



NEWS RELEASE

## 8th Fidelity® Millionaire Outlook Study Uncovers What Drives Millionaires to Recommend their Financial Advisors

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Study Finds:

- 55 Percent of Millionaires Would Recommend Their Advisors
- Many Call Them Friends
- 20 Percent of Millionaires Are Considering "Breaking Up" with Their Advisors
- Straightforward Steps, Like Crafting Financial Plans, Help Build Millionaire Clients Who Are Seven Times More Likely to Recommend Their Advisors

BOSTON — Nearly two-thirds of millionaire investors (62 percent) rely on financial advisors to help them manage and protect their wealth. Similarly, advisors rely on their current clients to drive referrals, which generate nearly half (48 percent) of new business for advisors<sup>1</sup> and help drive organic growth. This sets the stage for a seemingly symbiotic relationship between millionaires and their advisors. Yet, according to new Fidelity research, this relationship may be under pressure.

In its 8th release, Fidelity Investments' Millionaire Outlook Study<sup>2</sup> looked at the state of the investor-advisor relationship. For the first time, the study calculated a Net Promoter Score (NPS)<sup>3</sup>, a commonly used tool that measures the likelihood that millionaire clients will recommend their advisors to colleagues and friends. The study found that 55 percent of millionaires are "Promoters"—meaning they are loyal to their advisors and likely to recommend them to others; in fact, of those Promoters, nearly two out of three (65 percent) would call their advisors their friends. That's good news for advisors and those they serve.

However, despite seeing the value in hiring professional financial advisors, 45 percent of millionaires would not recommend their financial advisors to friends or colleagues. In fact, one in five (20 percent) millionaires are "Detractors"—unhappy enough that they may leave their advisor or discourage others from working with them.

"We have entered a 'referral economy' - where we, as consumers, thrive on sharing the people and things we value

with those in our social and professional networks," said Bob Oros, head of the registered investment advisor (RIA) segment, Fidelity Clearing & Custody Solutions.

"While this presents a tremendous opportunity for advisors, the challenge is uncovering the formula that drives millionaire clients to recommend them rather than remain silent – or worse – leave," continued Oros.

### The New Basics

In order to help advisors turn more of their clients into Promoters, Fidelity is highlighting "The New Basics" of an advisor-investor relationship:

Create and maintain a goals-based, holistic financial plan – Millionaires who have a formal financial plan developed by their advisors are seven times more likely to recommend their advisors. This presents an opportunity for advisors to fill a gap with the 44 percent of millionaires who don't currently have (or know if they have) a formal financial plan. Nearly all Promoters (94 percent) feel their advisor "helps me achieve my financial goals" (versus 47 percent Detractors) and a large majority (77 percent) of those who would recommend their advisor feels he/she "helps to simplify all aspects of my financial life" (versus 21 percent Detractors).

Get personal, build family connections – Two out of three who would recommend describe their advisors as their "friends," likely because seven in 10 Promoters say their advisors know personal details about their lives. These advisors also involve their family members. Almost all loyal millionaires (86 percent) say their advisors include their spouse/partner in conversations and more than half include children. Promoters are almost twice as likely to believe their personal lives are reflected in their investment strategies or to say their advisors provide advice beyond financial matters.

Involve clients and listen – Those who recommend are 44 percent more likely than Detractors to interact with their advisors three or more times per year. Importantly, during recent market volatility, three out of four Promoters were contacted personally by phone or in person by their advisors (versus half of Detractors). Finally, many who recommend their advisor (79 percent) have been asked for their views over the past year, but almost half (45 percent) of Detractors have never been asked for feedback.

"The 'new basics' acknowledge that advisors may be overlooking some very critical, foundational behaviors in their relationships with today's millionaires — behaviors that consider the evolving needs of investors and their desire for personal, customized relationships with their advisors," said Oros, "These are straightforward strategies that can convert a Detractor to a Promoter, yet the study shows that not enough advisors are employing them."

### Promoters Matter

Fidelity's 8th Millionaire Outlook study finds Promoters matter for a number of reasons, in addition to their likelihood to recommend:

- Promoters give referrals: 69 percent of loyal millionaires gave a referral in the last year.
- Promoters have the majority of their assets with one advisor: Promoters have 71 percent of their assets with their primary financial advisor, while Detractors have about half (48 percent) of their assets with one.
- Promoters are ahead of their financial goals: 25 percent of Promoters feel they are ahead of their financial goals, while only 7 percent of Detractors feel that way.
- Promoters would go to their advisor with a windfall: Three out of four millionaires who would recommend their advisor would also consult with them on what to do with a sudden and significant financial gain, while only 36 percent of Detractors would do the same. In fact, 45 percent of Detractors would invest it on their own, without consulting their advisor.
- Promoters follow their advisors: 62 percent of Promoters would switch firms with their financial advisor, while that cannot be said for Detractors (only 17 percent would switch).

For more details on the study and to access Fidelity's new report, "Creating Advisor Advocates to Help Boost Referrals," visit [go.fidelity.com/millionaireoutlook2016](http://go.fidelity.com/millionaireoutlook2016).

#### About the 2016 Fidelity Millionaire Outlook Study

The statistics in this report are from the 2016 Fidelity Millionaire Outlook Study unless otherwise noted. The blind study was conducted during the period January 5 through January 22, 2016. It involved a total of 1,287 20-minute (on average) online interviews, with the sample being provided by TNS, a third-party research firm not affiliated with Fidelity. The study was focused on understanding affluent investors' attitudes, goals, behaviors and preferences related to investing, wealth management, and advice, with a focus on investor perceptions of their primary advisor relationships. Target sample included respondents across affluence levels, from \$50,000 to more than \$10 million in total investable assets.

#### About Net Promoter Score (NPS)

Net Promoter Score (NPS) measures the likelihood that clients will recommend their advisor to colleagues and friends. NPS is used by many firms within the advisory business as a useful alternative or complement to client satisfaction and loyalty studies. An NPS is calculated by using a "0 to 10 rating" in response to the question, "How likely is it that you would recommend [firm] to a friend or colleague?" Promoters score 9 to 10, Passives 7 to 8, and Detractors 0 to 6. Study results show that 55 percent of millionaires surveyed are Promoters, 25 percent are Passives, and 20 percent are Detractors, with more than two-thirds of Promoters having referred their advisor at least once in the past year. The total NPS for advisors is 35, which is the percentage of Promoters minus the percentage of Detractors – an average score for service-oriented firms.

#### About Fidelity Investments

Fidelity's goal is to make financial expertise broadly accessible and effective in helping people live the lives they want. With assets under administration of \$5.4 trillion, including managed assets of \$2.1 trillion as of June 30, 2016,

we focus on meeting the unique needs of a diverse set of customers: helping more than 25 million people invest their own life savings, nearly 20,000 businesses manage employee benefit programs, as well as providing nearly 10,000 advisory firms with investment and technology solutions to invest their own clients' money. Privately held for nearly 70 years, Fidelity employs 45,000 associates who are focused on the long-term success of our customers. For more information about Fidelity Investments, visit <https://www.fidelity.com/about>.