RESILIENCE AGENDA

THE WEALTH MANAGER’S GUIDE TO THE NEW ERA OF VOLATILITY
Without a doubt, “volatility” is today’s watchword. Stock markets can soar in the wake of a speech; currencies can plummet following unexpected electoral results; a single tweet can have serious implications for a company’s share price. Across the globe, high net worth individuals (HNWIs) are turning to their wealth advisors to help them navigate this challenging era for investment decision-making.
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Against a context of volatility, one must question whether the existing frameworks for understanding and measuring risk in the advisory relationship are sufficient.

To address this issue, FactSet and Scorpio Partnership surveyed 1,123 HNWIs from Australia, Canada, Hong Kong, Singapore, Switzerland, the United Kingdom, and the United States. Their responses created the framework for the resilience agenda.
The survey responses highlight that wealth advisors must refocus their efforts from risk management to building resilience to create deeper and more engaged client relationships. Indeed, our findings indicate four different types of risk that wealth managers can and should do more to address.

1. **THE MARKET SHOCK**
   Sudden and unexpected market events can understandably catch investors off guard. In the Market Shock chapter, we explore how advisors can provide reassurance. Clients need more confidence that their overall plans are robust enough to withstand future cyclical movements. Advisors must demonstrate a faster response time when communicating market analysis following a shock and provide the tools to clarify portfolio composition.

2. **THE BLIND SPOT**
   The world of wealth is notorious for its complexity, and the gap between advisor and client knowledge is growing dangerously wide. In the Blind Spot chapter, we demonstrate that investor education has missed the mark, despite HNWIs having so much information at their fingertips. Advisors must do better at making their insights engaging and should consider interactive techniques to teach investing essentials.

As we move into a new era, advisors and clients will need to tackle these challenges together, which presents an opportunity for them to develop more collaborative relationships. However, the responsibility initially falls with wealth firms to revisit their long-held assumptions.
must refocus their efforts from risk management to building resilience to create deeper and more engaged client relationships. Indeed, our findings indicate four different types of risk that wealth managers can and should do more to address.

3. THE WEAK LINK

In the Weak Link chapter, we spotlight how wealth firms have failed to make their risk profiling processes clear and transparent, which has affected investor behavior. Many HNWIs are tempted to make knee-jerk responses to market events because they do not understand the significance of their risk profiles. Advisors, therefore, need to be more in tune with investors’ emotional cues and more open to discussing their concerns.

4. THE ACHILLES’ HEEL

Regulation and margin compression have intensified the context in which wealth firms operate. The Achilles’ Heel chapter explores why firms need to act now to mitigate the heightened risk of human error. Advisors are susceptible to slip-ups of communication and judgment. The right technology can help relationship managers balance their growing workloads so they can focus on delivering quality service.

As we move into a new era, advisors and clients will need to tackle these challenges together, which presents an opportunity for them to develop more collaborative relationships. However, the responsibility initially falls with wealth firms to revisit their long-held assumptions of risk and to enact the resilience agenda.
10 WAYS TO BUILD RESILIENCE IN WEALTH MANAGEMENT

**DEPLOY DIGITAL SOLUTIONS TO STIMULATE INVESTMENT EXECUTION**
Digital solutions should be used to lighten advisors’ compliance and administrative workloads, so they can prioritize client relationship management.

**INTRODUCE BEHAVIORAL DATA TO UNDERSTAND CLIENT SENTIMENT**
Investors perceive multiple threats to their wealth creation. Wealth managers should look to predictive methodologies to gauge likely individual reactions to different scenarios so they can leverage the appropriate emotional response.

**CLARIFY THE SIGNIFICANCE OF RISK PROFILING FOR INVESTOR ACTIVITY**
Only 39% of HNWIs feel they have good visibility into their risk profiles. Most aren’t clear on how their profile was determined or what it means. Wealth managers must be transparent about the purpose behind these processes to build confidence in their long-term plans.

**ADDRESS INVESTOR BLIND SPOTS THROUGH INTERACTIVE EDUCATION**
A lack of effective, insightful resources has left clients confused about the fundamentals of investing. Advisors should cut the jargon and introduce gamification techniques to ensure key points resonate.

**PROACTIVELY INITIATE DISCUSSIONS OF INVESTOR CONCERNS**
HNWIs will often inform their advisors that their appetite for risk has changed. Advisors need to lead review discussions that tune into fears as well as hopes.
WEALTH MANAGEMENT

USE TECHNOLOGY TO COMPLEMENT KYC EFFORTS

Human advisors display an unrivaled understanding of investor aspirations, yet they are also prone to errors of judgment. By harnessing big data, web analytics, and social media, advisors can enhance their understanding of clients.

PROVIDE FULL VISIBILITY OF PORTFOLIO COMPOSITION

40% of HNWIs believe their exposure to certain geographies, sectors, or currencies could leave their portfolios vulnerable. Younger clients are most concerned about the lack of clarity into their complete investment positions. Advisors need to improve transparency to satisfy investor needs.

CUSTOMIZE CONTENT TO DEMOGRAPHIC DEMANDS

Baby Boomers turn to their wealth managers first to understand the market outlook. Millennials seek access to a broad range of insights; however, they are particularly eager for detailed guidance on risk mitigation. For more impact, advisors need to tailor content to different audiences.

DEMONSTRATE THAT WEALTH PLANS ARE SHOCK-RESISTANT

HNWIs are struggling to act on opportunities in a volatile context. Wealth managers can help them overcome decision paralysis by building confidence and engagement with their investment strategies.

HARNESS SYSTEMS THAT CAN QUICKLY COMMUNICATE THE “HOUSE VIEW”

A majority of HNW clients expect immediate contact following an unanticipated market shift. To reassure, businesses must implement a communications system that makes the “house view” swiftly accessible to the advisor force.
THE MARKET SHOCK:
OVERCOMING VOLATILITY TO CREATE + PROTECT WEALTH

HNWIs acknowledge that unexpected market shocks can have dramatic effects on their portfolios. At the same time, many feel unable to translate their awareness of risks associated with such shocks into a confident, strategic response—resulting in prolonged inactivity and even decision paralysis.

BRACE FOR FUTURE VOLATILITY

Just as communities who live along earthquake fault lines prepare for seismic activity, advisors and their clients must plan comprehensively to counter the impact of unexpected shocks. To enable decisive action, advisors must embed advance planning in their resilience strategy, a plan that incorporates a multi-pronged approach of actionable intelligence and personalized guidance, along with clear and timely communication of warning signs.

Looking to the future, advisors need to make their clients’ portfolios shock-resistant with a framework that accelerates the flow of information between firms and clients. Communication channels that facilitate swift, actionable guidance and access to real-time data, news, and analytics on portfolio holdings can empower decision-makers in times of volatility.
High-net-worth individuals acknowledge that unexpected market shocks can have dramatic effects on their portfolios. At the same time, many feel unable to translate their awareness of risks associated with such shocks into a confident, strategic response—resulting in prolonged inactivity and even decision paralysis.
If 2016 taught us anything, it was to expect the unexpected. Since then, investors are starting to believe that change may be the only sure bet, and many are starting to think about contingency plans.
SHOCK-RESISTANT WEALTH PLANS WITH INTELLIGENCE

More than 60% of wealthy investors assert that unforeseen market events are a major threat to their wealth creation strategy [Figure 1]. Embroiled in partisan divide and ongoing political turmoil, two-thirds of U.S. investors also fear the impact of sustained political uncertainty on their wealth plans. They are followed closely by HNWIs based in the U.K. (59%), who are shaken by the uncertainty surrounding the nation’s relationship with the European Union, as well as Hong Kong (59%), whose relationship with mainland China is likely to be affected by the March 2017 Chief Executive election.

In today’s globalized world, these and other concerns are no longer exclusive to the geographies where shocks originate. In fact, systemic risk is identified as a major threat by majorities in Canada, the U.S., the U.K., Hong Kong, and Singapore, highlighting the universal requirement for a clear framework to guide investors through times of market stress.

**FIGURE 1: Wealth Creation Concerns**

Q. Do you have any major concerns about being able to grow your wealth?

Of wealthy investors assert that unforeseen market events are a major threat to their wealth creation strategy.
MANAGERS MUST COUNTER DECISION PARALYSIS IN THE FACE OF CHANGE

The decision paralysis currently experienced by many HNWIs highlights the urgency of this framework. Although investors sense threats to their wealth creation, many remain unsure of how to counter these risks, leaving HNWIs immobilized and vulnerable when market swings do occur.

For example, while 59% of HNWIs acknowledge that changes to political leadership could detrimentally affect their portfolios, almost 70% have not yet taken steps to protect their investments [Figure 2]. Similarly, HNWIs understandably perceive international conflict as a cause for concern, but again the investor response remains muted.

A similar pattern emerges when investors are asked to identify wealth creation opportunities. While they might be able to identify specific sectors or areas of growth, many also struggle with how genuinely to turn this into strategy.

More than 70% of investors globally, for example, see the technology revolution as a significant opportunity—but only 30% are actually investing in related securities [Figure 2]. On the other hand, more than half admit that they have chosen not to react or have defaulted to wait-and-watch mode in absence of a clear path forward.

The findings suggest that indecision, at least in part, stems from a lack of confidence. In the face of change, managers must provide insight that is more actionable, as well as market context, to help clients more actively pursue their growth strategies.

70+% of investors globally see the technology revolution as a significant opportunity—but only 30% are actually investing in related securities.
FIGURE 2: A World of Opportunity

Q How are you responding to these opportunities/threats in the context of your investment portfolio?
HNWIs of all generations are aware of risks associated with unexpected shocks, but their needs in times of stress undoubtedly differ. To better manage uncertainty, wealth managers need to skillfully adapt their support to each demographic or investor group.

Investors over the age of 55, for example, show signs of struggling to understand exactly how market dynamics affect their portfolios. The investment climate emerges as a top concern for 62%, closely followed by changing inflation and interest rates. The Baby Boomer generation, therefore, needs greater support adapting to the evolution of the economic environment, so managers would do best to engage in strategic conversations on how to respond to events [Figure 3].

On the other hand, younger clients stand out for their desire to see evidence that can help them make decisions in relation to their own portfolios. Nearly half worry their exposure to certain geographies, currencies, or sectors may leave them vulnerable, and 40% believe they do not have sufficient clarity on actual portfolio composition.

By providing tailored insight that accurately reflects specific life experiences, advisors are more likely to enable empowered decision-making. To do so, advisors must provide tools and resources that deliver a clear, comprehensive view into investment holdings so that clients have the information they need to preempt and respond to market movements.

**FIGURE 3: Portfolio Concerns**

Are you concerned that any of the following may also negatively affect your portfolio?
ACCELERATE RESPONSE TIME

In a connected world, investors of all ages expect to receive timely communications from their wealth advisors. This is particularly vital in times of unexpected crisis, when a quick response could mean the difference between wealth preservation and loss.

Approximately a third of respondents want to hear from their relationship managers during market crises irrespective of the impact on their investments. An even larger share—nearly 40%—expects to be contacted prior to any action taken. Therefore, advisors must open up communication channels so that clients know whom to contact and how following an unexpected event.

Moreover, because so many HNWIs expect immediate analysis and guidance, wealth managers need to invest in technology that empowers such decisive action. Financial systems that can quickly deliver the “house view” from the investment committee to advisors are paramount, so advisors can relay guidance to clients when signs of a shock emerge.

To succeed with younger clients, wealth managers will need to go even further. As it stands, only 15% of HNWIs under 35 are sufficiently confident in their overall strategies that they would forego a call from their advisor. This position stems from worries pertaining to unsuitable advice and general skepticism about the risks of investing in products they do not fully understand.

As such, the framework for building greater resilience against shocks must include a feedback loop to offer investors additional (re)assurance. Advisors must provide actionable and timely guidance both before (in times of preparation and planning) and immediately after shocks occur.

Younger clients ultimately require a more nuanced approach. In addition to speaking with their advisors, they require greater access to the insights that support decision-making. They want a view of the same insight as their advisors, ensuring that their response is informed by real-time, comprehensive data.

While dramatic shifts are unavoidable and change is the only certainty, the industry can brace itself and its clients for shocks and volatility with the help of technology. Advanced data systems that provide sophisticated communications channels and an intelligent approach to data management for both advisors and clients offer the best possible chance of making quick, informed decisions and limiting a negative impact.

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MIND THE KNOWLEDGE GAP

All drivers are familiar with the dangers of the “blind spot,” the small, nearly invisible area where hazards can hide. On the journey of wealth creation, advisors are expert navigators, with enough experience to maneuver around most obstacles on their clients’ behalf. Yet they have overlooked the development of their own blind spot: many HNWIs misunderstand basic investment terminology, limiting their ability to respond appropriately to advisor conversations.

With a plethora of information readily available to investors, wealth managers have to work hard to cut through the noise and close this risky gap in understanding. To build investor resilience by enhancing knowledge, advisors should reduce jargon and offer more engaging material tailored to how their clients consume information.

THE BLIND SPOT:
ADDRESSING GAPS IN INVESTOR KNOWLEDGE

Knowledge is an asset in the complex world of investing, and HNWIs are proactive in building their financial understanding.
CLARIFY THE LANGUAGE OF INVESTING

Knowledge is an asset in the complex world of investing, and HNWIs are proactive in building their financial understanding. Many prefer to learn independently from their advisors, with nearly one in two agreeing it is their personal responsibility to understand the products in their portfolio.

However, HNWIs’ dedication to learning can be a double-edged sword in the wealth relationship, as there are indications that the current approach to HNWIs’ financial education is proving harmful to their understanding. Advisors must improve investors’ knowledge if they are to reduce unnecessary risks to their overall strategies.

Indeed, when presented with a series of investment scenarios, more than a third of HNWIs were unable to identify a risky portfolio correctly. Younger investors were most prone to selecting the wrong answer. However, one in four Baby Boomers also failed to realize that equities are inherently riskier than, for example, fixed income products and cash.

Similar gaps in knowledge emerged when HNWIs were asked to define fundamental investment terminology. One in five HNWIs—and over a third of Millennials—did not understand the meaning of the word “volatility.”

Just under a quarter of self-directed investors are unaware that volatile stocks are those that fluctuate over a large range of values. Advisors must urgently make the language of wealth more accessible to strengthen the grasp of the basics.
Many investors defer to their wealth managers before taking on risk, but firms appear to be highlighting the wrong insight.

CREATE AN INSTRUCTIVE AND ENGAGING CURRICULUM

As many as one in five investors say they do not receive any information pertaining to risk from their wealth manager [Figure 4], even though detailed guidance is prized as useful by those investors who do receive it.

In fact, the insight that is delivered tends to be general communication on market outlook. This communication usually provides valuable context for clients, but is unlikely to be specific or instructive enough to enhance investor knowledge of the appropriate response. Similarly, a third of investors say they receive thought leadership on the longer-term issues they should consider.

In the absence of clear and actionable guidance from their advisors, HNWIs supplement their understanding through other means.

With so much data available at their fingertips, it can be difficult to know which sources to trust. HNWIs accustomed to leveraging a wide range of resources can expose themselves to misinformation, “fake” news, or sensationalist “clickbait.” If wealth managers are to cut through the noise and be effective in their education efforts, they will need to tailor the delivery of risk insights to investor consumption preferences.

Baby Boomers, for example, often lean on traditional media such as newspapers and other printed publications as secondary resources to supplement their understanding. Therefore, the lesson for advisors should be that older clients prefer succinct analyses that are rooted in current events and composed by trusted brands.

Younger investors, however, digest a broader range of inputs and show an appetite for digitized insights from varied individual sources. Almost 40% leverage friends and family when gathering investment knowledge, and an additional one in three regularly consults digital media sources, such as social media and blogs. Advisors should consider these preferences when communicating with the Millennial generation.
FIGURE 4: Risk Information
Do you receive any of the following types of information from your wealth manager on the risks you face as an investor?
Firms must move outside of their comfort zone to make resources more engaging, concise, and dynamic.

**PUT CLIENTS IN THE DRIVER’S SEAT**

To reduce risks of the investor blind spot, advisors should design their education program to reflect their clients’ own learning preferences. This will require careful consideration of the content and presentation style that appeal to different groups of investors.

Firms must move outside of their comfort zone to make resources more engaging, concise, and dynamic.

Specifically, content should use less jargon and be more actionable (Figure 5). As many as two in five HNWIs believe investor resources would be improved if key points were highlighted more clearly. Ideally, investors also want a view of how the insights they receive relate back to their specific portfolios or risk profiles.

This approach is particularly important for Baby Boomers, who also demonstrate a desire to learn about longer-term investment trends, which could be encouraged through thought leadership from their advisors.

Meanwhile, Millennial clients want to enhance their strategic understanding of investing; one-third of individuals under 35 say they find commentary on why market movements have occurred valuable. Their responses hint at a desire to understand the signals that can help them safeguard against or capitalize on future market events.

Education will also need to become more interactive to satisfy younger clients’ requirements. Investors under 35 are more likely to feel that insight is digestible when it is visual or uses graphic depictions. Gamification, which applies game-playing techniques to enhance client engagement, could be an innovative approach that enhances the experiences of younger clientele.
FIGURE 5: Risk Information Improvements

How could the information on risk provided to you by your wealth manager be made more useful?

Content should use less jargon and be more actionable. As many as two in five HNWIs believe investor resources would be improved if key points were highlighted more clearly.
A chain is no stronger than its weakest link. Risk management is an essential responsibility of wealth advisory firms, yet the way firms assess and discuss risk has left clients with only a fragile understanding of how it influences their wealth management.
Many HNWIs have no clear sense of the actual implications of risk profiling on their future investment activity. As a result, some clients have become hypersensitive to market events and susceptible to making knee-jerk changes to their profiles when the investment context changes. The lack of confidence in risk profiling processes ironically puts HNWIs’ ability to achieve their investment objectives at greater risk.

Wealth managers must develop more transparent risk processes to have meaningful influence on client activity. Advisors must also get better at tuning into investor anxiety, as HNWIs are often the first in the advisor relationship to raise changes in their tolerance for loss, rather than the other way around. More collation and analysis around behavioral data could help predict likely client reactions to different scenarios, enabling advisors to guide the emotional response.
In fact, many HNWIs do not fully understand the significance of the risk profile their advisor has assigned them in the first place. Fewer than half are wholly confident they understand why they were given their profiles; the same proportion struggles to see the influence it could have on their portfolios. HNWIs have not benefited from comprehensive and clear explanations of the drivers for these processes or the implications for investment activity.
OPTIMIZE RISK PROCESSES

Advisors typically present risk to their clients in binary terms. An investor’s appetite for risk is balanced with his or her capacity to withstand loss. However, the overall risk tolerance of any client is also strongly affected by less tangible factors: the nature of their aspirations, their drive to achieve their goals, and their innate willingness to gamble.

For HNWIs, success or loss in investing is linked intrinsically to the achievement of their hopes and ambitions. Risk for them is therefore a highly emotional concept that requires careful treatment. The reality is that risk often is not handled to their satisfaction by their wealth firms. Only 32% of investors felt that their risk assessments were comprehensive. There is a clear sense that these processes are in need of an upgrade.

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A more transparent, clear process could have a positive effect on the advisory relationship. Investors who express high confidence in the risk assessment offered by their wealth advisor typically also state they are more willing to take on risk. When they participate in a robust assessment, HNWIs feel optimistic that their advisors understand their appetites and their aspirations and are more confident pursuing their goals alongside their advisors.
Among investors who change their profiles frequently, market and political events are the most likely triggers. There is nothing wrong with adjusting a portfolio to reflect changes in risk tolerance. However, advisors need to have controls in place to steer clients away from impulsive decisions.
RESIST IMPULSE REACTIONS

Lack of clarity over risk profiling can often impair investors’ responses to market events. Rather than adjusting their portfolio selections to reflect their appetite for risk and capacity for loss, investors change their risk profiles whenever the market environment evolves.

While HNWIs are most likely to agree that they have changed their profiles just once or twice, as many as one in five states their risk profiles are “constantly changing.”

Although there is no “typical” investor, it is commonly acknowledged by risk professionals that an investor’s risk profile should realistically change only a handful of times over the course of a lifetime. Usually this happens when personal goals or timelines are revised, such as during family or career changes.

Among investors who change their profiles frequently, market and political events are the most likely triggers. There is nothing wrong with adjusting a portfolio to reflect changes in risk tolerance. However, advisors need to have controls in place to steer clients away from impulsive decisions.

Wealth managers should consider introducing behavioral data solutions to their relationship management approach; for example, they could adopt predictive technology to map likely investor reactions to different scenarios. This would help advisors make more timely and effective interventions to influence client behavior.

ENHANCE CLIENT DISCUSSIONS

Advisors should acknowledge that anxiety is natural and have a clear protocol to change exposure during a market event. This can turn a potentially negative experience into a valued moment of reassurance.

However, at present, advisory support is low. Among HNWIs who say their risk profiles are constantly changing, almost half say they are the ones initiating review conversations with their wealth advisors. Comparatively, of the HNWIs who say their profiles have changed once or twice, only a quarter say they need to initiate a review.

The implication is that investors who are most hypersensitive to change are not adequately supported to raise their concerns during normal interactions with their wealth managers.

Even after anticipated pivotal family and career-changing events—such as getting married, having children, or beginning retirement—many HNWIs say they find themselves driving conversations regarding profile reassessment and portfolio implications.

Advisors need to become more proactive in initiating these review conversations in advance of important milestones in clients’ lives. If advisors are more in tune with their clients’ concerns and aspirations, advisors may be able to give HNWIs the emotional assurance to maintain their commitment to their long-term investment strategies.
THE ACHILLES’ HEEL: AUGMENTING HUMAN ADVISOR RELATIONSHIPS WITH TECHNOLOGY

Investors are vulnerable when responsibility for recording and handling client data lies only with the human advisor.

HARNESS TECHNOLOGY TO IMPROVE ADVISOR EFFICIENCY

Relationship managers are critical in translating their clients’ aspirations into investment strategies and personalizing the service they receive. However, advisors have an Achilles’ heel, which is that the amount of information they can store and process is finite. Investor preferences are also subject to potential misinterpretation.

Investors are vulnerable when responsibility for recording and handling client data lies only with the human advisor.

To address this risk, the relationship between advisor and technology is becoming increasingly relevant. On one hand, wealth managers need to deploy digital tools to lighten their administrative workloads so they can prioritize client relationship management. On the other, they must leverage big data and web analytics to enhance their understanding of clients.
FALLIBILITY AND FLEXIBILITY

Advances in technology are rapidly changing the nature of client-advisor interactions. The need for both parties to understand the strengths, limitations, and trade-offs between existing human and digital capabilities is becoming increasingly important.

The wealth industry prides itself on its strong relationship management skills. Through active listening and empathy, human advisors are able to develop a holistic picture of their clients’ situations. They create tailor-made solutions to address complex needs. These skills are valuable, hard to teach, and essential to delivering the optimal client experience.

However, the margin of error and limited processing power that come with being human present risks for investors. HNWIs most commonly cite inaccuracy and misunderstanding as the greatest drawbacks of working with an advisor.

Approximately a third of investors worry their preferences may be subject to interpretation by the advisor, the information they receive may not be fully accurate, and the relationship manager may be too busy to respond to their requests.

These perceived flaws are an inescapable part of human nature, meaning wealth managers must harness technology to counter risks in the human relationship and optimize advisors’ strengths. For example, technology can create a more thorough record of client conversations, hold large quantities of evidentiary data to inform investors, and facilitate instant interactions, all with the result of improving advisor efficiency.
Empathy, listening, and understanding of subtle emotional cues are all areas where technology is currently unable to compete with humans, so it is understandable that investors remain discerning.

PROMOTING DIGITAL INTEGRATION

There are two inevitable counter-arguments for opponents of digital integration. The first is the belief that HNWIs place little or no value on digital tools and that the hallmark of a premium service is the human touch.

This assertion is ill-founded. In fact, HNWIs conduct 44% of their interactions with their wealth managers online, suggesting a growing appetite for digital tools as part of the relationship.

Furthermore, rather than shying away from technologies, the wealthiest investors are also the most digitally active. The proportion of interactions conducted online rises to 48% among those whose wealth exceeds $20 million. This is only 7% higher than in the $500,000-$1 million wealth bracket, showing that this trend is consistent across wealth brackets.

The second potential criticism of digital integration is that technologies also carry risks. With such a large proportion of the advisory relationship already conducted online, wealth managers must ensure systems are equipped to meet the advanced needs of HNWIs.

For instance, among investors’ top concerns with digital solutions is vulnerability to cyberattacks and errors. Wealth managers must therefore prove their technologies are robust and secure to alleviate these worries.

Empathy, listening, and understanding of subtle emotional cues are all areas where technology is currently unable to compete with humans, so it is understandable that investors remain discerning. This gap underlines why wealth managers must harness technology to empower advisors to focus on what they do best, rather than substitute them entirely.
Of HNWIs’ interactions with wealth managers are conducted online.
The nature of digital integration will require careful positioning to different investor groups.

**STRENGTHENING ADVISOR EXECUTION**

HNWI confidence with digital offerings is the most advanced in the Eastern markets of Singapore and Hong Kong. Investors here are arguably most aware of human-related challenges and therefore may need less convincing of the benefits of digital integration. For example, only 5% of investors in Hong Kong and 7% in Singapore believe that working with a human advisor is completely risk free (Figure 6). These clients will therefore require greater visibility of the systems used to support their relationships.

By contrast, in the U.S. and Canada—where the relationship model is most established—investors place greater trust in their human advisors. Here, as many as two in five and approximately eight times as many as in the East feel that working with a human advisor is completely risk free, suggesting that HNWIs are less aware of how technology can help standardize and enhance processes.

For these clients, explaining that technology is not intended to replace or subvert the advisor will be important. Instead, technology should be positioned as strengthening execution, lightening advisors’ administrative workloads to prioritize client service.

To reduce potential risks brought about by human error, firms need to encourage seamless integration of digital and human capabilities. This will sharpen competitive advantages in order to deliver the best of both worlds to clients, enabling their digitally enhanced advisors to boost productivity and facilitate execution. Ultimately, this should encourage clients to delegate more of their wealth management to the firm.
The nature of digital integration will require careful positioning to different investor groups.

21% of HNWIs say there are no risks associated with a human personal advisor.

- 40% of American HNWIs say no risks
- 7% of Singaporean HNWIs say no risks
- 5% of Hong Kongese HNWIs say no risks
THE RESILIENCE AGENDA: THE WEALTH MANAGER’S GUIDE TO THE NEW ERA OF VOLATILITY
The concept of risk management is nothing new for the wealth industry. In the years following the financial crisis, overhauling the processes that govern and record investor exposure and appetite for risk was a regulatory imperative. Now, market volatility has brought the topic to the forefront for clients once again.

Our findings clearly show that wealth managers need to refresh their approach. “Risk management,” from the client perspective, pertains to a very specific profiling process used to measure investor tolerance for loss. While this is an important process, the risks that influence investors’ wealth creation strategies are, in reality, much broader.

From market shocks to gaps in investor education, weaknesses in risk assessment to the limited processing power of relationship managers, an investor’s success in achieving objectives may be affected by a range of factors.

The first is enhanced data management. For clients, more comprehensive, actionable portfolio insight can provide confidence to truly understand their exposure to risks. When packaged appropriately, insight can also serve to enhance investors’ understanding of the forces that influence their portfolios.

For advisors, advanced collation, connection, and analysis of client behavioral data can improve the ability to anticipate investor reactions to market events and initiate proactive discussions.

Enhanced data management can only be delivered with support from the second driver of resilience: best-in-class technologies. Digital solutions can complement KYC efforts by delivering an enhanced understanding of investor preferences, ensuring that recommendations more accurately reflect client needs. They can also facilitate transparency and access while encouraging advisor efficiency and timely communications.

When enhanced data management and best-in-class technologies are combined, wealth managers have a greater opportunity to reduce risks to a client’s wealth creation strategy and build long-lasting client relationships. For advisors, the reward for focusing on building resilience is the potential to increase the asset share from clients and the opportunity to work with more satisfied, confident investors.

CONCLUSION

By changing the industry mindset to that of building resilience, wealth management firms can consider the spectrum of potential opportunities that exist across the relationship. Our findings reveal two common themes that can support firms in their quest to build greater resilience among investors: enhanced data management and best-in-class technologies.
This research was designed by FactSet and Scorpio Partnership and undertaken in February 2017. The participants were independently sourced high net worth and ultra-high net worth individuals living in Australia, Canada, Hong Kong, Singapore, Switzerland, the United Kingdom, and the United States. The methodology was a 15-minute survey program administered online to 1,123 respondents.
ABOUT US

FactSet
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Scorpio Partnership
Scorpio Partnership is a leading insight and strategy consultancy to the global wealth industry.

The firm specializes in understanding the wealthy and the financial institutions they interact with. We have developed four transformational disciplines—SEEK, THINK, SHAPE, and CREATE—each designed to enable business leaders to strategically assess, plan, and drive growth. These include market research initiatives, client engagement programs, value proposition and brand assessments, and strategic business intelligence initiatives.

Scorpio Partnership has conducted more than 450 global assignments across wealth management for institutions in the banking, fund management, family offices, law, trusts, regulation, IT and technology, insurance, and charity sectors. In the course of these assignments, the firm has interviewed over 60,000 private investors and advisors.

For more information go to www.scorpiopartnership.com