

ADVISOR AUTHORITY 2017

The Future of Advice

The Innovation and Issues that RIAs, Fee-Based Advisors
and Investors Care About Most

CHAPTER 1

CUSTOMER EXPERIENCE:

The DNA of the Advisor/Investor Relationship

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ADVISOR AUTHORITY:

The Innovation and Issues that RIAs, Fee-Based Advisors and Investors Care About Most

RIAs and fee-based advisors are a powerful force, working to drive change and disrupt the status quo by supporting a movement to greater simplicity, transparency and choice, fostering the creation of new business models—and ultimately creating greater value. Jefferson National, operating as Nationwide’s advisory solutions business, was built from the ground up with a singular focus on serving RIAs and fee-based advisors. We have never stopped in our efforts to develop a deeper understanding of the challenges you face and the solutions that you need to succeed. We are passionate in pursuing ways to serve you with excellence—and providing solutions that help you to sit on the same side of the table as your clients.

It is our commitment to RIAs and fee-based advisors that inspired us to launch *Advisor Authority*, now in its third year. Conducted for us by Harris Poll, *Advisor Authority* surveys close to 800 RIAs and fee-based advisors nationwide, including those successful advisors who earn more and manage more AUM, as well as over 800 individual investors, from the Mass Affluent to the Ultra High Net Worth. We believe that all advisors at every level can learn from these actionable insights to create a more successful practice and build a viable franchise for the future.

In this year’s edition of our annual *Advisor Authority* study, our first special report probes deeply into the advisor/investor relationship. What emerged is that the “Customer Experience” is truly the DNA of this relationship—essential for nurturing and retaining satisfied clients, and fundamental for the growth and health of a profitable practice. In looking closely at the customer experience, we learned why it’s so important to advisors and investors. We learned what matters most for forging the strongest relationships. And most important, for the customer experience to work, the client must come first—a commitment that RIAs and fee-based advisors have been making from day one.

Change is a constant in the advisory industry. Yet, one thing remains clear: Nothing can replace the value of guided advice and holistic unbiased financial planning. As change continues to reshape our industry, and more advisors make the move to independence, we will continue taking the pulse of RIAs, fee-based advisors and their clients year-over-year, to establish the benchmarks that help you measure your progress relative to your peers, and learn from recognized leaders and industry innovators. We believe you’ll find our research insightful. We welcome your feedback about our findings and your suggestions for next year’s study.



Mitch Caplan and Larry Greenberg

HOW TO USE THIS SPECIAL REPORT

Advisor Authority was conceived as a tool that takes the pulse of RIAs and fee-based advisors of all sizes and at every level of experience, to establish benchmarks that you can use to measure your own progress relative to your peers, recognized thought leaders and industry innovators.

We also study individual investors, defined as primary/shared decision makers with investable assets greater than \$100,000, ranging from the Mass Affluent to the Ultra High Net Worth, of every generation from Millennials to Matures. Their responses can help you understand where advisors and investors align, where they don't—and the opportunities that emerge as a result.

Two Segments of Highly Successful Advisors:

We segment our research across several important categories that will allow you to learn more about the leaders and innovators in your industry, including two types of advisors who are setting the trends—the Advisor with High AUM and the High Earning Advisor.



The Advisor with High AUM:

Those who individually manage a total AUM of \$250 million or more.



The High Earning Advisor:

Those with personal yearly income from advisor business of more than \$500,000.

	All Advisors	Advisors with High AUM	High Earning Advisors
Age			
Millennial: 18-36 years	39%	47%	39%
Generation X: 37-52 years	36%	32%	41%
Baby Boomer: 53-71 years	23%	21%	20%
Mature: 72+ years	1%	-	-
Average Age	42.2	41	42.3
Personal Income			
Less than \$500,000	84%	59%	-
\$500,000- \$749,999	4%	7%	44%
\$750,000 - \$999,999	3%	12%	28%
\$1 Million or more	3%	14%	29%
Decline to Answer	6%	8%	-
Position			
Owner, or part owner	43%	37%	63%
Management level	46%	58%	34%
Non-management level	11%	6%	4%
AUM Individually Manage			
\$0 to less than \$25 million	15%	-	1%
\$25 to less than \$50 million	26%	-	-
\$50 to less than \$100 million	25%	-	15%
\$100 to less than \$250 million	22%	-	46%
\$250 to less than \$500 million	8%	66%	23%
Over \$500 million	4%	34%	15%
Segment Size	779	90	80

Two Segments of the Most Affluent Investors:

We also segment our research across several important categories that will allow you to learn more about the investors you already work with—and those you would like to work with. Throughout our study, we look closely at the most affluent investors—the High Net Worth and Ultra High Net Worth—what’s on their minds, what’s keeping them up at night and what they want when working with you.



The High Net Worth Investor:

Individuals who have investable financial assets ranging from \$1 million to less than \$5 million.



The Ultra High Net Worth Investor:

Individuals who have investable financial assets of \$5 million or more.

Age	All Investors	High Net Worth Investors	Ultra High Net Worth Investors
Millennial: 18-36 years	26%	7%	22%
Generation X: 37-52 years	27%	6%	13%
Baby Boomer: 53-71 years	36%	72%	51%
Mature: 72+ years	11%	15%	15%
Average Age	50.2	61.9	54.4
Household Investable Assets			
\$100,000 to less than \$500,000	53%	-	-
\$500,000 to less than \$1 Million	18%	-	-
\$1 Million to less than \$5 Million	14%	100%	-
\$5 Million or more	15%	-	100%
Financial Decision Maker			
Primary financial decision maker	69%	58%	80%
Joint financial decision maker	31%	42%	20%
Advisor Relationship Status			
Has a financial advisor	58%	63%	63%
Does not have a financial advisor	42%	37%	37%
Segment Size	817	204	201

INTRODUCING OUR SUBJECT MATTER EXPERTS:

We interviewed leading subject matter experts to provide you with a deeper understanding of the innovations and issues that matter most. In this chapter, our experts help us understand the real DNA of the advisor/investor relationship. They look at what it means to put clients first, what it takes to create an exceptional customer experience today, and where the customer experience will go in the future.

You'll find their expert commentary at various points throughout our Special Report, as well as more in-depth interviews with each of them in a dedicated section at the end of this report. Their innovative solutions and actionable insights can help you build a successful practice—and a viable long-term franchise for the future.



Michael Kitces

MSFS, MTAX, CFP®, CLU®, ChFC®, RHU®, REBC®, CASL®
Partner and the Director of Wealth Management,
[Pinnacle Advisory Group](#)

Michael Kitces is a Partner and the Director of Wealth Management for Pinnacle Advisory Group, a private wealth management firm located in Columbia, Maryland that oversees approximately \$1.8 billion of client assets. In addition, he is a co-founder of the XY Planning Network, the former Practitioner Editor of the Journal of Financial Planning, and the publisher of the e-newsletter The Kitces Report and the popular financial planning industry blog Nerd's Eye View through his website Kitces.com, dedicated to advancing knowledge in financial planning.



Michael Aroesty

CFP®
Financial Advisor, Managing Director, Strategic AIM™
[D.B. Root & Company](#)

As a Financial Advisor with D.B. Root & Company, Michael Aroesty provides individuals, families, and nonprofit organizations with comprehensive and unbiased Financial Planning and Wealth Management services. As Managing Director of Strategic AIM,™ a proprietary process that customizes strategic solutions to clients' needs and objectives, Aroesty is responsible for oversight of D.B. Root's Investment Committee, marketing, research, overall process and program efficiencies. His experience, expertise and passion for helping clients help make Strategic AIM™ an important core discipline of D.B. Root & Company. Passionate about education, he currently teaches a Financial Literacy class at the Neighborhood Academy, which serves underprivileged youth in Pittsburgh.

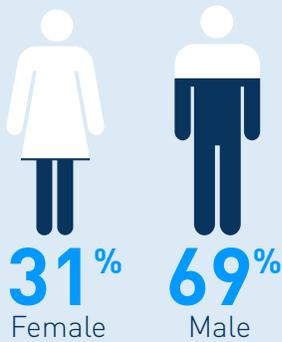
Demographics & Methodology

This is Jefferson National’s third annual *Advisor Authority* study on the issues and innovative solutions that RIAs, fee-based advisors and individual investors care about most. Conducted by Harris Poll, a leading independent market research firm, the online survey was fielded from March 13 – April 7, 2017 using a sample from the Harris Poll Panel of Financial Advisors and Investors. It reflects the viewpoints of more than 1,600 RIAs, fee-based advisors and individual investors who reside in the U.S.

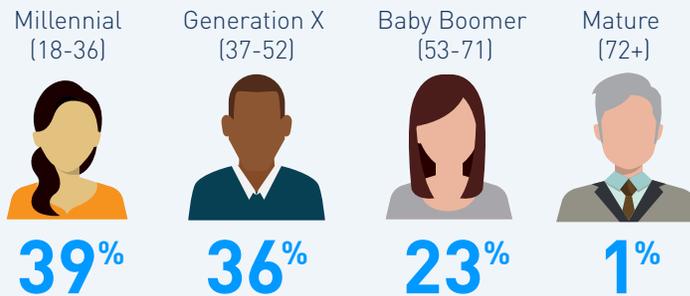
Among the **779 Financial Advisors**, we surveyed:



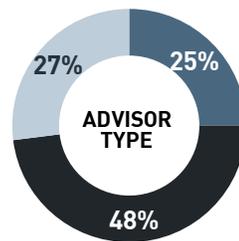
Gender



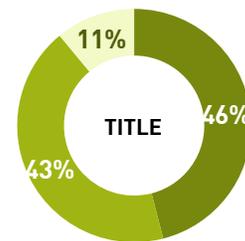
Age



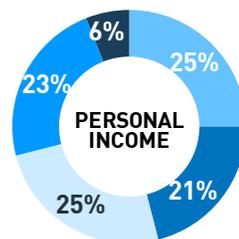
Total AUM Managed (Individually)



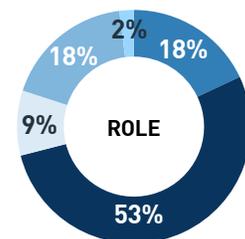
- Independent RIA
- Broker Dealer Registered Representative
- Dually Registered



- Owner or part-owner
- Management
- Non-management



- Less than \$100,000
- \$100,000-\$149,999
- \$150,000-\$249,999
- Over \$250,000
- Decline to Answer



- Investment planner
- Financial planner
- Asset manager
- Wealth manager
- Other

Among the **817 Investors**, we surveyed:



208
Mass Affluent



204
Emerging High Net Worth



204
High Net Worth



201
Ultra High Net Worth

Investors are weighted where necessary by age, gender, race/ethnicity, region, education, income, marital status, household size, investable assets and propensity to be online in order to bring them in line with their actual proportions in the population.

Gender



43%
Female



57%
Male

Age

Millennial
(18-36)



26%

Generation X
(37-52)



27%

Baby Boomer
(53-71)



36%

Matures
(72+)



11%

Financial Decision Maker

69%
Primary Financial Decision Maker



31%
Joint Financial Decision Maker

Household Investable Assets



53%
Mass Affluent
\$100,000 to less than \$500,000



18%
Emerging HNW
\$500,000 to less than \$1 Million



14%
HNW
\$1 Million to less than \$5 Million



15%
Ultra HNW
\$5 Million or more

Advisor Relationship Status

58%
Have a financial advisor



42%
Do not have a financial advisor



CUSTOMER EXPERIENCE: The DNA of the Advisor/Investor Relationship



Defining the Customer Experience:

The “Customer Experience” can be defined as the way an advisor and investor interact at all points in their relationship. It is the true DNA of their relationship—essential for nurturing and retaining satisfied clients, and fundamental for the growth and health of a profitable practice.



Customer Experience is Key to Advisors’ Value Proposition

To unlock client acquisition, satisfaction and retention, customer experience is a key competitive advantage—and is expected to increase in importance.

More than **9 in 10** RIAs and fee-based advisors (**94%**)—including the most successful—say that the customer experience is important to their firm’s value proposition.

The vast majority of advisors (**86%**) say the customer experience will become more important for attracting and retaining clients in the next twelve months.



How Investors Choose Advisors: Experience, Holistic Planning and Fiduciary Standard Matter Most

For the customer experience to work, the client must come first. When asked to select the top three factors that influence investors to work with an advisor, the priorities are clear year-over-year.

Advisor experience/years of experience is the number-one factor by a wide margin (**46%** in both 2017 and 2016).

Personalized advice for a holistic financial picture is second (**26%** in both 2017 and 2016).

Serving clients using a fee-based fiduciary standard is a close third, at **25%** in 2017 and **24%** in 2016.



Creating a Successful Customer Experience: Trust, Communication and One-on-One Relationships

If customer experience is the DNA of the advisor/investor relationship, what is the single most important attribute to make that relationship work? And what does it take to create a successful customer experience?

What is the most important attribute of the advisor/investor relationship?

Investors and advisors agree. Trustworthiness is rated first by a wide margin, followed by good communication.

What are the top factors that contribute to a successful customer experience?

Investors and advisors agree quality of communication and a personal one-on-one relationship are among the top two.



How Investors and Advisors Engage: Nothing Can Replace Face-to-Face

Communication is among the top three factors for a successful customer experience. In the age of instantaneous digital communications, investors and advisors still say face-to-face meetings are their preferred form of communication.

	Investors	Advisors
Face-to-face meetings	36%	36%
Phone calls	33%	20%
Email	19%	24%

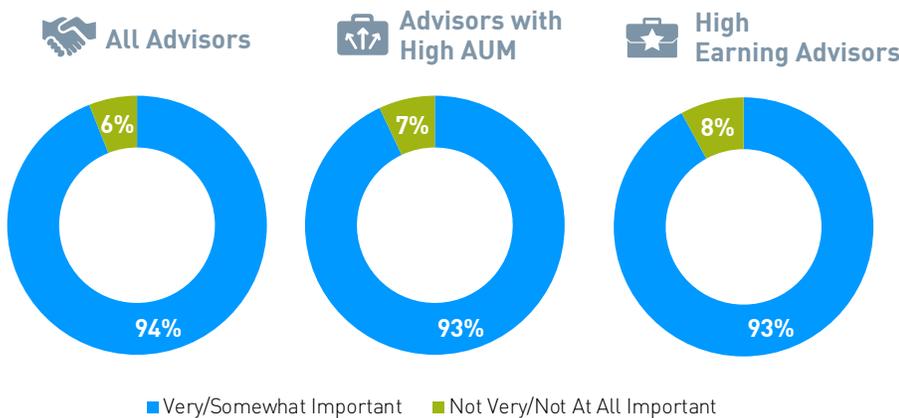
DEFINING THE CUSTOMER EXPERIENCE: Key to Advisors' Value Proposition

The customer experience can be defined as the way an advisor and investor interact at all points in their relationship. And as our study shows, customer experience is truly the DNA of this relationship—essential for nurturing and retaining satisfied clients, and fundamental for the growth and health of a profitable practice.

More than 9 in 10 RIAs and fee-based advisors (94%)—including the most successful—say that the customer experience is an important part of their value proposition. Advisors, including the most successful, most commonly say this is because customer experience improves client retention (27%). And when asked if the customer experience will become more important for attracting and retaining clients in the next twelve months, more than 8 in 10 advisors (86%) agree—including those who earn more and manage more AUM.

As our results show, investors clearly benefit and gain confidence from your services. And the opportunity is huge. Two in five investors (42%) do not have a financial advisor. Even among the most affluent, slightly more than one-third of the HNW (37%) and Ultra HNW (37%) do not have an advisor.

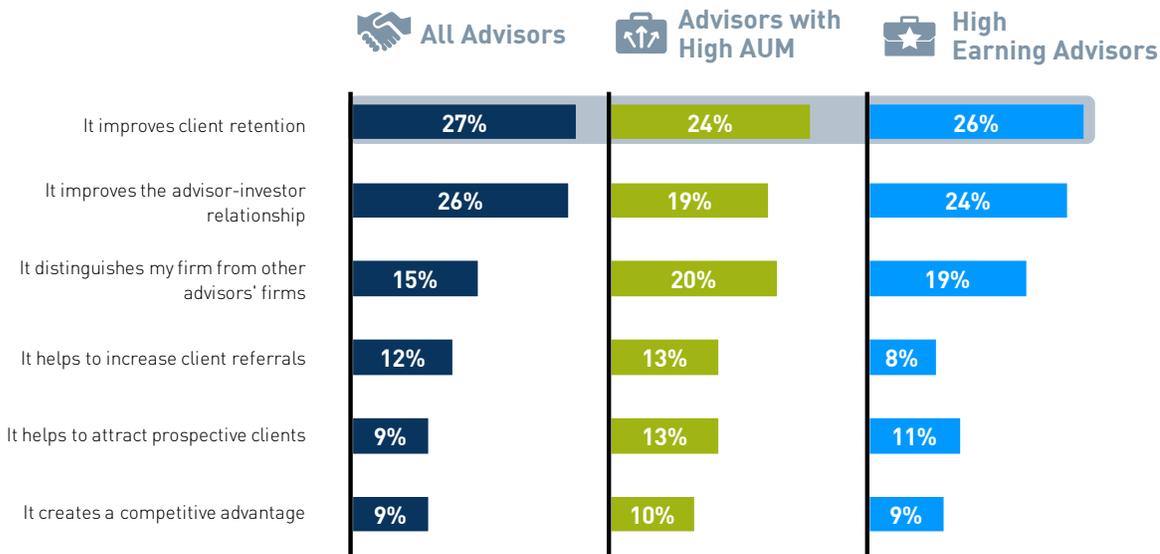
CUSTOMER EXPERIENCE: IMPORTANT TO ADVISORS' VALUE PROPOSITION



“One of the most important parts of the client experience is to **make it about the relationship**. It ultimately comes down to making decisions that will be in their best interests.”

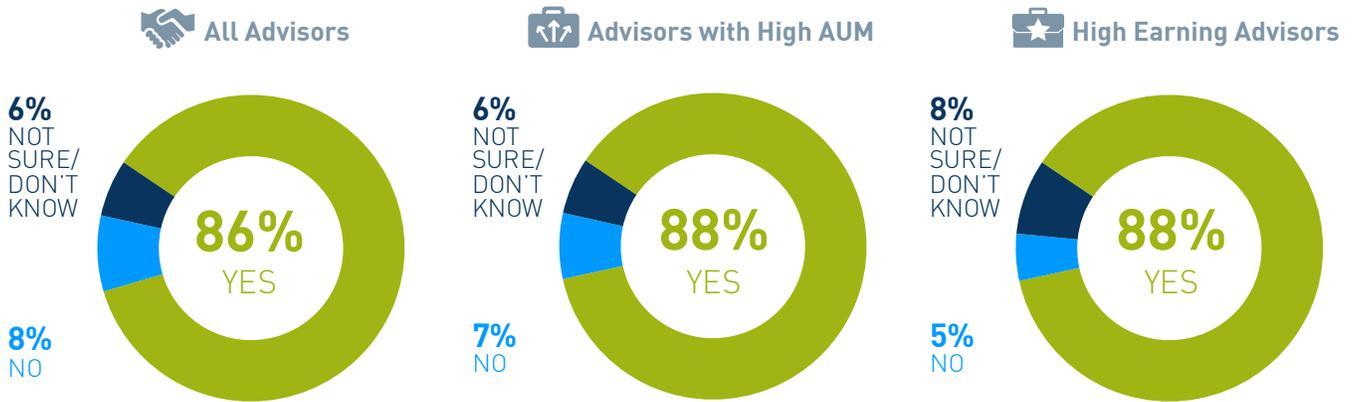
Michael Aroesty, CFP®
Financial Advisor, Managing Director, Strategic AIM™
D.B. Root & Company

WHY CUSTOMER EXPERIENCE IS CRITICAL TO VALUE PROPOSITION

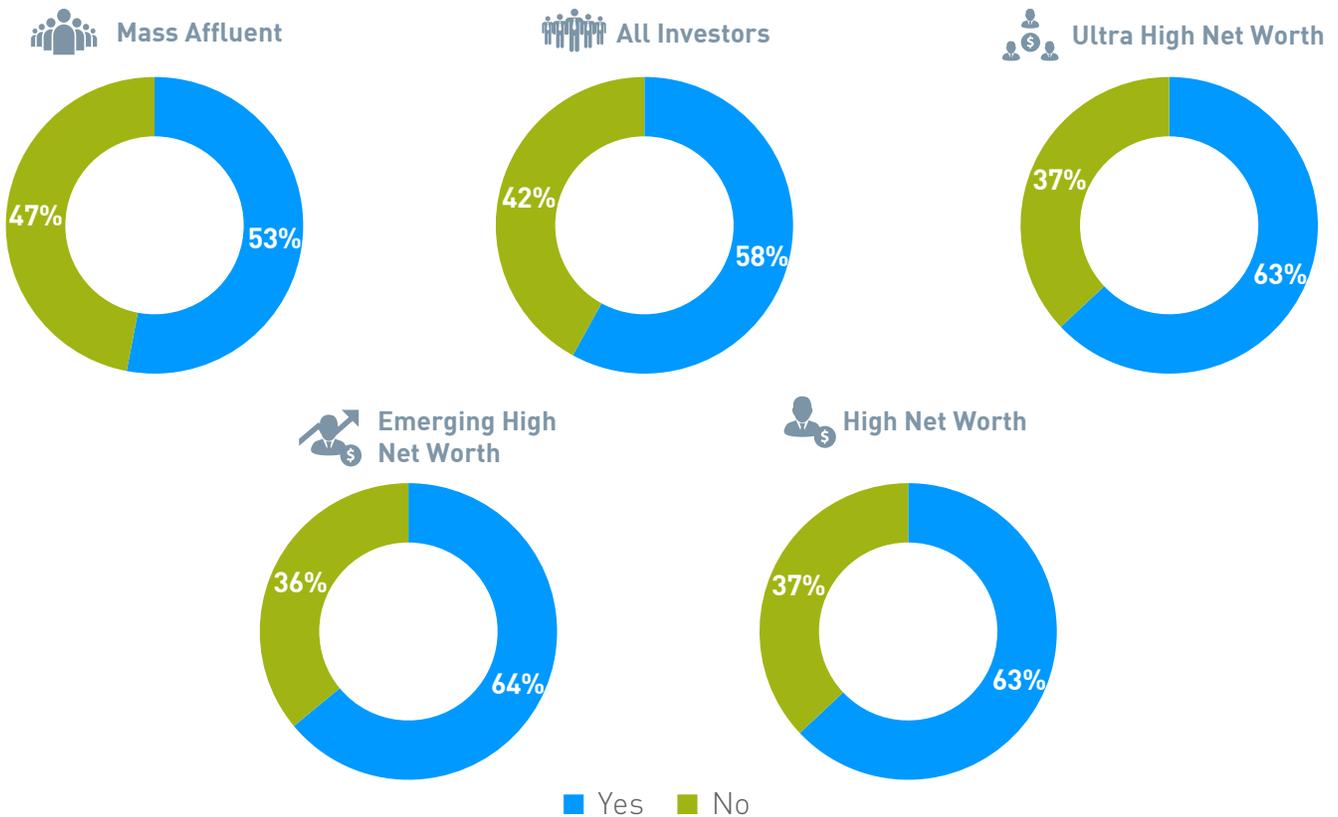


*Responses less than 9% not displayed

CUSTOMER EXPERIENCE INCREASINGLY IMPORTANT TO ATTRACT AND RETAIN CLIENTS



OPPORTUNITY IS HUGE: MANY INVESTORS DO NOT HAVE ADVISORS



“The fundamental starting point for creating a great client experience is having a clear vision of who your actual client is that you’re designing the experience for. It can’t be one-size-fits-all. **Advisors must decide who their target client is, and know their needs and problems better than they do.**”

Michael Kites, MSFS, MTAX, CFP®, CLU®, ChFC®, RHU®, REBC®, CASL®
 Partner and the Director of Wealth Management,
 Pinnacle Advisory Group

CREATING A SUCCESSFUL CUSTOMER EXPERIENCE: Trust, Communication and One-on-One Relationships

If customer experience is the DNA of the advisor/investor relationship, what is the single most important attribute to make that relationship work? And what does it take to create a successful customer experience? In this section, we ask advisors and investors what matters most and where they align.

Trust Makes the Relationship Work

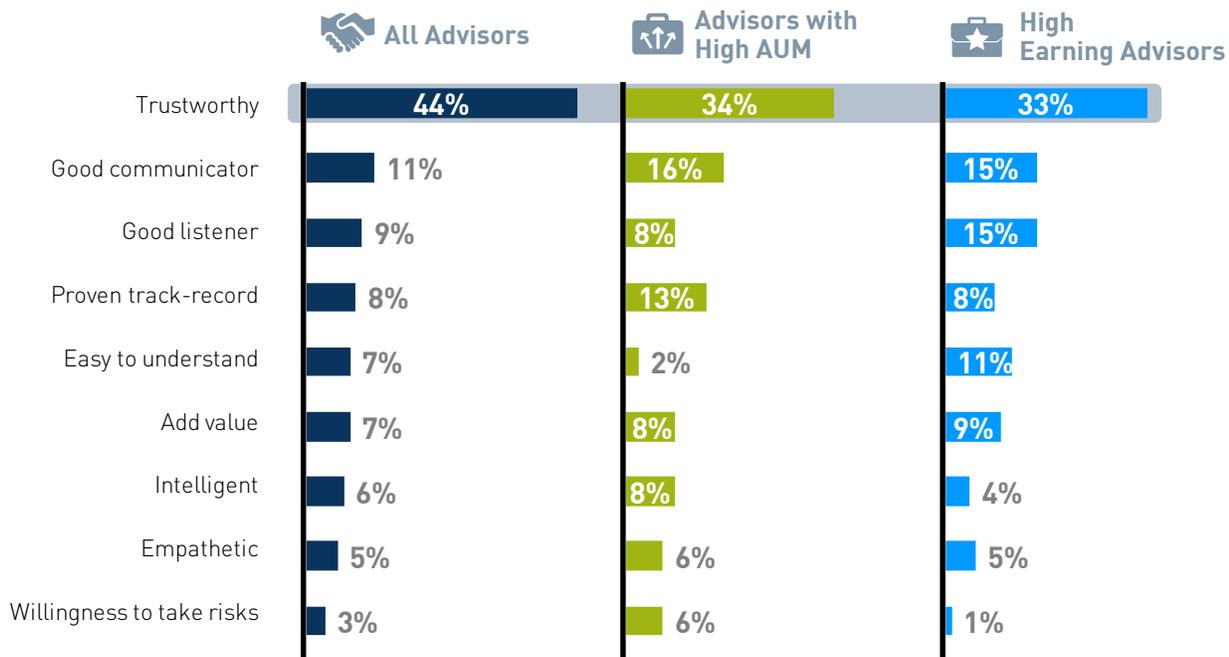
For their relationship to work, advisors and investors say trust must come first. Advisors, including the most successful, and investors, including the most affluent, all rate trustworthiness as the most important attribute of the advisor/investor relationship.

And communication is key—rated second among advisors and investors. But when it comes to the business of managing their finances, investors want results—and look for the track-record to prove it. So while advisors rate a proven track-record a distant fourth (8%), investors say it ties with being a good communicator for second (16%). Proven track-record rates even higher among the High Net Worth (23%), and the Ultra HNW (21%). And it should be no surprise to learn that the Ultra HNW are twice as likely as investors collectively to expect their advisor to add value.

“We’re working to earn clients’ trust every day and it is our responsibility as a business to develop and cultivate a culture of trust. **Trust isn’t given, it’s earned.** And it comes down to doing what is in your clients’ best interests at all times.”

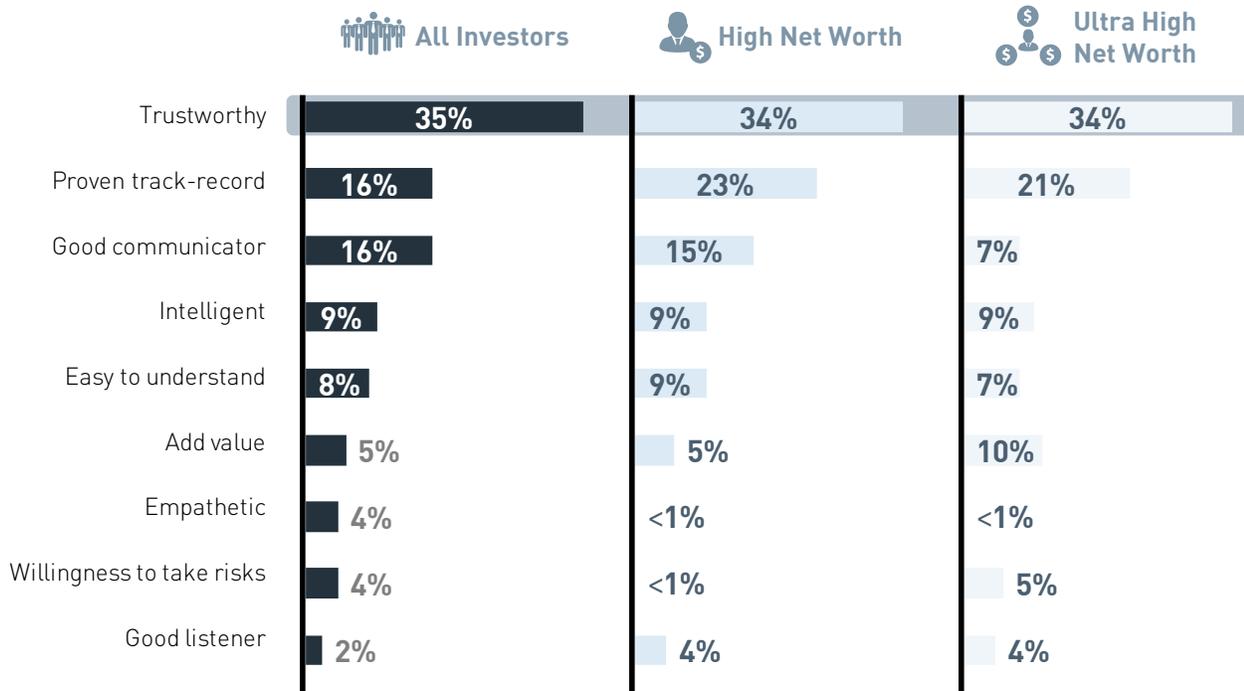
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ADVISOR PERSPECTIVE: MOST IMPORTANT ATTRIBUTE OF ADVISOR/INVESTOR RELATIONSHIP



*Responses less than 3% not displayed

INVESTOR PERSPECTIVE: MOST IMPORTANT ATTRIBUTE OF ADVISOR/INVESTOR RELATIONSHIP



*Responses less than 2% not displayed

"Trust ultimately comes down to your credibility. The only way to establish that credibility and to create that trust is to **offer a great client experience that is differentiated and focused on what the client needs.**"

Michael Kitces, MSFS, MTAX, CFP®, CLU®, ChFC®, RHU®, REBC®, CASL®
 Partner and the Director of Wealth Management,
 Pinnacle Advisory Group

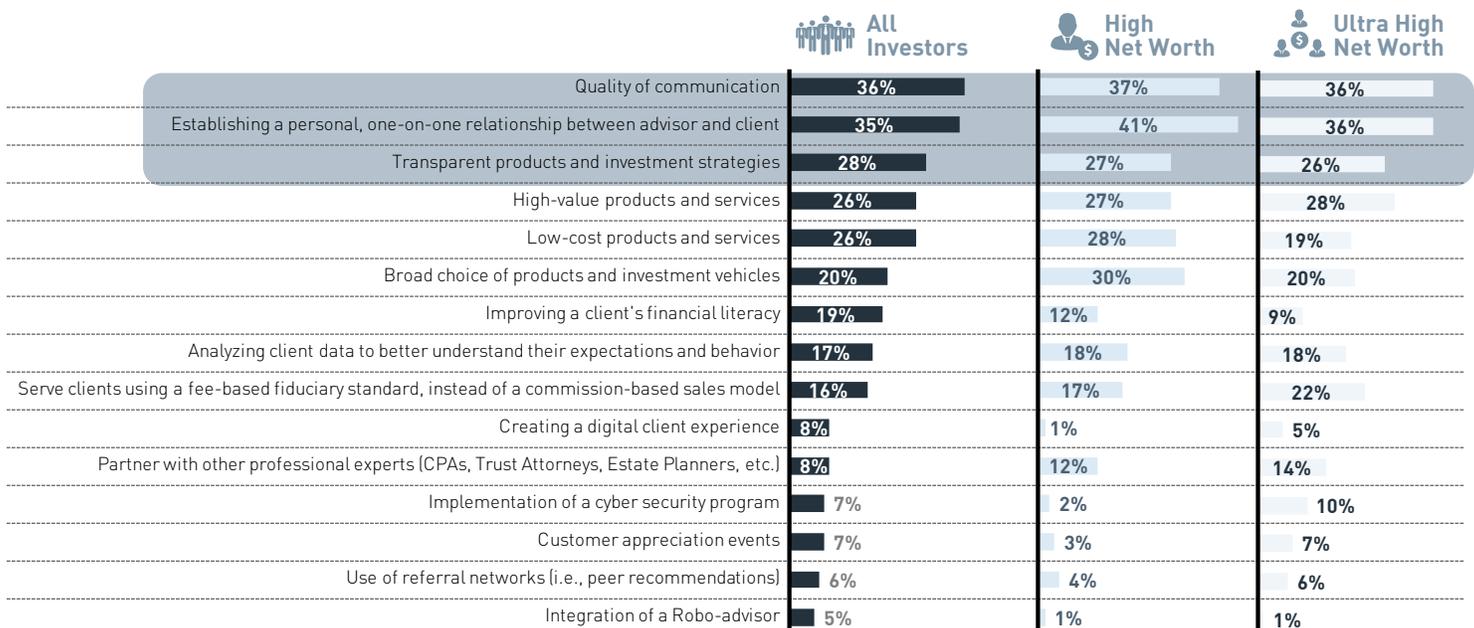
CREATING A SUCCESSFUL CUSTOMER EXPERIENCE: Trust, Communication and One-on-One Relationships

For a Successful Customer Experience: Investors expect quality communication, one-on-one relationship and transparency.

When asked to name the top three factors that contribute to a successful customer experience, investors rate quality of communication first (36%) and a personal one-on-one relationship a close second (35%). And to create a more successful customer experience for affluent investors, a personal one-on-one relationship takes priority, especially for the HNW (41%) and the Ultra HNW (36%).

To contribute to the success of the customer experience, investors are clear that products and investment strategies should be transparent (28%), while products and services should be high-value (26%), low-cost (26%), and with more choice (20%). And when it comes to products and services, the HNW also say that a broad choice (30%) is especially important.

INVESTOR PERSPECTIVE: WHAT MAKES A SUCCESSFUL CUSTOMER EXPERIENCE



*Responses less than 5% not displayed

“Quality relationships with clients come almost entirely from being able to effectively listen to their concerns, **show that you understand their needs, and respond with the right solutions.**”

Michael Kitces, MSFS, MTAX, CFP®, CLU®, ChFC®, RHU®, REBC®, CASL®
Partner and the Director of Wealth Management,
Pinnacle Advisory Group

CREATING A SUCCESSFUL CUSTOMER EXPERIENCE: Trust, Communication and One-on-One Relationships

For a Successful Customer Experience: Advisors are in sync with many of investors' priorities.

When naming the top three factors that create a successful customer experience, advisors place a premium on one-on-one relationships (44%), while quality communication is rated second (39%). Advisors put clients first by focusing on products and services that are high-value (24%) and transparent products and investment strategies (22%). This client-first mentality pulls through as advisors also cite the importance of improving their clients' financial literacy (22%) among the top five factors. And where priorities are not currently aligned, this represents an opportunity for advisors to not only learn more about *what* clients want—but also to understand *why*.

INVESTOR/ADVISOR ALIGNMENT CHECK: WHAT MAKES A SUCCESSFUL CUSTOMER EXPERIENCE

	All Advisors	All Investors	High Net Worth	Ultra High Net Worth
Establishing a personal, one-on-one relationship between advisor and client	44%	35%	41%	36%
Quality of communication	39%	36%	37%	36%
High-value products and services	24%	26%	27%	28%
Improving a client's financial literacy	22%	19%	12%	9%
Transparent products and investment strategies	22%	28%	27%	26%
Analyzing client data to better understand their expectations and behavior	19%	17%	18%	18%
Serve clients using a fee-based fiduciary standard, instead of a commission-based sales model	18%	16%	17%	22%
Broad choice of products and investment vehicles	16%	20%	30%	20%
Partner with other professional experts (CPAs, Trust Attorneys, Estate Planners, etc.)	15%	8%	12%	14%
Low-cost products and services	14%	26%	28%	19%
Customer appreciation events	13%	7%	3%	7%
Creating a digital client experience	12%	8%	1%	5%
Use of referral networks (i.e., peer recommendations)	11%	6%	4%	6%
Integration of a robo-advisor	6%	5%	1%	1%
Implementation of a cyber security program	6%	7%	2%	10%
Don't know/Not Sure	1%	4%	8%	3%

*Responses less than 1% not displayed

When it comes to products and services, investors expect advisors to put the client's interest first: While investors and advisors align on high-value (26% and 24%) and transparency (28% and 22%), investors also put a greater priority on low-cost (26% and 14%) and to a lesser degree broad choice (20% and 16%).

Technology is no replacement for the human touch: Comparing investors' higher marks for one-on-one relationships (35%) and quality communication (36%), with their lower marks for the digital client experience (8%) and integration of robo-advisors (5%), it's clear that technology cannot replace the human touch when creating a successful customer experience.

But technology can help you to know your clients: To create a successful customer experience, investors and advisors alike understand the importance of analyzing client data to better understand their expectations and behavior (17% and 19%).

Affluent clients want sophisticated expertise: Partnerships with CPAs, Trust Attorneys, and Estate Planners will help create a more successful customer experience for HNW and Ultra HNW clients (12% and 14%).

"Technology is enhancing the relationship, it makes the whole experience for clients better – and it's making us more efficient as well."

Michael Aroesty, CFP®
Financial Advisor, Managing Director, Strategic AIM™
D.B. Root & Company

HOW INVESTORS CHOOSE ADVISORS: Experience, Holistic Planning and Fiduciary Standard Matter Most

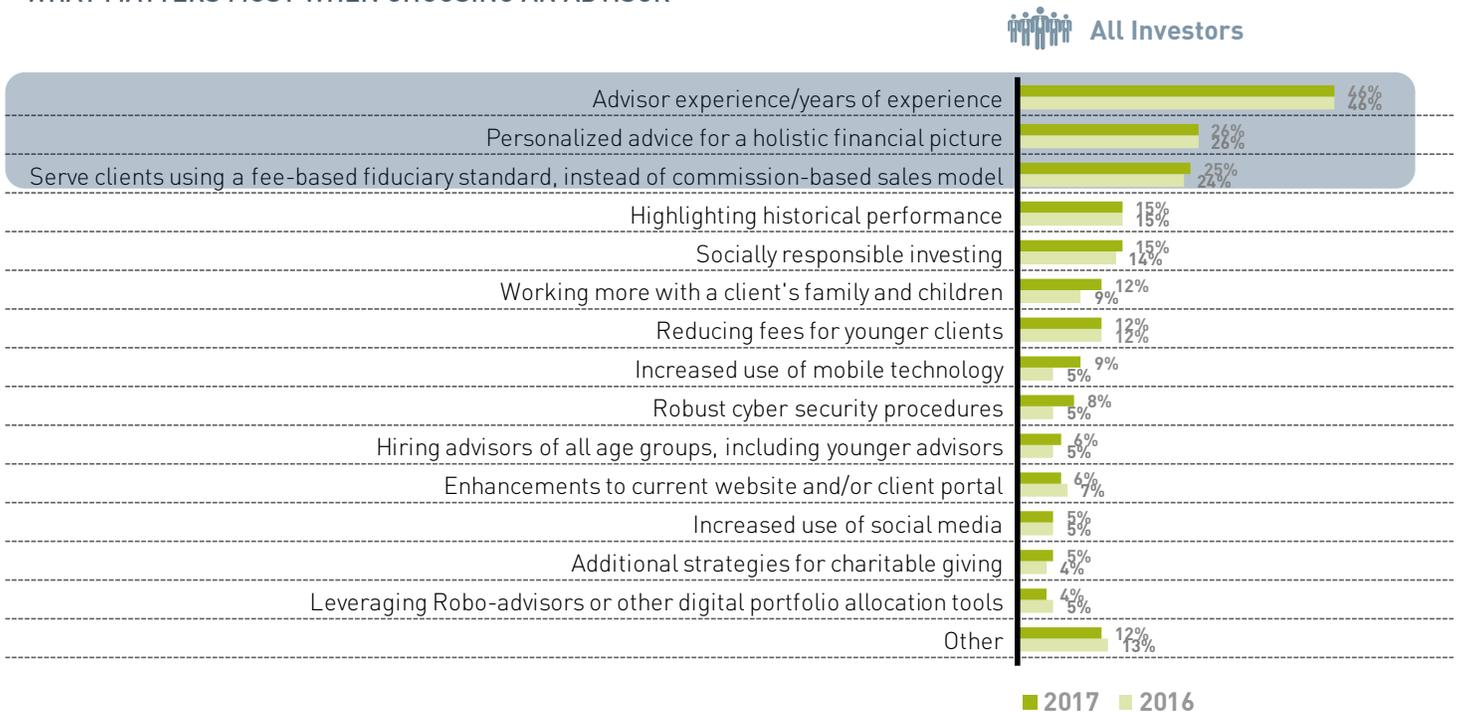
For the customer experience to work, the client must come first. In this section, we look closely at what matters most to investors when they choose an advisor—and what they really want from their advisor.

Year-over-year, experience, holistic planning, and a fee-based fiduciary standard matter most.

When asked to name the top three factors that influence investors to work with an advisor, the priorities are consistently clear year-over-year.

In both 2017 and 2016, the number-one factor by a wide margin is advisor experience/years of experience (46% each year). Personalized advice for a holistic financial picture is second (26% each year), while serving clients using a fee-based fiduciary standard is a close third, at 25% in 2017 and 24% in 2016. While there are many other factors, they quickly decline in importance.

WHAT MATTERS MOST WHEN CHOOSING AN ADVISOR



“To be client-centric and to put clients first is to truly spend your time focusing on what really matters to your clients. **You have to start by determining their wants and their needs**—and what is making them anxious in their financial lives. Stop focusing on what *you* do and focus on what *they* need.”

Michael Kitces, MSFS, MTAX, CFP®, CLU®, ChFC®, RHU®, REBC®, CASL®
Partner and the Director of Wealth Management,
Pinnacle Advisory Group

WHY INVESTORS WORK WITH AN ADVISOR: Greater Confidence—and Optimism

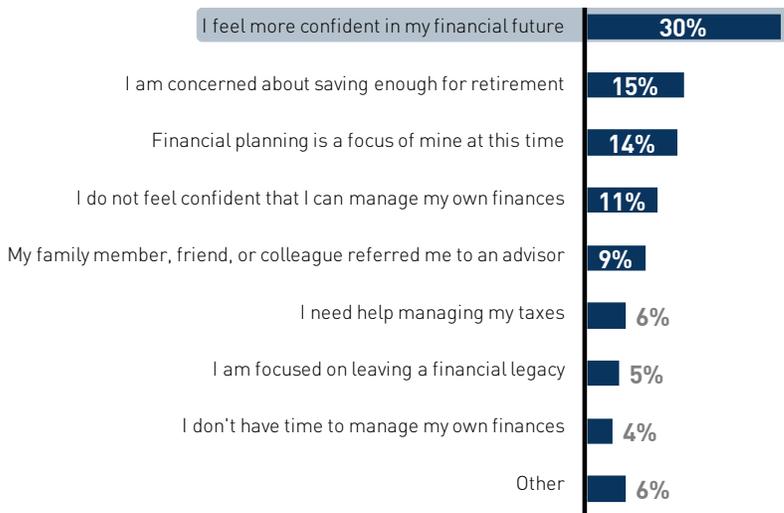
Guided advice gives investors greater confidence—and greater optimism.

When investors are asked to identify the main reason they have an advisor, the number-one factor by a wide margin is to feel more confident in their financial future (30%). Concerns about saving for retirement are a distant second (15%) and a focus on financial planning is third (14%).

Given the pivotal role that advisors serve in helping investors feel more confident, it should be no surprise to learn that year-over-year investors who work with an advisor are more optimistic than those who do not.

INVESTORS WITH AN ADVISOR ARE MORE CONFIDENT

All Investors who have an Advisor

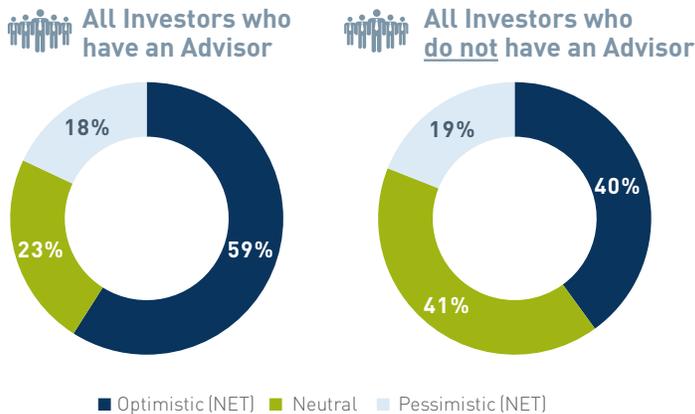


“Two things drive client behaviors: Their hopes and their fears surrounding their children and their money. **Being a good steward and expertly identifying these emotions can help set you apart as an advisor.**”

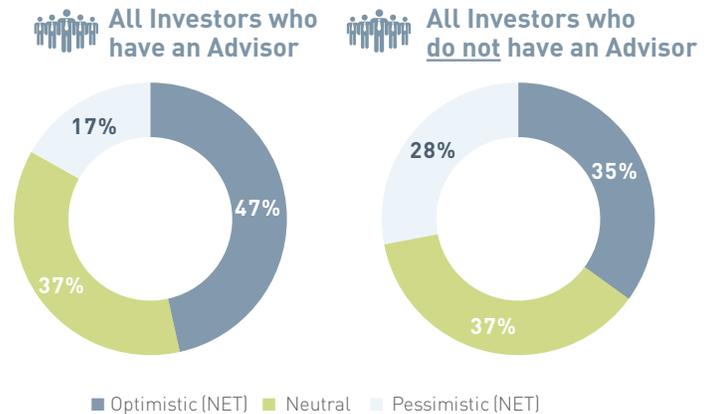
Michael Aroesty, CFP®
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 D.B. Root & Company

YEAR-OVER-YEAR, INVESTORS WITH AN ADVISOR ARE MORE OPTIMISTIC

2017



2016



HOW INVESTORS AND ADVISORS ENGAGE: Nothing can Replace Face-to-Face

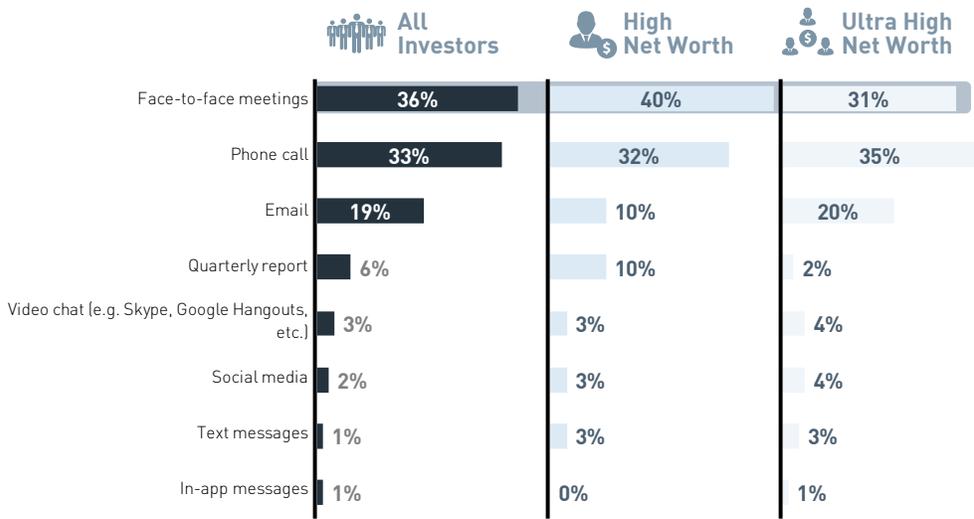
Communication is important for the advisor/investor relationship—and is among the top three factors for a successful customer experience. So how do investors and advisors prefer to engage? In the age of instantaneous digital communications, investors and advisors still say that face-to-face is their preferred method of communication.

Quality Time Matters: Face-to-face meetings take priority over all other channels.

When asked to name their preferred form of communication with an advisor, investors rate face-to-face meetings first (36%) and phone calls a close second (33%). Email is a distant third (19%) and all other channels quickly drop to single digits. The HNW place slightly more emphasis on face-to-face (40%), while the Ultra HNW choose phone calls first (35%).

Likewise, advisors rate face-to-face meetings first (36%) by a wide margin, while email rates a distant second (24%) and phone calls a distant third (20%). All other channels quickly drop to single digits. Successful advisors place slightly more emphasis on face-to-face, according to Advisors with High AUM (40%), and High Earning Advisors (39%).

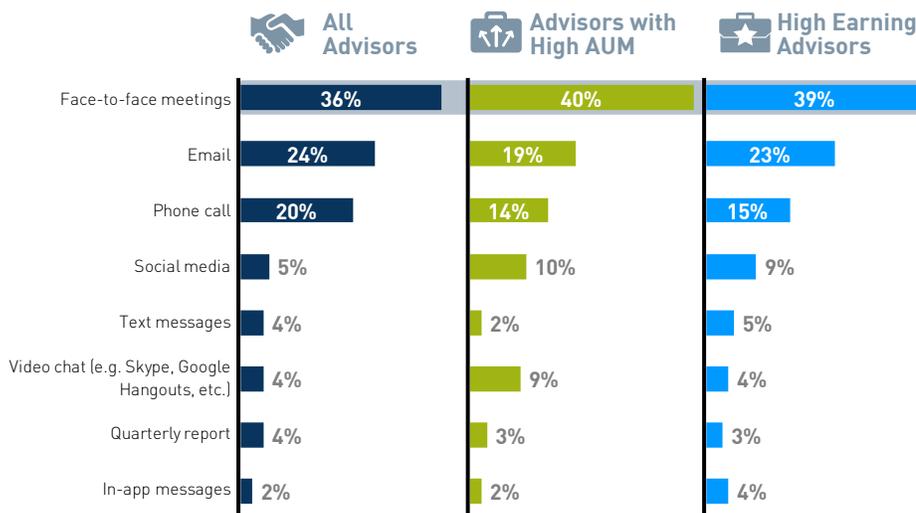
PREFERRED COMMUNICATION: FACE-TO-FACE COMES FIRST



*Responses less than 1% not displayed

“Face-to-face meetings are still important to create trust. It’s really hard for clients to give their life savings to someone they’ve never met. At some point, most will want to meet with their advisor and confirm they’re a human being.”

Michael Kitces, MSFS, MTAX, CFP®, CLU®, ChFC®, RHU®, REBC®, CASL®
Partner and the Director of Wealth Management,
Pinnacle Advisory Group



*Responses less than 2% not displayed

INVESTORS TOP FINANCIAL CONCERNS: Where Investors and Advisors Align

For building trust and a successful customer experience, it's important for advisors to understand what concerns keep their clients up at night—and how they can better align to provide the right solutions.

Year-over-year, investors' top concerns include protecting assets, cost of healthcare, saving enough for retirement, and taxes. Protecting assets remains number one, at 33% in 2017 and 30% in 2016. Cost of healthcare continues to dominate headlines and remains a top concern, rated second (30%) in 2017, while tied for first (30%) in 2016. With an eye to the future, saving enough for retirement is rated third (28%) in 2017, and second (29%) in 2016. Focused on their bottom line and their portfolio, taxes are rated fourth (23%) in 2017 and third (26%) in 2016.

Advisors are in sync with many of investors' top financial concerns—and year-over-year alignment is improving.

Advisors potentially overestimate concerns about saving for retirement and potentially underestimate concerns about protecting wealth—but recognize that both are among clients' top three. And this year, advisors are more attuned to clients' concerns about the cost of healthcare and taxes. Where concerns are not aligned, take this opportunity to learn more about *what* keeps clients up at night—and educate them on effective solutions.

INVESTOR/ADVISOR ALIGNMENT CHECK: YEAR-OVER-YEAR TOP FINANCIAL CONCERNS

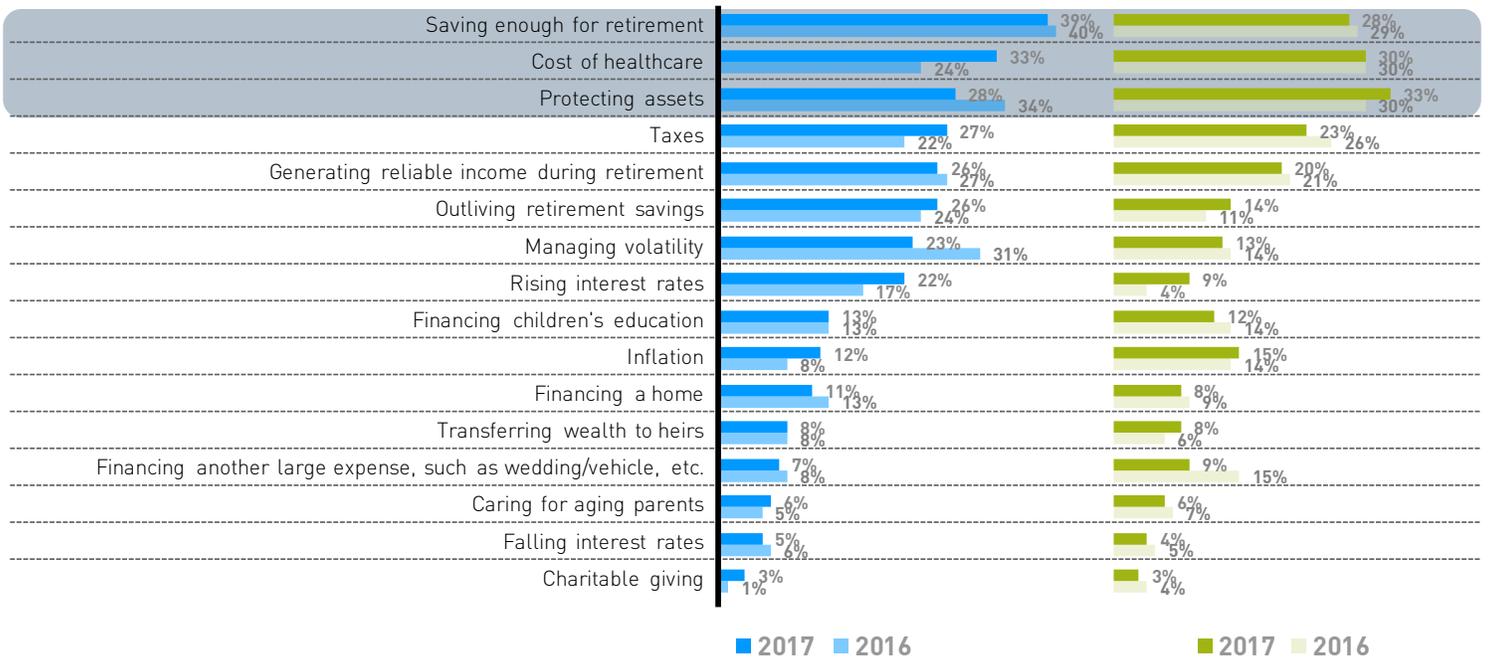
2017 vs. 2016



All Advisors



All Investors

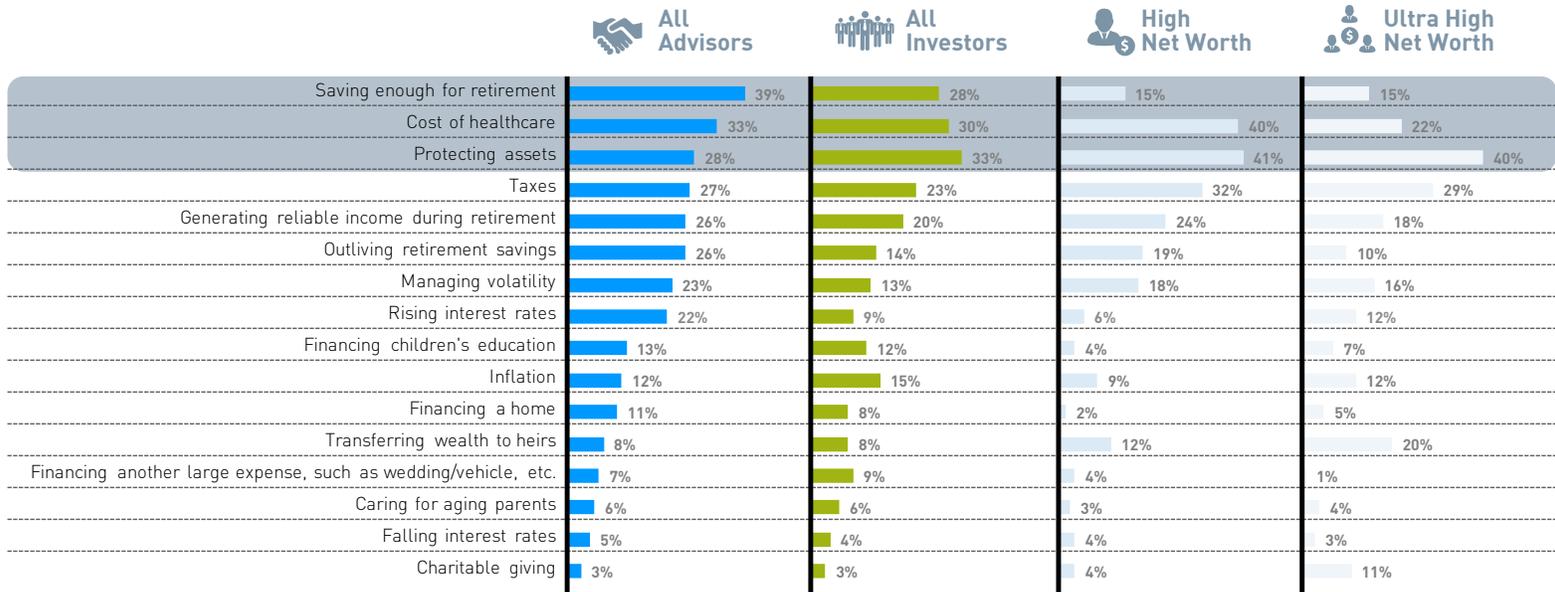


*Responses less than 3% not displayed

"You can't build a great client experience without putting in the time. You need to listen and learn. The right choice of products and technology can help, but **the most important factor for creating the client experience is focusing on the way clients feel.**"

Michael Aroesty, CFP®
Financial Advisor, Managing Director, Strategic AIM™
D.B. Root & Company

INVESTOR/ADVISOR ALIGNMENT CHECK: TOP FINANCIAL CONCERNS OVER THE NEXT 12 MONTHS



*Responses less than 3% not displayed

Investors remain more concerned about protecting assets: Advisors rate protecting assets third (28%), while investors rate it number one (33%). These concerns increase for the HNW (41%) and Ultra HNW (40%). Take the time to understand *why*—and proactively educate clients on effective solutions for protecting assets.

Advisors have an opportunity to educate clients on retirement: Investors are somewhat less concerned about saving enough for retirement and outliving retirement savings than advisors believe. Help educate clients on the importance of prioritizing plans to prepare for and live in retirement. But note that among the HNW and Ultra HNW, concerns about saving enough for retirement decline dramatically.

Advisors more attuned to clients' concerns about the cost of healthcare: Just as investors cite cost of healthcare second (30%), this year advisors also cite it second (33%), up from fifth (24%) last year.

Advisors more attuned to clients' concerns about taxes: Investors cite taxes fourth (23%), and this year advisors now cite taxes fourth (27%), up from sixth (22%) last year. Note that concerns rise among affluent clients, with the HNW rating taxes third (32%) and Ultra HNW rating taxes second (29%).

Investors more concerned about inflation than advisors may realize: Advisors rate inflation tenth (12%) while investors rate it sixth (15%). Take this opportunity to learn *why*—and proactively educate clients on effective solutions to hedge against inflation.

"When trying to make a great client experience, it's about the process and the experience of receiving the advice. To deliver that, you have to 'get' the client. You have to actually understand their needs and concerns, because in an advice relationship, **clients expect you to actually resolve the things that are weighing on their mind.**"

Michael Kitces, MSFS, MTAX, CFP®, CLU®, ChFC®, RHU®, REBC®, CASL®
 Partner and the Director of Wealth Management,
 Pinnacle Advisory Group

THE FUTURE OF THE CUSTOMER EXPERIENCE:

SUBJECT MATTER EXPERT INTERVIEWS

We interviewed leading subject matter experts to provide you with a deeper understanding of the issues and innovation that matter most. In this chapter, our experts help us understand the real DNA of the advisor/investor relationship. They look at what it means to put clients first, what it takes to create an exceptional customer experience today, and where the customer experience will go in the future. Their innovative solutions and actionable insights can help you create a more successful customer experience—to grow your practice and build a viable franchise for the future.

CUSTOMER EXPERIENCE: The DNA of the Advisor/Investor Relationship

Michael Kitces

MSFS, MTAX, CFP®, CLU®, ChFC®, RHU®, REBC®, CASL®
 Partner and the Director of Wealth Management, [Pinnacle Advisory Group](#)

Advisor Authority: Many advisors say they put the client first, but what does that really mean to you? What are your top priorities for putting clients first?

KITCES: To be client-centric and to put clients first is to truly spend your time focusing on what really matters to your clients. You have to start by determining their wants and their needs—and what is making them anxious in their financial lives. It sounds like a relatively simple and straightforward concept—but many of us fail to do it. Instead, we tend to view what we're doing through the lens of our business model, our investment process, and how we get paid. But just because it's a priority for us, that doesn't mean it's top priority for our clients. Stop focusing on what you do and focus on what they need.

AA: What is the process to know your clients better?

KITCES: Number one, is simply having the conversations with your clients and asking them directly, "What are the greatest stressors in your financial life right now?" See if the stressors have anything to do with their portfolio, their investment products, or something else. Second, do your research. Look at third-party research about the specific types of clients that you work with, for guidance about what's really going on in their mind and what kind of questions you should be asking them. Most important, you should become more proactive about deciding exactly who your ideal client is. When you become an expert with a particular type of client and work with them over and over again, you start to understand their problems, oftentimes better than they do themselves. When you specialize, you can evolve your service to a level of depth that is pretty amazing.

AA: Where do you see the opportunities for advisors to differentiate themselves?

KITCES: Identify a niche, then become an expert in understanding and serving that niche. For example, I know one advisory firm that formed a successful niche working with up-and-coming doctors. They found that one of the most common stress points for new doctors is that they can't figure out how to buy into a retiring doctor's medical practice. It's hard to finance the transaction for junior doctors to buy in, because there weren't many banks that understood their industry and could lend to them. This advisory firm ended up launching a subsidiary bank to lend to doctors who were trying to buy into medical practices. It was a huge success, increasing the firm's business and the depth of relationship with their clients. That's the point. When you're focused on a particular type of client, you can launch new services, new products, and new solutions that no one else does. You're able say, "We have an entire division that's solely dedicated to solving this problem for you. Would you like to work with us?" Of course they would. You're solving their biggest problem.

AA: The "Customer Experience" can be defined as the way an advisor and their client interact at all points in their relationship. What does it take to build an exceptional customer experience?

KITCES: Ultimately, creating a great experience necessitates having a very clear target of who you're trying to serve and what you're trying to deliver. That means deciding who your target client is, and knowing their needs and their problems better than they do. We as advisors fall into this trap where we try to serve lots of different types of clients—and try to customize the experience to each and every different client. This is the quintessential proof that your business is not focused enough. You can't create a great experience, because you're literally making it up for the first time with each client, constantly starting over again and again every time. But when you have a particular type of client that you always work with, you can create a great customer experience because you're continuously refining an experience that is already focused on their needs. You can create greater efficiencies and you can achieve scale. The firm that specializes in doctors buying into medical practices, they can succeed because they don't need to customize for each client—all their clients have the same problem, and they customized one solution that works for all of them!

AA: Studies show that strong advisor/client relationships are critical for the health and growth of an advisor's firm. What are the steps advisors can take to establish a personal, one-on-one relationship with their clients?

KITCES: One-on-one relationships with clients ultimately come down to a client feeling heard and understood—that you really get their problems and that you'll help solve them. We like people who understand us and "get" us. Quality relationships with clients come almost entirely from being able to effectively listen to their concerns, show that you understand their needs, and respond with the right solutions.

AA: Many studies say that trust is the most important attribute for building a strong advisor/client relationship? What can advisors do to reinforce trust?

KITCES: At the most basic level, we don't trust people who give us a bad product or bad experience. A bad experience will obliterate trust very quickly. I know plenty of advisors who are brilliant, but clients don't trust them and don't want to work with them, because their process is scattered, their meeting

conversations are all over the place, and it's a horrible experience. You may be a genius, but if the experience is bad, clients won't think you're credible or trustworthy. Trust ultimately comes down to your credibility. The only way to establish that credibility and to create that trust is to offer a great client experience that is differentiated and focused on what the client needs. And clients are willing to pay you a premium price for the right experience. When we think of any business, we'll pay for a product, we'll pay even more for good service, but we'll pay a premium for the right experience.

AA: Broadly, what does the future of financial advice look like? Specifically, what do you think customer experience will look like in the future?

KITCES: I think there's a few shifts that we're going to see as we look into the future. The roots of the financial advising world is selling products to customers. Just the mere fact that we're now transitioning to a world where our value proposition is increasingly becoming the advice—and not the products—is a rather significant fundamental shift. Another shift is that advisors must start thinking about “clients” not “customers.” Customers are transactional and buy products. Clients want relationships and they pay for advice. If I'm trying to make a great customer experience, I'll make sure that when you get the product, and that it comes in a beautiful box. But when I'm trying to make a great client experience, it's about the process and the experience of receiving the advice. To deliver that, you have to “get” the client. You have to actually understand their needs and concerns, because in an advice relationship, clients expect you to actually resolve the things that are weighing on their mind.

AA: What is at the core of creating a good advice experience as opposed to a sales experience?

KITCES: When we shift from product to advice, the value proposition and the whole nature of what it means to deliver a good experience starts to change. A good advice experience is very different than a good sales experience. To make it client-centric, you need to know their concerns, you need to provide a guided experience that educates them, and you need to make it more interactive by working through it together to come up with a solution. Think about what the client literally does with their time when sitting in that meeting with you. Make it more interesting and engaging than reading a giant document, or sitting there listening to you talk. That's the starting point for creating an advice experience.

Think about data gathering. Every advisor needs to gather data for clients. The standard process is I pull out a yellow pad and I ask you 100 questions. Or I send you a giant questionnaire in advance. But think about a good client-centric experience. Most people struggle to answer the questions or fill in the blanks on the questionnaire, because they don't even know where all their own stuff is. And they're usually too embarrassed to admit it. They have a box that they throw the envelopes in, and most of them are still unopened. So rather than asking them a whole list of questions, help them develop a process to get organized. Tell them “Bring in the boxes of envelopes. It's okay if they're unopened and not sorted. My associates can be in the meeting with us, we go through all of those envelopes, and we will actually sort it for you. At the end of our first meeting, I'm going to send you home with all of your statements and financial information sorted, and give you an easy process you can use in the future. You will feel more financially organized than you ever have felt in your life.” That's an experience. That's an experience people would even tell their friends about. How many advisors today get referrals from their data gathering process!?

AA: With the ability to stay connected and communicate instantaneously in today's digital landscape, how do you find a balance between using technology and face-to-face meetings with your clients?

KITCES: Again, it comes down to what kind of clients do you work with—and how do they want to communicate? If you work with millennials, they don't want to talk on the phone, they want to text and you need a good chat system. But it's not just an age thing. Some retirees are really bored and they like face-to-face meetings because you're the only thing on their calendar. Other retirees who are active and like to travel... you better come up with a way to do video chats, because they want to meet with you from the cruise ship.

Face-to-face meetings are still important to create trust. It's really hard for clients to give their life savings to someone they've never met. At some point, most will want to meet with their advisor and confirm they're a human being. But that doesn't mean they want to see you face-to-face every quarter for the rest of their life. Now most clients have access to their information online, 24 / 7 / 365 . So if you plan a meeting, you better find a way to make it interactive and to add value for your client.

AA: If you could ask 700 investors one question, what would you want to know?

KITCES: I would ask investors “How do you want to meet with your advisor and how do you want to communicate?” You can cut that a couple different ways. Would you rather have meetings, emails, newsletters, phone calls, video chats? Do you want each of those? And how often do you want each of those types of communication interactions?

AA: And if you could ask 700 advisors one question, what would you want to know?

KITCES: I would ask them “Do you have a niche or a specialization for the majority of your clients?” Then segment all the rest of the questions on your survey by those who did and did not have some kind of niche or specialization. I bet you'll find a lot of statistically significant differences. The right niche can make an advisor specialized, highly differentiated, and able to charge a premium price.

CUSTOMER EXPERIENCE: The DNA of the Advisor/Investor Relationship

Michael Aroesty

CFP® | Financial Advisor | Managing Director, Strategic AIM™
 D.B. Root & Company

ADVISOR AUTHORITY: Many advisors say they put the client first, but what does that really mean to you? What are your top priorities for putting clients first?

AROESTY: I think most advisors focus only on investment management. That's where the pay and incentives are. But we as a firm are fully independent wealth managers, with a focus on comprehensive financial planning—which is where clients gain the most value. We can drive alpha for clients through investment management, while also providing a solid foundation in estate planning, risk management, and coordinated tax planning. Our focus on comprehensive financial planning is one of the most important ways we put our client's best interests first.

AA: What are the guiding principles that drive your firm's unique process for serving clients with customized and personalized solutions?

AROESTY: We believe the industry has evolved over the last decade in such a way that it's become increasingly complex for the client. There are too many black-box investment models out there, which tend to be very expensive and usually to the detriment of the end client. To ensure that our process is easily accessible, and easily understood by our clients, our guiding principles can be summed up into three buckets: 1) Simple, 2) Low Cost, and 3) Transparent. And to ensure that we have a full view of the client profile, we focus not only on what they think their risk tolerance is—but more importantly, we identify what their capacity for risk might be in the future. That long term view is very important to us.

AA: The “Customer Experience” can be defined as the way an advisor and their client interact at all points in their relationship. What does it take to create an exceptional customer experience?

AROESTY: You can't build a great client experience without putting in the time. You need to listen and learn. The right choice of products and technology can help, but the most important factor for creating the client experience is focusing on the way clients feel. You can tell your clients that you want to help them get from point A to point B—but when you actually take the time to listen and understand your client, you take it to the next level. When you really listen, you show them that you really care.

AA: Many studies show that strong advisor-client relationships are critical for the health and growth of an advisor's firm. What are the steps to establish a personal, one-on-one relationship with clients?

AROESTY: My dad always told me as a kid, “Reputation goes a long way. And it takes a long time to build—but only a few seconds to destroy.” That has always stuck with me. Being a person of your word with strong character is what builds trust. It's about telling clients not necessarily what they want to hear, but what they need to hear. For example, if you're working with someone who has the goal to retire in 20 or 30 years and they're not saving as much as they should, it's crucial to drive home the message of saving more, and spending less. It's not always comfortable to help clients change behavior, but being honest and having empathy with the client is what matters most. And being principled in how the message is delivered helps too.

AA: And what can advisors do to reinforce trust?

AROESTY: Trust is not easily quantified. There is no magic formula. Building trust comes down to the way you interact with people. My parents instilled that in me at a very early age. And every single interaction is important to build and maintain trust with a client. Even when you make mistakes, which are inevitable. What's most important is owning your mistakes—and fixing it right away—that often leads to a better relationship. It all comes back to doing the right thing, at all times—always in the client's best interest. It is the way you interact with your clients, your co-workers, and your family. It's a way of life.

AA: Has your experience as a psychology teacher, dorm head and varsity hockey coach informed your approach to working with clients and building relationship?

AROESTY: I was in education before this, working with clients' most important asset—their children. People are very emotional about their children and their money. That's why I got into this business. When you listen to them, they're going to share their hopes, dreams and fears. When you're a good listener and a good steward, clients will feel like you're really on their side. These are very important components of the relationship.

AA: With the ability to stay connected and communicate instantaneously in today's digital landscape, how do you find the right balance between using technology and face-to-face meetings?

AROESTY: As a firm, we do around 90 to 95% of our meetings face-to-face, but we're finding that both our clients and our advisors are starting to move in the digital direction. With certain technologies that allow us to share screens and see each other, face-to-face meetings are no longer the end-all-be-all. We're able to reinforce a strong relationship without meeting in-person. Our clients are busy, and many like the convenience.

There's a real fear in our industry about technology replacing us because of robo-advisors. However, we haven't lost many clients to those services. One, clients trust us more. Second, we're able to provide them with more information. And third, they can get what they need from us directly. We're not fearful of technology. Instead, technology is enhancing the relationship, it makes the whole experience for clients better—and it's making us much more efficient as well.

AA: What types of technology have had the greatest impact to your practice—to make you more efficient as well as to enhance the customer experience?

AROESTY: We're adopting many types of technology that create greater efficiencies for our firm—and enhance our customer experience. Rebalancing technology has been very important for replacing a manual and labor intensive process, to make our practice more efficient. We utilize social media to communicate efficiently with clients. We use a secure storage software so clients can safely share their estate documents and other important materials. We use DocuSign, to make processing more streamlined for all involved. When clients can rely on their phone or their tablet to check accounts and complete transactions through our site and our soon-to-be app, it requires fewer phone calls, check-ins or meetings. That creates benefits, for our firm and for our clients, without losing touch.

AA: Talk about the importance of financial literacy.

AROESTY: Teaching financial literacy is one of my favorite things to do. The kids are amazing, and this is a chance to help them learn habits they can start right now, that will have a real impact on their future for the rest of their life. Both the positive impact of compounding—and the inverse impact of incurring too much debt. We also talk about return on investment. Not only the literal return on investment in a portfolio, but also the return on investment of the different things they do with their time—studying in school, working toward a college education, holding down a job, everything. If they did an ROI analysis on all of their activities, would they continue to do them, or spend their time doing something else? And as a firm, we are always doing lunch-and-learns. We work with small businesses to provide financial education for their employees. I love providing this education, even if it doesn't necessarily come back to us in terms of new clients. It's a rewarding passion of mine.

AA: If there was one question that you could ask 700 investors, what would you want to know?

AROESTY: The biggest question would be: "What keeps you up at night?" We know fear drives behavior. So if we could ask 700 investors what they fear, and see the trends, then we could really focus in on how to help our clients address those fears and eliminate them.

AA: On the flip side, if you could ask 700 advisors one question, what would it be?

AROESTY: I would love to know the driving principle behind other firms' investment process. We've worked hard to formulate our three principles, and I'm curious to know the driving principles of other firms.

Methodology

The third annual *Advisory Authority* Survey was conducted online within the United States by Harris Poll on behalf of Jefferson National from March 13 – April 7, 2017 among 779 employed financial advisors, ages 18+ and 817 investors, ages 18+ who are primary or shared financial decision makers with investable assets greater than \$100K. Among the 779 financial advisors, there were 521 Registered Investment Advisors and 258 Broker/Dealers. Among the 817 investors, there were 208 Mass Affluent, 204 Emerging High Net Worth, 204 High Net Worth and 201 Ultra High Net Worth. And, among the investors, 524 have an advisor, while 293 do not. Investors are weighted where necessary by age, gender, race/ethnicity, region, education, income, marital status, household size, investable assets and propensity to be online to bring them in line with their actual proportions in the population.

Results of this new research are compared to results from a similar March 2016 study conducted online by Harris Poll on behalf of Jefferson National among 683 employed Financial Advisors, including 440 Independent Registered Investment Advisors and 243 Broker/Dealers and among 733 Investors, there were 167 Mass Affluent, 184 Emerging High Net Worth, 199 High Net Worth and 183 Ultra High Net Worth. And, among the investors, 458 had an advisor, while 275 did not.

Respondents for this survey were selected from among those who have agreed to participate in Harris Poll surveys. Because the sample is based on those who were invited to participate in the Harris Poll online research panel, no estimates of theoretical sampling error can be calculated. A complete survey method, including weighting variables, is available upon request.

Reading the Data in this Report

Responses may not add up to 100% due to weighting, computer rounding, or the acceptance of multiple responses.

About Harris Poll

Over the last 5 decades, Harris Polls have become media staples. With comprehensive experience and precise technique in public opinion polling, along with a proven track record of uncovering consumers' motivations and behaviors, Harris Poll has gained strong brand recognition around the world. **Contact** us for more information.

About Jefferson National

Jefferson National, operating as Nationwide's advisory solutions business is a recognized innovator of a leading tax-advantaged investing platform for RIAs, fee-based advisors and the clients they serve. Trusted partner to a network of over 4,000 advisors, Jefferson National provides greater efficiency, transparency and choice through an adaptable technology platform, award-winning distribution strategy and cost-effective servicing capabilities. Named the industry "Gold Standard" as of 2012 and winner of more than 50 industry awards, including the DMA 2010 Financial Services Company of the Year. The company serves advisors and clients nationwide, through its subsidiaries Jefferson National Life Insurance Company and Jefferson National Life Insurance Company of New York. To reach our advisor support desk, please call 1-866-WHY-FLAT (1-866-949-3528). To learn more, please visit www.jeffnat.com.

About Nationwide

Nationwide, a Fortune 100 company based in Columbus, Ohio, is one of the largest and strongest diversified insurance and financial services organizations in the U.S. and is rated A+ by both A.M. Best and Standard & Poor's. The company provides a full range of insurance and financial services, including auto, commercial, homeowners, farm and life insurance; public and private sector retirement plans, annuities and mutual funds; banking and mortgages; excess & surplus, specialty and surety; pet, motorcycle and boat insurance. For more information, visit www.nationwide.com.

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