Relationships 2020

*Accentuating the Value of Advice*

## OVERVIEW & METHODOLOGY

This annual report is designed to provide insight into the relationship between financial providers and retail investors. It covers the provider-client relationship from end to end, starting with client acquisition, progressing through advice delivery, investment management, and pricing and client retention strategies, among other topics. In addition, the report includes a sizing of the retail investor marketplace by channel and product to help firms identify client acquisition and product distribution opportunities.

## USE THIS REPORT TO

- Analyze investor retirement expectations, desired financial planning changes, and why some investors don't have a financial advisor
- Gain a deeper understanding for various aspects of advisor-investor relationships, including sentiments on risk and engagement levels, client acquisition, household satisfaction, relationship management, and fees/pricing
- Explore a complete sizing of the U.S. retail investor marketplace, with breakouts by age, household financial and investable assets, types of assets and debt, primary provider channel, and advice orientation
- Review the state of the digital advice landscape, including the top automated online investment services and growth rate projections

## QUESTIONS ANSWERED

- How has COVID-19 altered client engagement with advisors?
- How has COVID-19 altered the demand for advice relationships?
- What do investors expect from their retirement?
- What are the key concerns regarding retirement planning?
- Are investors more willing to pay for advice in times of market volatility?



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Cerulli Associates | info@cerulli.com | www.cerulli.com

## PRODUCT DETAILS

### Included with Purchase

- Digital report in PDF format
- Unlimited online firm-wide access
- Exhibits in Excel
- Key findings
- Analyst support
- Interactive Report Dashboards

### Interactive Report Dashboards

*Interact and explore select report data with Cerulli's visualization tool.*

- **Digital Advice Assets and Trends:** Compare Cerulli's five-year asset projections for the digital advice market against customizable user growth rates and understand investors' digital advice comfort levels and their opinions on the most appealing features and drawbacks of automated online investment services with filters by advice orientation, head of household assets, and household investable assets.
- **Interactive Word Cloud:** Explore word clouds depicting investor sentiments on what they most look forward to or what they enjoy most in retirement and what they would improve or change about their relationship with their current primary advisor. Click on each word to view the advisor sentiment score, and filter by age and investable assets.
- **Distribution of Financial Assets:** Review household financial asset sizing by generation, household age range, and household financial assets, alongside the asset type distribution.
- **Investor Outlook Comparison:** Customize a side-by-side comparison of investor economic outlook and risk level across household age, head of household age, household investable assets, and primary provider channel segments.
- **Satisfaction with Primary Advisor:** Evaluate investors' overall satisfaction with their primary advisor, as well as their reasons for satisfaction and factors considered when rating the advisor across various investor cohorts.
- **Services Used with Advisor:** Gain insight into the services that investors use with their advisor, segmented by advice orientation, head of household age, and primary provider channel.

**Exhibit 4.02****Household Risk Level, 2008–2Q 2020**

Sources: Phoenix Marketing International, Cerulli Associates

Risk Level	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2Q 2020
Aggressive	9%	7%	8%	7%	8%	6%	7%	7%	7%	9%	9%	8%	10%
Moderate	68%	65%	63%	63%	64%	65%	65%	66%	65%	68%	68%	67%	68%
Conservative	23%	28%	29%	30%	28%	29%	28%	27%	28%	23%	23%	24%	23%

- Despite increased volatility in 2020, household preferred investment risk levels have remained relatively consistent compared to past years, with 68% choosing a moderate risk level while 10% opting for an aggressive one.

**Key Implication:** While there was a large jump in conservative risk temperaments on the heels of the 2008-2009 recession, rising to 30% in 2011, there has so far not been a similar jump in 2020. Financial advisors who spoke with Cerulli in March mentioned that clients were more likely to inquire about buying opportunities rather than taking profits and sitting out, which would have allowed them to take advantage of the markets' rebound in May and June. While this would suggest preaching disciplined, purposeful investing during bull markets has had a positive impact, advisors must continue to stress matching financial investments with long-term goals rather than responding to sharp market swings in the hopes of trying to “time the market” for maximum profit.

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