



2022 NATIXIS GLOBAL SURVEY OF FINANCIAL PROFESSIONALS

The Big Reset

Post-pandemic markets put financial professionals at a turning point

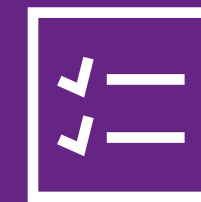
Despite a double-digit correction in stocks and bonds and near double-digit inflation in the first half of 2022, financial professionals project a market recovery by year's end and anticipate a 5% median growth in AUM for the next year and an annualized median growth rate of 10% over the next three years. Those looking to achieve these goals will have their work cut out for them.

Longstanding investment assumptions for peace, prosperity and growth have been upended in 2022. A ten-year hot streak for stocks dissolved into a 17-point correction. A broken supply chain disrupted a decade of synchronous global growth. Inflation reached a 40-year high. Central bankers hiked interest rates. And Russia ended 77 years of peace in Europe by invading Ukraine.

To grow, financial professionals have to adapt. In the short term, they'll need to reset investment strategy for turbulent markets and emotional clients. In the long term they'll need to reevaluate their market assumptions. They'll need to determine how much the world has really changed. And they'll need to adapt portfolio and business strategy for a new environment.

The magic number: 20

The median number of clients that financial professionals think they will need to add annually over the next three years to achieve their growth goals is 20.



Results from the 2022 Natixis Global Survey of Financial Professionals offer a look into what these and other challenges hold for business growth.

Based on the views of 2,700 financial professionals in 16 countries, the survey focuses on **four key insights**:

- 1 : You need more than markets to grow a business
- 2 : Investment assumptions need to change with the fundamentals
- 3 : The hardest thing to manage may be client expectations
- 4 : Business models will need to adapt to emerging client needs

01

You need more than markets to grow a business

Markets spurred AUM growth for professionals over recent years, but with a downturn, financial professionals need effective strategies for winning new clients and new assets if they're going to grow.

Clients were lucky to see assets swell by as much as 20%–30% over the past two years. As were financial professionals who saw their book of business grow accordingly. Outsized market performance made it easier for professionals to increase their assets under management and eased the pressure to find (and win) new clients and new assets. In 2022, the job has become much tougher.

Globally, financial professionals estimate that they will be able to grow their business by a 5% median growth in AUM for the next year and attain a 10% median growth rate over the next three years. Professionals in North America are most optimistic on growth, calling for 7% in

2022 and a median 15% annually for the next three years. Professionals in Latin America may only see the potential for 5% in 2022. On the other hand, they also projected a median 15% annualized growth rate over the next three years. Knowing market performance probably won't provide the tailwind they've delivered over much of the past decade, financial professionals will look to win new assets from new clients. In fact, those surveyed anticipate the annual median number of clients they'll add to their book of business by 2024 is 20. The one big exception: professionals in North America, who appear to be seeking out higher net worth individuals and anticipate needing only to win 10 new clients annually to meet their goals.

But financial professionals say winning new clients isn't the easiest way to grow. Nearly half of those surveyed (49%) see it as the most challenging of all growth drivers. Recognizing it takes time to pursue new clients, some may hope to enhance operational efficiency in their practice. But 43% say the investment in technology, training, and other initiatives is also a challenge.

Professionals could look to go deeper with their current clients and earn more of their assets, but 41% say that too is a challenge. In the scale of things, financial professionals say protecting what they already have by retaining assets (36%) from current clients is less challenging.

Growth in sight despite the challenges

Even as they contemplate an environment marked by rising interest rates, rising inflation, and a rapid market decline, advisors are optimistic they will be able to grow their business in 2022 and beyond.

The question is: How will they achieve their goals?

1-Year Median Projected
AUM Growth Rate

+5%

3-Year Median Projected
AUM Growth Rate

+10%



Success factors for business growth

What can help ensure their success? The largest number of advisors (49%) say it will come down to demonstrating for clients how they add value beyond asset allocation. This ties in directly to a major transition under way in the wealth management business. Many financial professionals have found that shifting the focus of their business from portfolio management to financial planning can strengthen long-term relationships.

"We truly do comprehensive planning," says a US wirehouse advisor. "It's not just investments in the silo, we're not asset managers. We help clients with everything related to their wealth ... 401(k) at work, deferred comp, long-term care insurance, life insurance."

"We're focused on the client experience," she adds.

"I am a firm believer that this is a service business."

This transition could be vital in the year ahead as clients see higher volatility, lower returns, and potential short-term losses. Rather than letting client relationships be defined by the transaction of selling into or out of an investment, a broader focus on financial planning could help them keep clients focused on the long-term goals. Not short-term market performance.

Another (45%) believes success will depend on building relationships with next generation heirs. A time-consuming process according to more than half of those surveyed (52%), it's a worthy effort. Building relationships may often be geared to retaining assets when client wealth is transferred, but it is also an opportunity to add new clients and win the current assets of client heirs.

Professionals are also focused on technology upgrades (38%) as a critical step to ensuring success. This can include investing in a customer relationship management

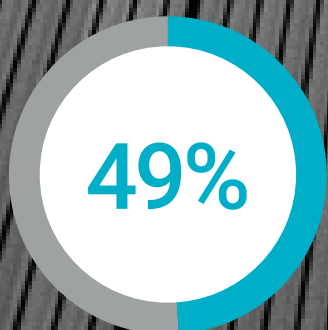
system to make their service efforts more efficient, or digital tools that give clients a self-serve option for routine requests.

Here, the biggest barrier (44%) to entry is simply the cost of implementation. But some say the benefits are worth it.

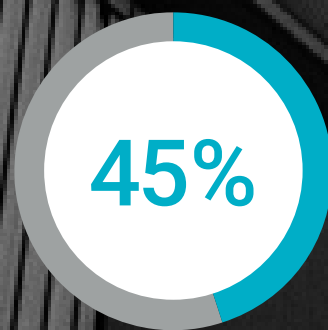
"[We] are increasing the level of digitization within our business. Not only to simplify a lot of the investment process, but for the new generation of clients," says an IFA in France.

Advisors are less likely to see other factors such as streamlining their client base (25%) or succession planning (24%) as critical to their success. Meeting demand for crypto (16%) is at the bottom of their list of success factors, because professionals say it is out of their area of expertise. Financial professionals may want to learn more, as a growing number of clients are looking to invest in digital assets.

Financial professionals see clear success factors for their business growth



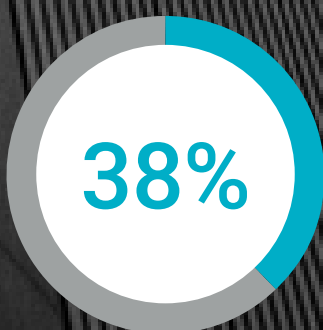
Demonstrate value beyond asset allocation



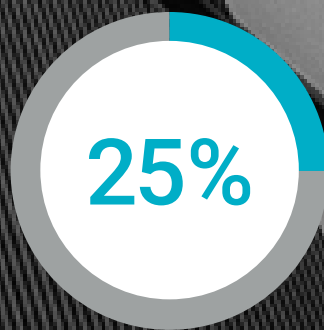
Building relationships with next generation heirs



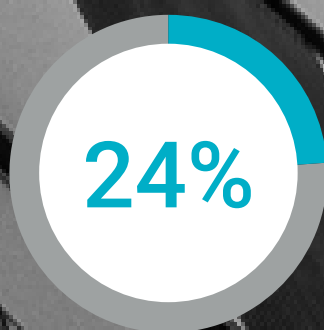
Client retention



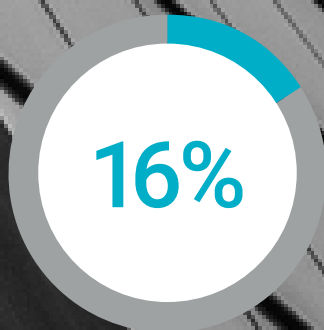
Access to technology



Streamline client base



Succession planning



Meet demand for crypto

Prospecting efforts come into focus

To pursue new clients and new assets, two-thirds of financial professionals segment their prospects by age and focus on individuals in their prime earning years.

Overall, 82% focus on individuals between the ages of 50 and 60. Another 61% focus on those between age 60 and 65. These age groups, often thought of as pre-retirees, are particularly attractive. Not only have they had time to accumulate wealth, but they also tend to be out from under education costs and liabilities related to raising a family. It's likely that advisors can win more of this business by emphasizing their ability to help annuitize savings and investments as a retirement income plan.

Another 77% of financial professionals focus their prospecting efforts on individuals between 35 and 50. At this stage, clients may be looking for more comprehensive financial planning services to address education funding, retirement savings and investment and debt management.

Less than half (48%) focus on individuals between ages 18 and 35. Often the assumption can be that at this age they don't have enough money. Fewer still (33%) focus on those over the age of 65, perhaps assuming that they will

be likely to be looking to draw down wealth rather than accumulate. But given that so many see establishing relationships with next generation heirs as a success measure, these segments may be an overlooked opportunity.

Beyond age, many financial professionals prioritize specific cohorts in their prospecting. Professionals such as doctors and lawyers (77%) and business owners (75%) are two top priorities for financial professionals. Each can present unique needs such as managing investments for employer retirement plans, managing concentrated positions, unlisted equities, and tax management. To compete, financial professionals will need to be well versed in planning issues related to deferred compensation, tax-efficient investing, and direct indexing for unwinding concentrated positions.

Six in ten also see HENRYs (High Earner Not Rich Yet) as an important prospect segment. This group of individuals with annual incomes between \$250,000 and \$500,000 and little accumulated wealth pose unique opportunities. Helping HENRYs convert income to assets through a personal financial and investment plan could be the foundation of a promising long-term relationship.

THE MOST SUCCESSFUL PROSPECTING STRATEGIES

Financial professionals say personal and professional referrals, along with a return to in-person events, have been their most effective strategies for growing assets in the past year.

72%

Referrals from other clients

48%

Referrals from professionals (CPAs etc.)

34%

In-person events and experiences

20%

Social media engagement

14%

Email marketing

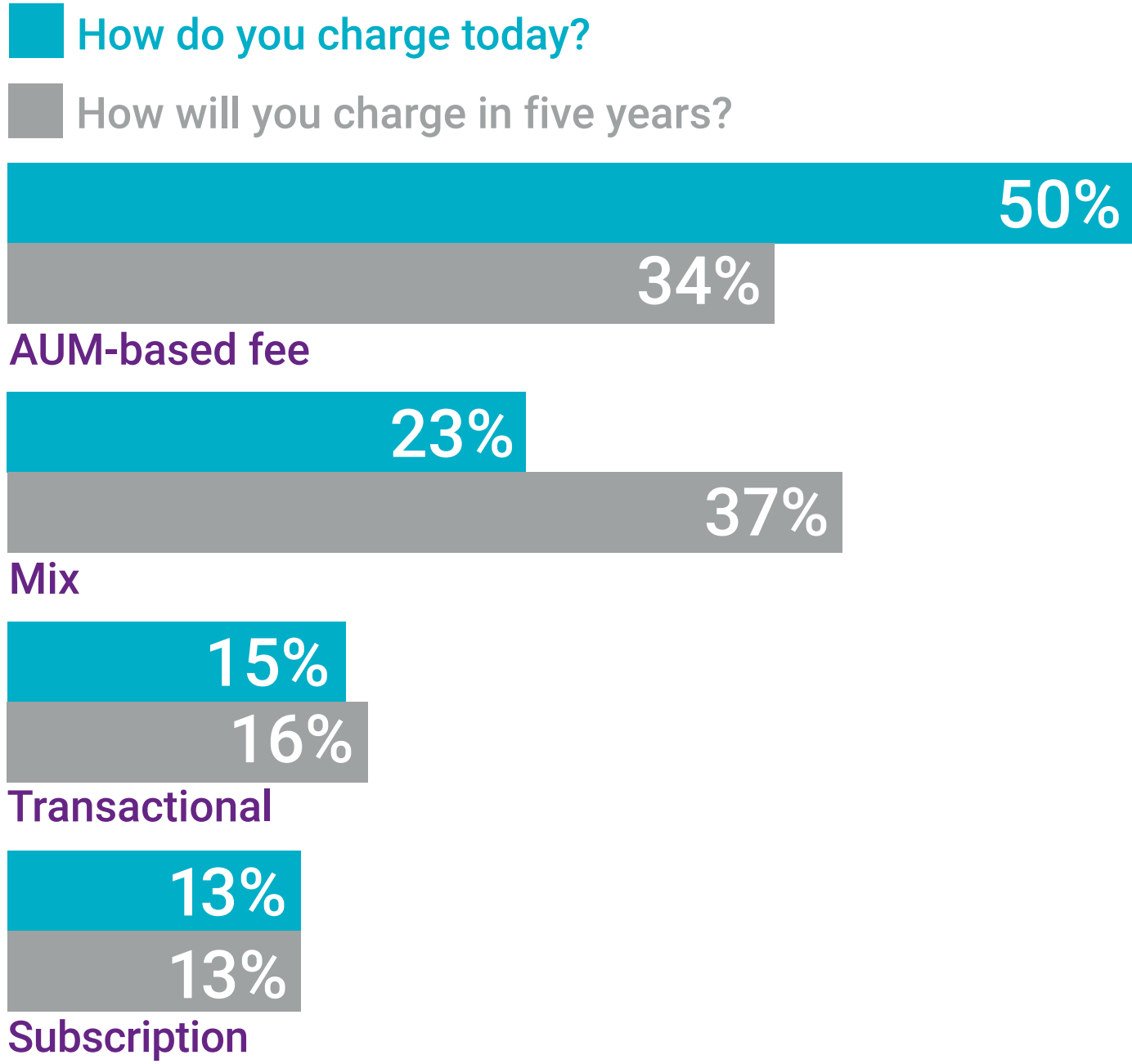
About 30% concentrate on women in their prospecting efforts. Tailoring an offering to women could be a significant opportunity for financial professionals. In the US alone, McKinsey projects that women will control the lion's share of \$30 trillion in Baby Boomer assets by 2030. By scale, the amount of potential wealth transfer this represents approaches projections for US GDP in the same timeframe.¹

Another opportunity for growth focuses on LGBTQ investors. According to LGBT Capital, the global wealth of this market segment represents a GDP of \$3.9 trillion annually² – a level that surpasses Germany (\$3.6 trillion³), the world's fourth-largest economy. Tailoring planning and investing services to the unique experiences and family dynamics of LGBTQ clients can help financial professionals deliver genuine value to a client base with significant economic clout.

With markets less generous than they have been in the past decade, financial professionals will need to be resourceful to achieve double-digit growth over the next three years. Success will mean adapting service and pricing models and focusing prospecting efforts

on high-value segments. But broadening the service set is only half the equation. Financial professionals will also need to reassess their investment strategy for a changing environment.

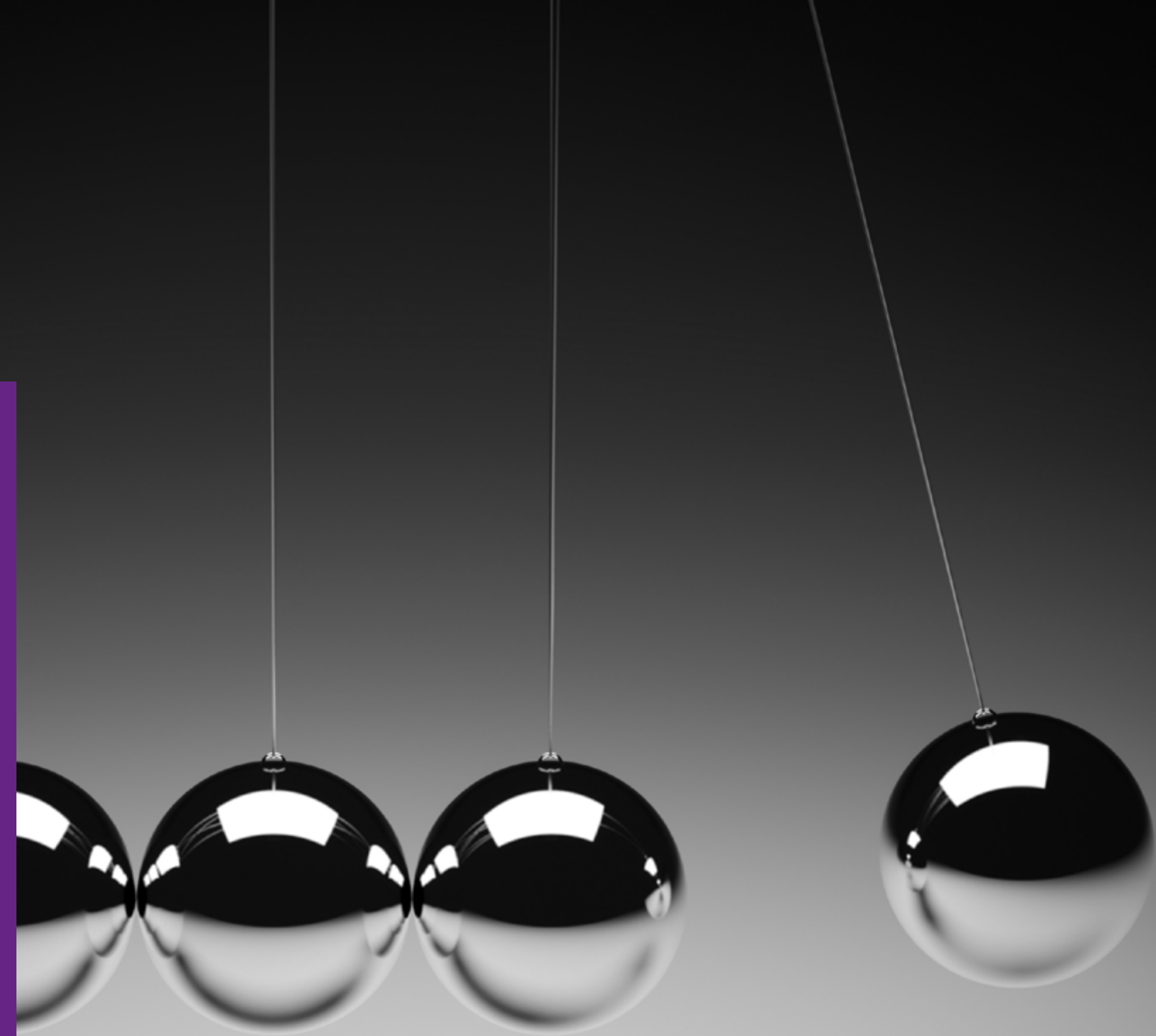
FEE STRUCTURES ARE CHANGING
Financial professionals will be looking to optimize their fee structure in order to adapt to changing client service preferences.



02

Investment assumptions need to change with the fundamentals

Markets in 2022 are giving advisors reason to question long-held investment assumptions and determine what, if any, long-term strategy shifts are needed for long-term success.



Between 2011 and 2021, investors counted on key investment assumptions to propel market performance: Rates were low, inflation was low and growth was strong across the globe. Markets were reaching ever upward and doing so with little volatility. It was a good time for investors as the S&P 500 experienced just two down years in ten in a run that capped off with a 16% return in 2020 and 27% in 2021.⁴ This during the uncertainty of the pandemic.

Then, in the first quarter of 2022, investors experienced a triple dose of reality when for the first time in 40 years, they experienced a 10% correction in stocks, a 10% correction in bonds, and inflation that neared 10% all at once. On top of disappointing economic and market news, investors were further stressed by war in Ukraine, concerns about Chinese intentions in Taiwan, and surging prices at the supermarket and the gas pump.

To some, current events carry historic weight.

As one registered investment advisor in the US so aptly said, "Of all we've seen over the last decade, this scenario is the one that's getting me to reevaluate."

"Most in our profession have based their career on a post-Cold War world that's opening up," he observed. "Globalization has been the focus. That chapter is done."

"Of my entire career, this is the one thing that's really getting me to do more deep dives and reassess the historical attributes we've assumed," he added.

Financial professionals certainly have to be mindful of how these factors affect their underlying investment assumptions, but they have to be equally concerned with how they impact clients.

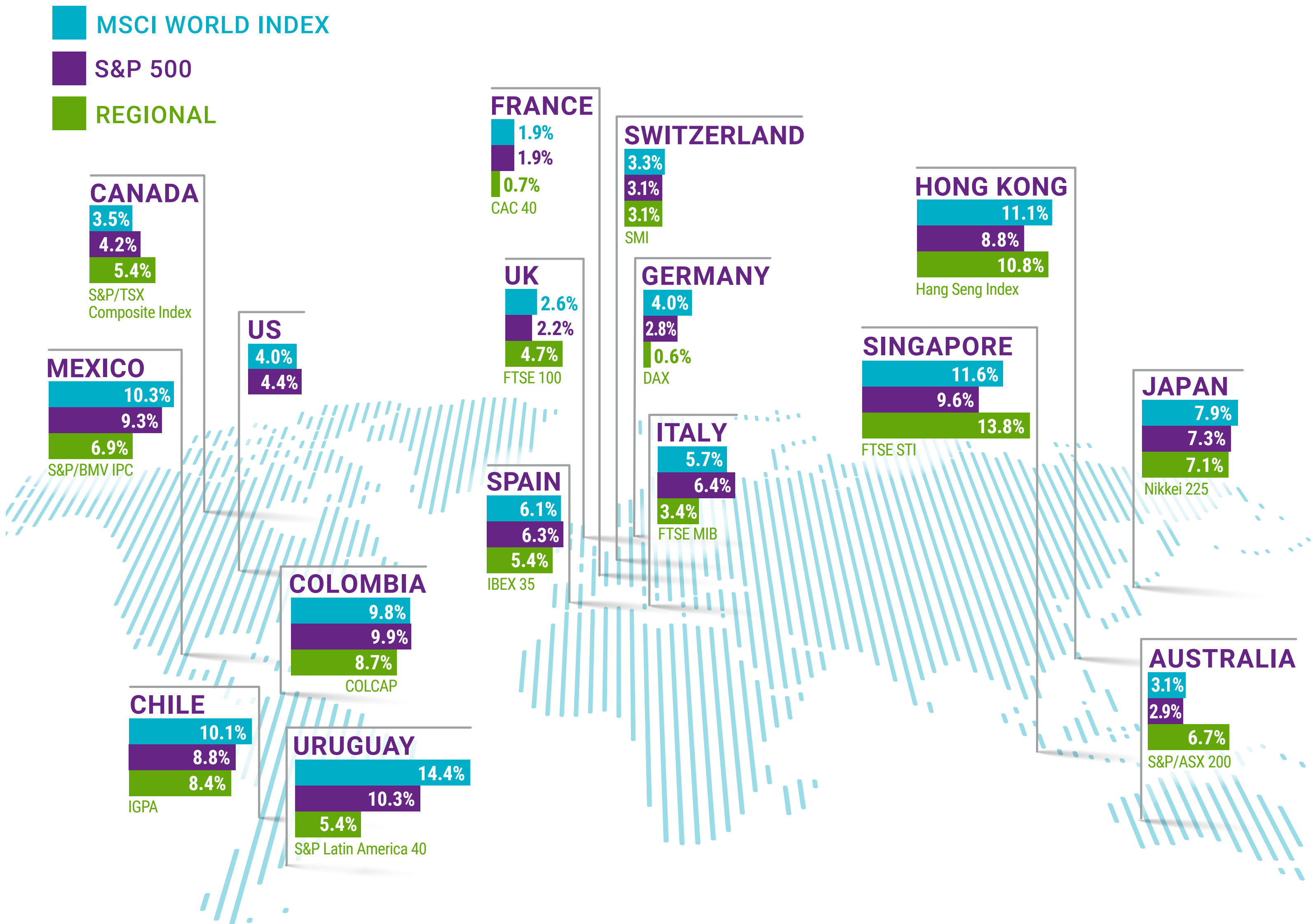


Professionals remain optimistic in outlook for second half of 2022

Despite the many challenges, financial professionals are optimistic for better days in the second half of the year. On average, they project a market rebound in most major indexes from near-bear market territory to post gains by the end of December, including 5.8% for the S&P 500 and 6.4% for the MSCI World index.

That’s what the global average shows, but closer inspection reveals significant regional differences: Professionals in Latin America expect much more from market performance, including 11.2% for the MSCI World and 9.6% for the S&P 500. Professionals based in the UK appear to be the most pessimistic, calling for the MSCI World to deliver just 2.6% and the S&P to post a 2.2% return. Despite these low projections, UK professionals give a home court advantage to the FTSE 100, which they project to deliver 4.7% for 2022.

WHAT DO YOU PROJECT MARKETS WILL RETURN IN 2022?



Inflation and geopolitical risks come to a head

While market projections look positive, financial professionals find a number of factors to worry about. Inflation and geopolitics (57%) earn the greatest mindshare for portfolio risks in the second half of the year.

While they are two distinct challenges, these factors are directly linked. At the start of the year, few would have anticipated that an active ground war in central Europe would dominate headlines. But the Russian invasion of Ukraine has shaken up the geopolitical and economic order. NATO allies have enacted severe sanctions on Russia and a growing number of global companies have shuttered operations there. Notably, geopolitical risk strikes closest to home as concerns run highest among financial professionals in Europe (78%) and the UK (72%).

The war also has a significant impact on inflation. Most visibly, the war disrupted distribution of Russian oil and gas. A spike in demand from OPEC producers has resulted in record high energy prices. This at a time when the global economy was humming along in a post-pandemic recovery and energy demand was already growing.


Inflationary pressure has not been limited to oil. Food prices have soared as Ukraine, the breadbasket of Europe, has had to direct its efforts to defending its borders rather than growing food that fills plates across the continent.

Inflation concerns run highest in Spain (70%) and the UK (68%). In the US, where consumers are experiencing the highest level of inflation since the Reagan era, two-thirds of investment professionals see the risks it presents to client portfolios.

Concern runs lowest in Asia where the pandemic recovery has been delayed, with core inflation anticipated to increase by 1% to 3.4% in 2022.⁵

Rates. Rates. Rates.

Interest rates are a longstanding risk concern. But where the concern over the past decade had been on generating yield to offset low rates, the challenge in 2022 is a rising rate environment. Financial professionals will need to adapt their fixed income strategy to account for heightened duration risk.



“Investment strategy on the municipal bond side is on keeping duration shorter, trying to simply keep them to term, and definitely then shifting to more like low duration or short-term bonds and bond funds.”

– US Registered Investment Advisor

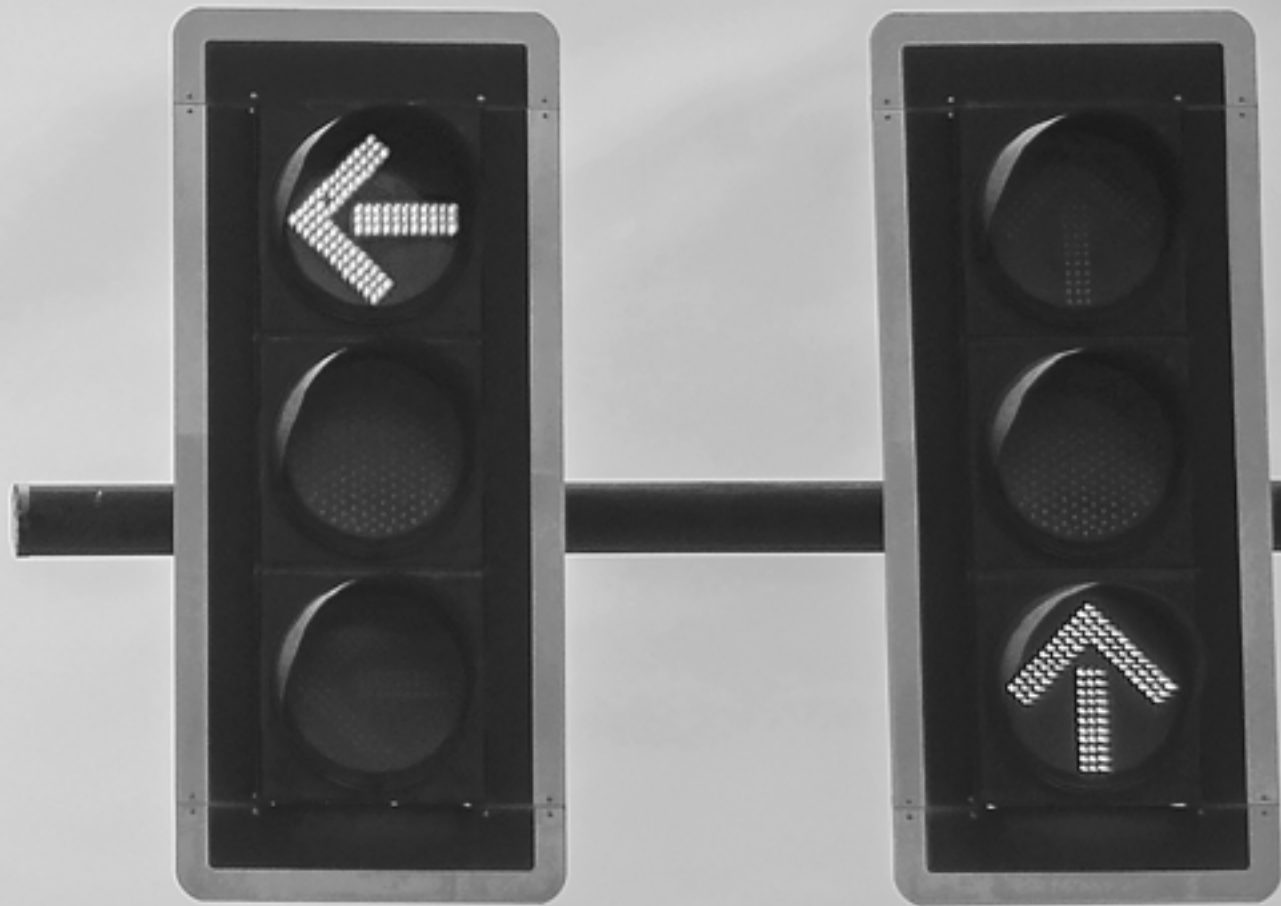
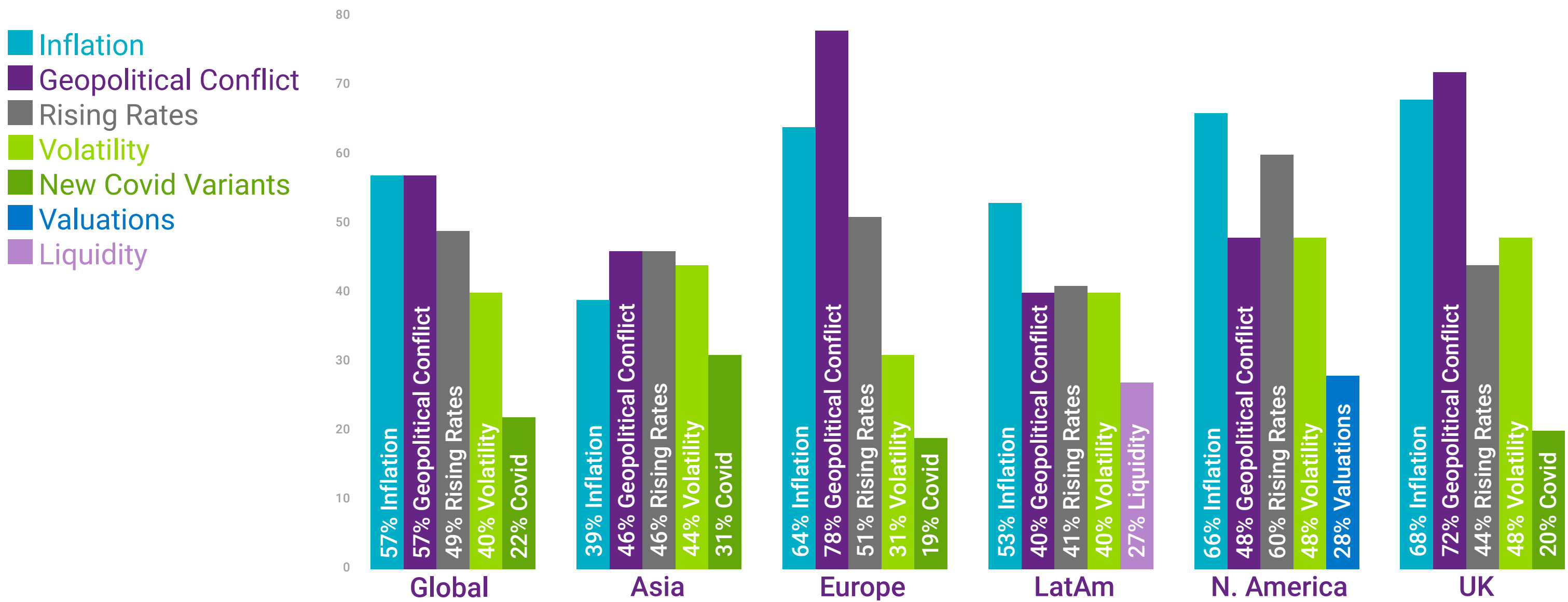
Volatility: an unfamiliar experience for many clients

Volatility (40%) is another key risk. Investors in 2022 are experiencing one of the longest bouts of volatility in more than a decade. Since January, the VIX has averaged 26.3 (through June 20), significantly higher than the 18.5 average it posted between 2010 and 2021.⁶ Financial professionals not only need to manage

portfolios through the turbulence, they also have to help anxious clients avoid emotional selling decisions.

Despite already seeing the market correction bring values back to earth, 20% see valuations as a key risk. In this case, the risk may be as much about paying too much for overpriced stocks as finding the confidence to believe that the market has finished the painful process of bringing P/E ratios back to earth.

RISK CONCERNS VARY WIDELY BY REGION



Rates and inflation driving asset class views

Despite the challenge of evaluating risk across multiple fronts, financial professionals still need to manage client portfolios. As they survey a market that has spun from low rates and a long ride up for stocks to rising rates and a rapid decline for stocks and bonds, financial professionals have clear views on which asset classes are best suited to this environment.

Bonds: Finding reasons to believe

Rising rates have financial professionals concerned about bond performance: 54% say they find fixed income less appealing in this environment. Just 25% find the asset class appealing. But it's likely

professional opinion will soon be changing.

Yields have been low, but now values are depressed and yields look much more attractive. In essence bond prices have fallen so low that they are now attractive, especially as markets may be forcing some investors to sell out of positions, opening up additional yield opportunities. But even if investment professionals believe interest rate hikes have already been priced into the market, convincing clients to get back into bonds may be a challenge.

Four in ten say the benefits of increasing fixed income allocation are not obvious to clients. The same number also say clients simply prefer other products and investment approaches. A little more than one-third (35%) believe client risk appetites are not in line with

this strategy. One-third also believe client knowledge is another barrier to implementing this portfolio move at this time. History has shown that this is a significant challenge for investors.

BONDS ARE MATH. MATH IS HARD.

Only
3%

of investors from
our 2019 Survey of
Individual Investors⁷
understand how
rates affect bonds

1 When rates rise, the price of bonds has historically decreased.

2 Higher rates today mean bonds will generate higher income down the road.



Stocks: Not ready to give up on a recovery in 2022

In line with their views on potential for stocks to post gains by the end of the year, financial professionals were more likely to say equities are appealing (39%) than not appealing (31%). Another 30% say the environment has not changed their views on the appeal of equities either way.

With the S&P down 22.9% through June 20,⁸ it may seem overly optimistic to find stocks appealing, but as recent history has shown, it is impossible to predict when (or why) markets could rebound. In March 2020, markets went into a 20%+ freefall on news that the global economy would be shut down by the pandemic. By July, markets had fully recovered, and spurred by stay-at-home spending, the S&P 500 rallied another 18 points by year-end.

"We knew that we had reached the point where inflation was no longer temporary, interest rates will probably start rising and the effects of quantitative easing will start to diminish," said one IFA from France. "We reduced our allocation to equities and aimed to increase our allocation to hedge-fund-type funds, or absolute-performance-type instruments on one side, and on the other side, to increase the private equity allocation for the clients with the capability of investing in this area."

Real estate

Rising rates seem to have had no detrimental effect on how financial professionals view either commercial (38% more attractive, 28% less attractive) or residential real estate (40% more attractive, 29% less attractive). On the surface this may seem counterintuitive since low rates make property more affordable and can generate

greater demand. But the call on real estate is more likely to be about inflation rather than rates.

Real estate in general, and REITs in particular, become more appealing when inflation is rising because they can generate income. So, while rising rates may make buying property more expensive, the asset class's history of generating yields that outpace inflation makes it an appealing investment in times like these. The quest for yield is also evident in the appeal financial professionals are finding in alternatives.

Rising rates seem to have had no detrimental effect on how financial professionals view either commercial or residential real estate.



Alternative investments

With stock and bond performance correlated and values depressed, financial professionals are rediscovering the appeal of alternative investments. In fact, 64% of those surveyed say the current market conditions make alternatives more attractive.

Infrastructure, which can generate yield independent of interest rates, has become more appealing in this environment for 50% of financial professionals. Just 17% say the asset class is less appealing. Private assets, which have been a focal point in the investment strategy of large institutions and high net worth individuals in recent five years, hold similar appeal with financial professionals as 45% find these assets more appealing, while only 18% think they look less appealing given current market conditions.

Of all asset classes, financial professionals find commodities the most appealing today. Given that prices for all commodities rise as inflation rises, they have

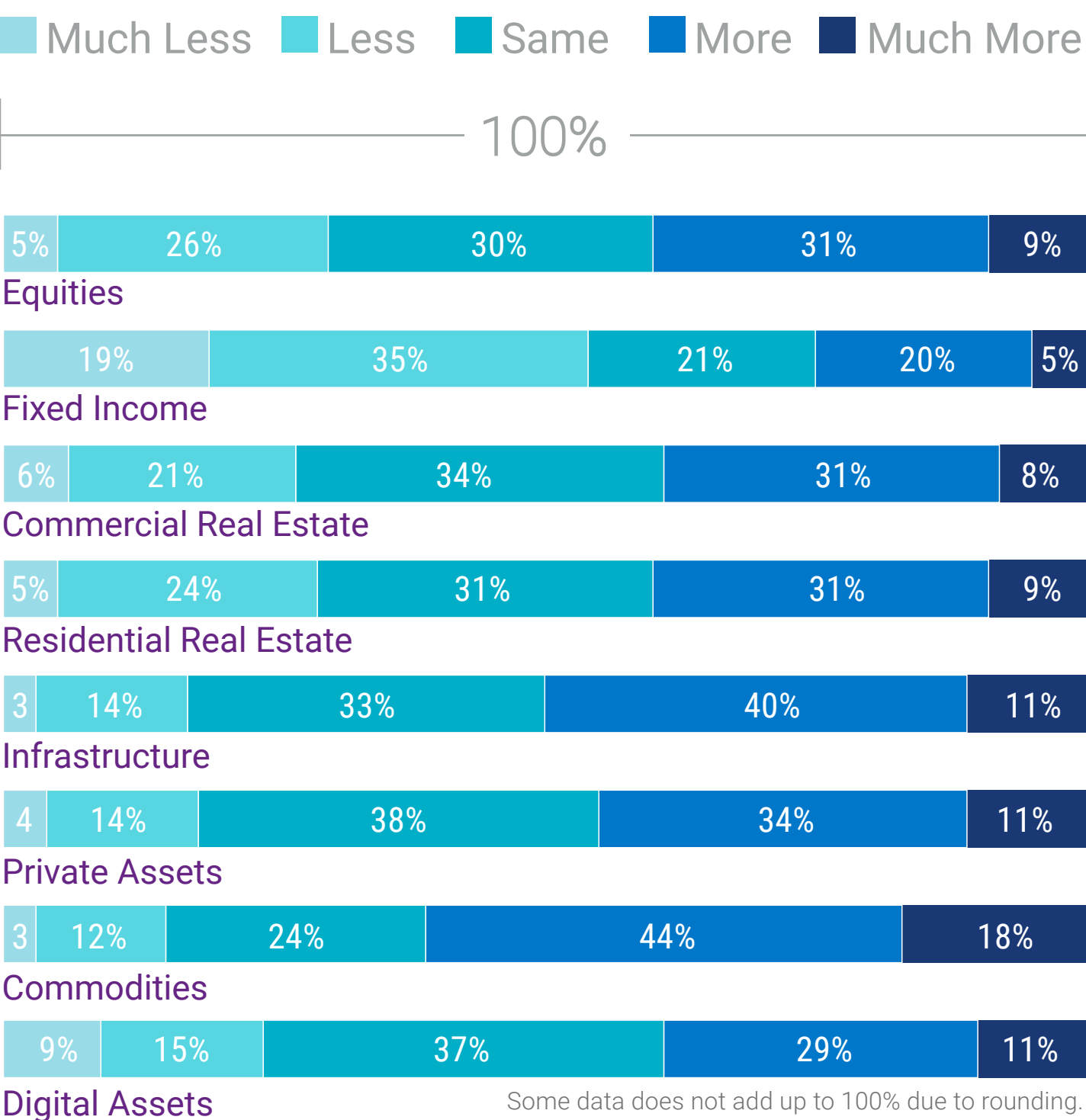
traditionally worked as an inflation hedge and 62% of professionals find them more appealing today. The rationale cannot be clearer than a global spike in oil prices. As an independent consultant in Italy explains the appeal:

“Central banks want to make inflation their priority, followed by growth... I expect commodities to be an interesting asset class because global growth is increasing. They also give protection from inflation because commodity prices can increase in line with inflation or by more.”

Surprisingly, financial professionals are more likely to say they find digital assets more attractive (39% more attractive vs. 24% less) in today’s market. Given recent performance, digital assets in general, and cryptocurrencies in particular, have been directly correlated to the stock market.

Crypto is down close to 50% since January.⁹ Professionals may still find digital assets appealing in the current environment for their diversification potential.

HOW ATTRACTIVE ARE STOCKS, BONDS AND OTHER ASSET CLASSES TODAY?



Digital assets

With cryptocurrencies regularly posting double- and even triple-digit returns, digital assets captured investors' imagination. As a result, almost half (48%) of financial professionals report that client demand for digital assets is increasing. Demand is particularly high in Latin America where 59% of professionals say clients are inquiring. Another 42% of professionals globally also report clients are specifically asking more about NFTs, including 60% in Latin America and 54% in Asia.

The challenge for advisors, though, is that few (26%) can offer them to clients, with the exception of Latin America where 45% of professionals say they have digital assets on the menu.

Despite the lack of availability from financial professionals, investors are finding their way to the asset class on their own. Overall, 56% of those surveyed say their clients hold digital assets, including 62% in Asia and 61% in Latin America.

It's likely that FOMO is driving investors to make inquiries about crypto. In fact, more than half of professionals (54%) say clients have asked if they are missing out on crypto.

"A lot of things inside the crypto space are actually still at a very exploratory stage and so, not being a crypto native, I don't think that I have the sufficient expertise to actually invest into that. I wouldn't advise them [clients] to go into it. But I would say that if you do have an interest, I would pick funds that invest in [related businesses], so they have less exposure to the actual crypto space itself."

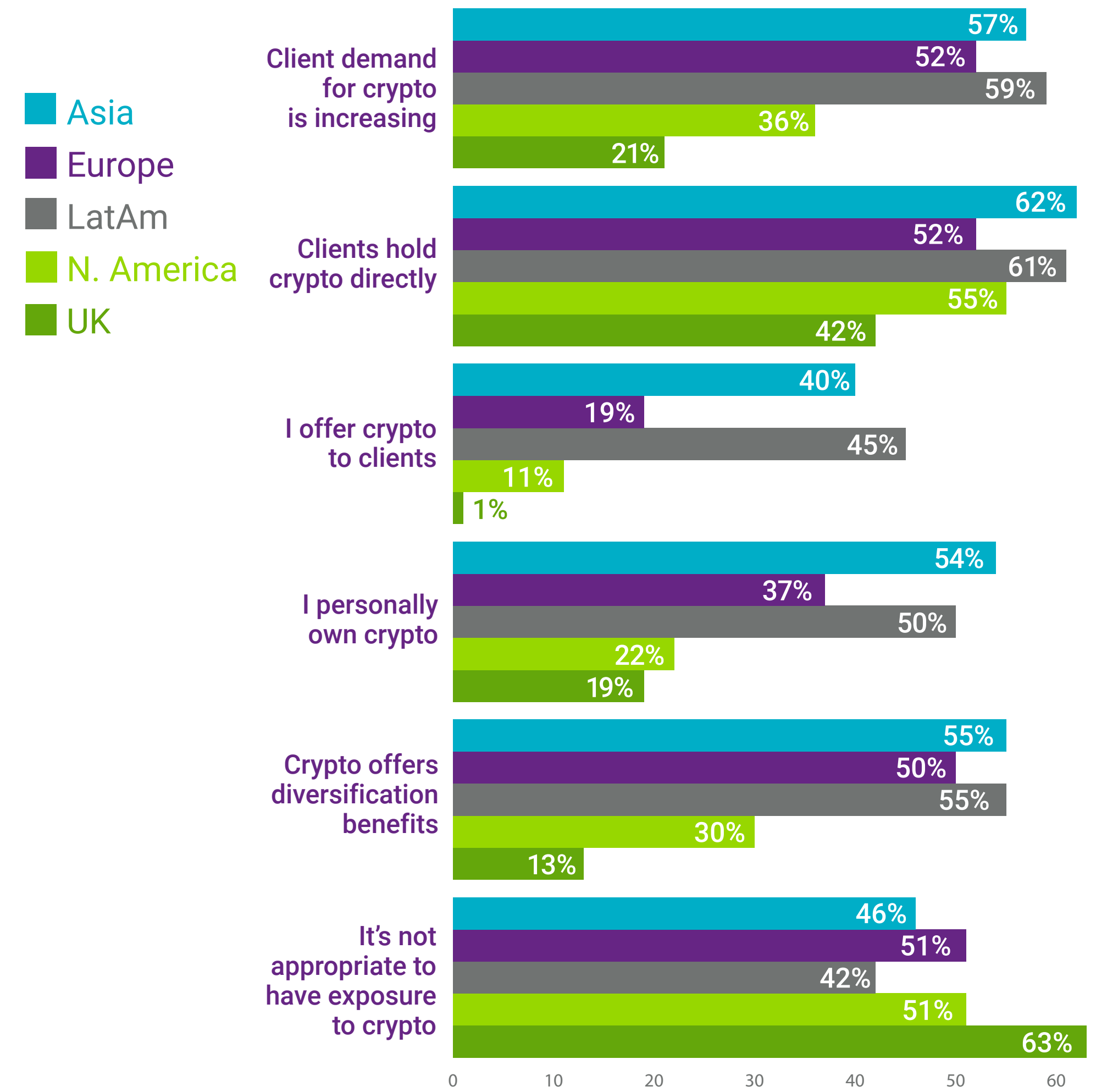
–Independent Advisor, Singapore

The challenge with any new investment is being able to explain how it works. As of today, just four in ten financial professionals say they're comfortable explaining crypto. In fact, almost the same number (39%) say they own cryptocurrencies personally, including 54% of those in Asia, suggesting personal experience with the assets could go a long way toward building confidence.

Given that digital assets are unregulated and can be volatile, it's no surprise to find that financial professionals are cautious about clients investing in crypto. In fact, almost half of those surveyed (49%) say they do not think crypto is appropriate for most individual investors.

Overall, in this more volatile and uncertain time, survey respondents are looking at these relatively new assets and are holding fast to a timeless investment strategy: buy low and sell high. With crypto values in rapid decline from 2021 highs, about half (47%) of investment professionals globally and 59% in North America are telling clients to avoid cryptocurrencies. Another 36% are advising clients to avoid NFTs.

PROFESSIONAL VIEWS ON CRYPTO VARY REGIONALLY



03

The hardest thing to manage may be client expectations

Financial professionals see investor expectations for risk and return challenged by volatile markets. Their advice: Investors should control what they can. Their emotions.

Investors have benefited from ultra-low interest rates, no or relatively low inflation, and surging stock prices for more than a decade. Now that those constants have reversed course and investors are faced with a more volatile and uncertain environment, financial professionals say clients are coming to them with urgent questions. Topping the list are interest rate concerns.

With the Fed implementing the biggest rate hike in 22 years and other central banks poised to follow suit, eight in ten financial professionals say clients want to know if they should be afraid of rising interest rates.

With both stocks and bonds experiencing corrections, investors' survival instincts are kicking in and nearly three-quarters of professionals (73%) are hearing clients ask, "Do I need to get out of the market now?" Even more advisors in North America (82%) are getting the same question from clients.

The downturn may force investors to reset any overly optimistic expectations for their investments in 2022. In fact, one-quarter of the way into the year, more than

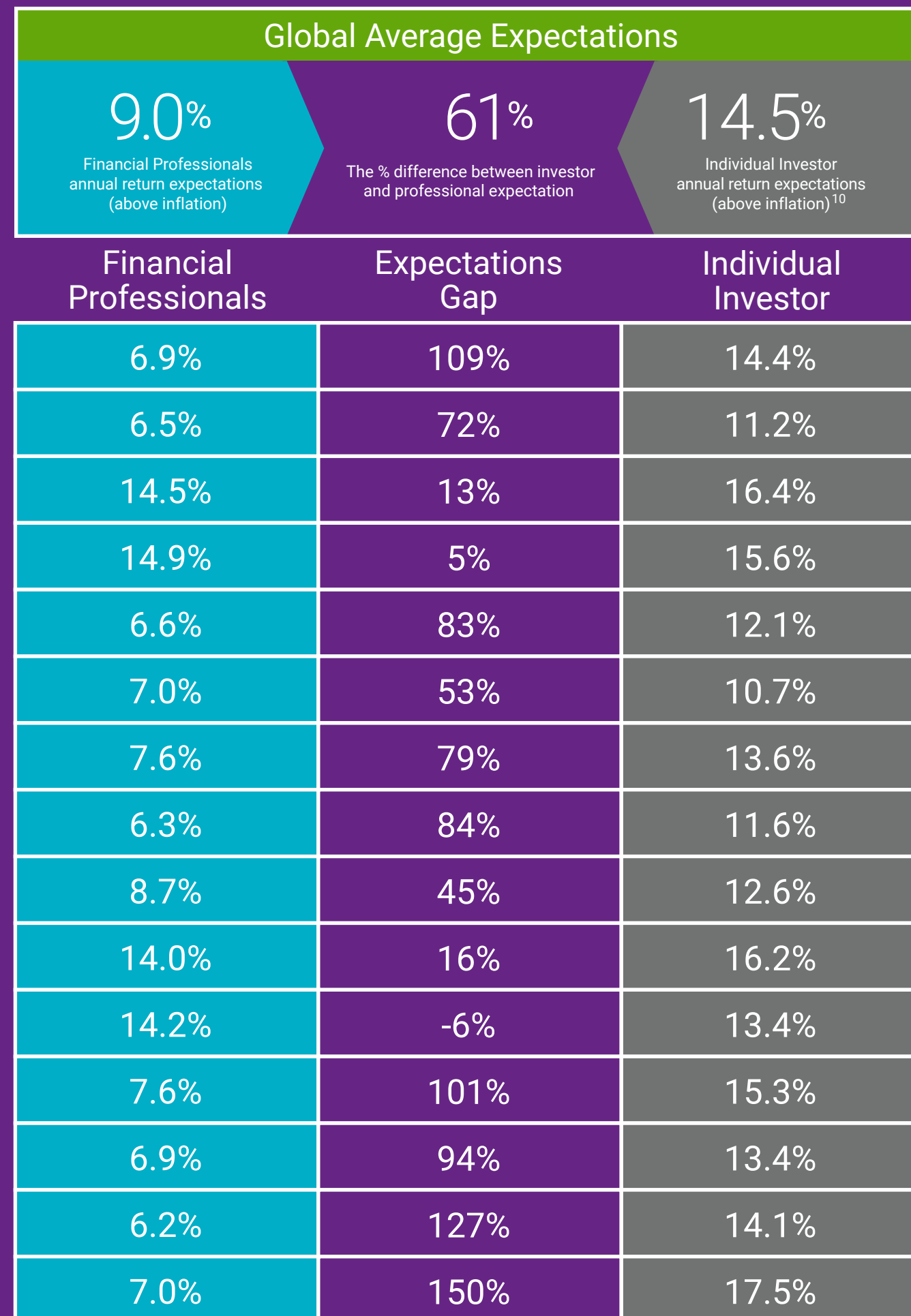
half of advisors (53%) have already heard clients ask: "Why I am I not meeting my return expectations?"

"This market has gone straight up for 12-plus years," says a wirehouse advisor in the US. "We've had low volatility and markets... It's not reasonable to expect that to continue."

"So," she says, "our job is to keep the client grounded and focused on things that they can control, which is their expectations."

This conversation may be particularly challenging as investors have grown accustomed to big returns. When we asked in 2021, investors said they expected long-term returns of 14.5% above inflation on average.¹⁰ Given where markets are now, those expectations seem unattainable in 2022 at least. In this environment, even the 9% above inflation professionals say is realistic over the long term feels far off from today's reality.

EXPECTATIONS GAP BY COUNTRY



"Generally, the problem is not their expectations about returns, it is more about their expectations about the downside risk of their investments. The returns we are talking about are in line with their expectations. But there can be a conflict over the downside scenarios that they could face if market conditions are adverse. Some investors are not prepared to see a fall in value for their investments..."

- Independent Financial Advisor, France

With inflation returning at levels last seen in the 1980s, 72% of professionals say their clients are asking if their portfolio offers any inflation protection.

"My clients aren't so much concerned about inflation as it affects their day-to-day life. They are concerned about what principal preservation effect it may have on their account values."

"Will inflation make interest rates continue to rise? How does that affect my fixed income? How does that affect my balanced accounts, stock and bond accounts? Will that slow down corporate earnings to the extent that the stock market will level off or go down? That's the only concern they have about inflation."

- Registered Investment Advisor, US

After watching pandemic-related deaths surpass 6 million people worldwide, many people are reflecting on their own mortality. About one-quarter of individuals in our 2021 global survey of investors said the pandemic showed them the importance of having an estate plan.¹⁰ As time goes by, even more investors want to know that they have covered off on legacy plans.

Six in ten advisors say clients are asking “What happens if I die?” or “Have I done enough to provide for my family?” Recognizing that they need to demonstrate value beyond asset allocation, financial professionals can strengthen relationships by proactively ensuring that clients have an estate plan in place.

This kind of discussion generally focuses on providing for a surviving spouse and leaving a legacy for children and grandchildren. Financial professionals looking to extend their relationship to next-generation heirs will be well served to understand client goals, their wealth plans, and any underlying family sensitivities that need to be considered in the estate plan.

With the great resignation still under way, more than half of advisors (53%) globally say clients have asked them, “Can I afford to quit my job?”

The global average on this question may work out to half, but there are significant regional differences. Professionals in the US (71%), the UK (67%) and Canada (63%) were most likely to get this question. Significantly fewer in Spain (20%), Switzerland (33%), Italy (34%) and France (38%) heard from clients on this issue.

With real estate prices climbing dramatically, clients are coming to their investment professional to determine their next move. Overall, 48% of professionals say clients have asked if the time was right to cash out of their property, or to buy a house. Financial professionals may be hearing that question less often in the coming months, as rising rates and uncertainty about economic performance appear to have already had an impact on real estate.

For example, the US Census Bureau reports that March 2022 new home sales had dropped by 8.6% from the previous month. This after dropping by 7.2% in February. Despite the dip in sales, the median selling price of a home in the US increased from \$400,600 in February to \$436,700 in March, underscoring just how big a role property may play in the wealth of individual investors.¹¹ The longer the downturn lasts, the fewer clients are likely to be making this inquiry.

“People are worried. A guy emailed me yesterday saying ‘I was hoping to retire in the next year or so but I’m going to keep working because I don’t think the cost of living and retirement are going to work together at the moment.’ So people are nervous about whether the money is going to last as long as they thought it was going to last in retirement if it was a defined contribution pension scheme, or an investment fund.”

–Independent Financial Advisor, UK

Taxes

With markets in retreat, investors may be tempted to sell out. But after benefiting from the recent run up in stocks, selling out may mean investors will be stung twice. Not only will liquidating assets lock in losses, but investors may also feel an added tax bite at year-end.

A little more than three-quarters of those we polled in our 2021 individual investor survey claimed that they weigh the tax consequences of their investment decisions. But when it comes down to it, only about one-third say that help with tax issues is important in their relationship with a financial professional.¹⁰

Those professionals see a much different side of the story. Seven in ten financial professionals say investors fail to consider taxes in their investment decisions. In fact, more than half (56%) say clients are more concerned about minimizing fees than minimizing their

tax liability. Many professionals may see this as a case of being penny-wise and pound-foolish, as 82% say minimizing taxes is an important part of a financial plan.

Investors' inaction on taxes may be changing. Even though professionals say investors are not actively incorporating taxes in their decision making, nearly seven in ten (68%) say clients are asking about how taxes will impact their portfolio. Investment professionals are ready to respond; three-quarters report that minimizing taxes is one of the ways they demonstrate their value to clients.

Professionals understand it's not necessarily what investors earn on their investments that matters; ultimately it's what they keep that matters most. In fact, 71% of investment professionals globally say after-tax returns are more important than pre-tax – a number that includes 87% of professionals in Canada, 85% in the UK, and 81% in the US. With tax management such

an important part of their value proposition, 79% of financial professionals say they consider the tax implications for their investment recommendations.

Even if clients moderate their return expectations because of current market performance, it's likely the figure they have in mind will still be higher than what professionals call realistic. Financial professionals who are able to demonstrate that effective tax management helped get returns closer to client expectations will have an important edge in retaining assets for the long term.

56%

of investment professionals say clients are more concerned about minimizing fees than minimizing their tax liability.



04

Business models will need to adapt to emerging client needs

With client demand for financial planning on the rise, advisors are making the transition to a more holistic business model by expanding services on the planning side and implementing model portfolios on the investment side.

Financial professionals know that demonstrating value above and beyond asset allocation is an important success metric. Where once they may have earned new assets with investment selection and portfolio construction prowess, professionals know clients expect more.

In our 2021 investor survey, respondents explained what more they want from a financial professional. When asked what services they were most interested in, they cited financial planning (48%), retirement income planning (40%), private investment opportunities (35%), tax-efficient investment strategies (34%), and educating family members about investing (25%) as their top five.¹⁰ The challenge in delivering on these services is that they take time.

Financial professionals who look to deliver on client service expectations while still delivering a consistent

investment experience are finding their way to one particular solution that helps them address both needs: model portfolios.

"We try to get as close to 100% of our clients having some type of model," says an RIA from the US. "It goes back to the idea of trying to impress upon them that a lot of the risk management is based off the asset allocation, not necessarily the stock selection."

Nearly nine out of ten financial professionals surveyed are using model portfolios in their practice. Overall, 43% say they are using proprietary models developed by their firm. A little less than one-third (31%) build their own models and 27% are implementing models from third-party providers like asset managers to manage client investments.

9 out of 10

financial professionals surveyed are using model portfolios in their practice.



While the 12% who are not using any models may be a small number, their perceptions offer a glimpse of some key barriers for model adoption among financial professionals. More than half (54%) say they don't use models because portfolio construction is essential to their value proposition. Fewer (38%) worry about a lack of customization. And about one-quarter (27%) say they have not yet found the right product for clients. Only a smaller number (13%) say models make it difficult to answer questions about their fee.

Where those who don't use models are concerned that too much of their value proposition with clients is built on asset allocation, the 88% who use models in their practice

say they have more to offer than just portfolio construction. In fact, three-quarters of these financial professionals say their clients value them for their financial planning services – including 89% of financial professionals in the US.

For perspective on how her team is positioned with clients, a wirehouse advisor says, "We basically tell people we serve as their family's personal CFO." She explains this approach to clients in simple terms: "Anything related to the dollar sign that impacts them, we can implement on their behalf, and at a minimum we can give them referrals for certain niches that we don't actually do, like taxes, or if they need long-term care."



Meeting a full spectrum of clients' demands

The value of this approach cannot be overstated, as financial planning is the number one service individuals in our 2021 investor survey said they wanted from their financial professionals.¹⁰ Similarly, 51% of model users say their clients value them for tax management services – another of the top five services investors say they want from a financial professional.

Along the same lines as financial planning, professionals who implement model portfolios say their clients value them for their estate planning and trust services (50%). The 45% of financial professionals who see connecting with next-generation heirs as a growth driver should take note of how models can enhance their efforts – especially considering the number who worry about the time it takes to do this well. About half (49%) of advisors say their clients value the family wealth education they provide.

"I am doing well with establishing relationships with next of kin," says an IFA from Spain. "Once a client opens an account with me, I encourage them to also open an account for their kids even if they have low AUM. I then try to explain to their kids about simple financial concepts and establish a sense of trust with me."

Best strategies for implementation

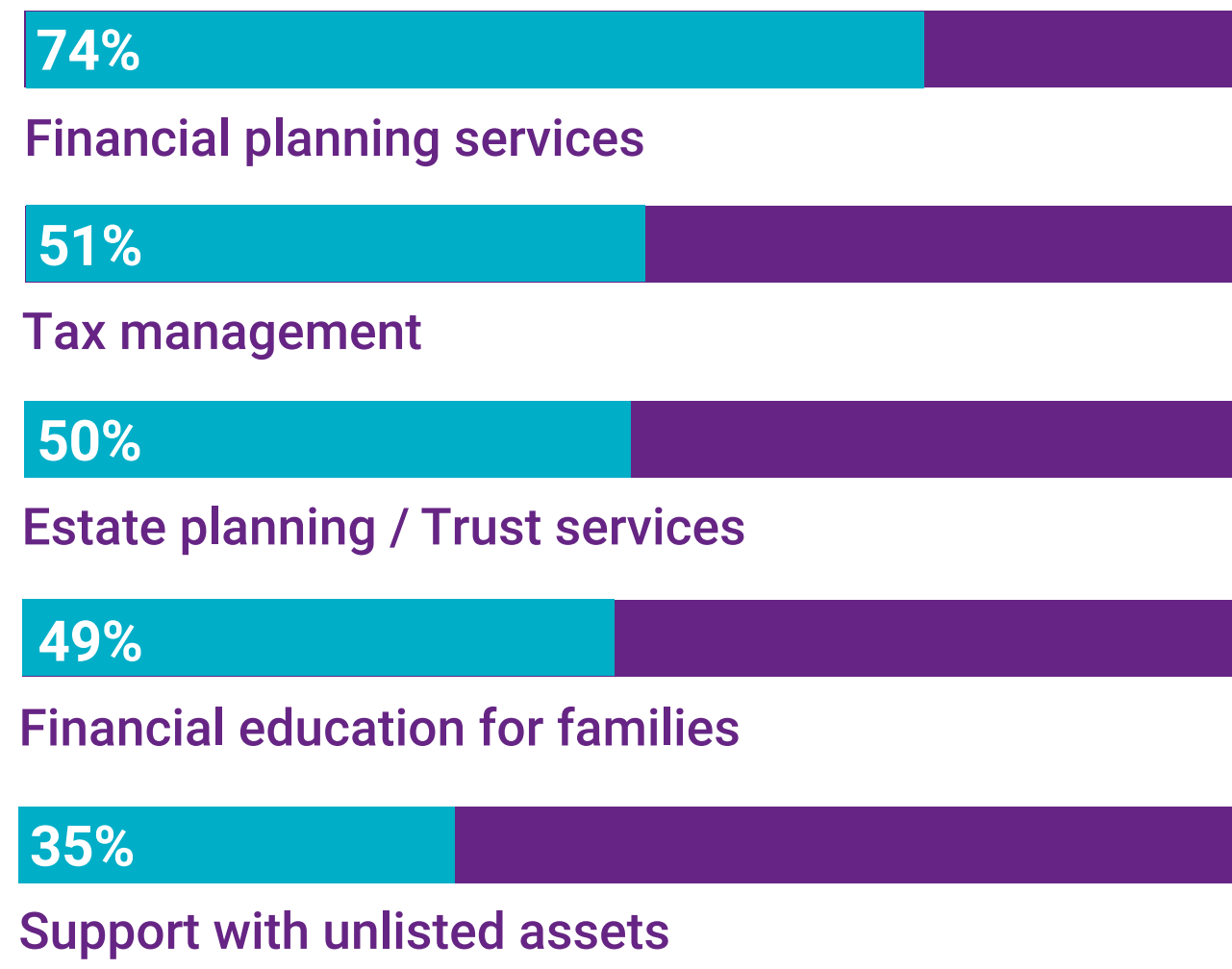
Once the decision to implement models has been made, financial professionals are thoughtful about the best way to transition clients. Given the time needed to make the transition and the need to consider potential tax implications, it's not surprising to learn that half of advisors worldwide and 58% in the US say they implement models on a case-by-case basis.

While one-third of professionals said they took the plunge and converted all clients to models at the same time, the

same number said they took a phased approach. Those who phased in models to their practice offer some insights on where the best opportunities lie.

"We use model portfolios for all of our clients," says a high-net-worth advisor in Switzerland. "It is part of the onboarding process. If we don't have an asset allocation or a model portfolio, then we don't know what to do with the client. We are not interested in just keeping them for the sake of the AUM."

PROFESSIONALS WHO USE MODELS FIND THAT CLIENTS VALUE THEM FOR A WIDE RANGE OF CAPABILITIES



Many times, the transition to models ties directly to a change of status in a client relationship. About four in ten (38%) concentrate models with new clients. It stands to reason that if financial professionals are planning to add as many as 20 new clients annually by 2024, they will need a strategy – and investments – that will make their efforts to onboard new clients more efficient.

Retirement is another change in client status in which financial professionals are finding model portfolios effective. Overall, about 22% use models for clients who are drawing an income off their portfolio. Most commonly, financial professionals in Mexico (34%), Singapore (32%) and Chile (30%) are using models in this application.

In the US, financial professionals are finding that models fit particularly well into one of the cornerstones of the wealth management business: retirement plan rollovers. Changing jobs can be a significant wealth event for Americans, and there is a lot on the line. For many individuals, their balance from a tax-qualified retirement savings vehicle can be their single biggest asset.

The money comes with strings attached including tax penalties for non-qualified withdrawals. Financial professionals may be using model portfolios here to move assets into a rollover IRA seamlessly with an all-in-one strategy.

“I’ve used models extensively for the last probably 10–12 years as I’ve grown my self-directed brokerage account / 401(k) advice business. Models work really well to communicate value to clients.”

– Registered Investment Advisor, US



Due diligence and model manager selection

Before financial professionals can entrust client assets to a model manager, they must conduct a thorough due diligence review of not just the underlying investments, but the capabilities and track record of the model portfolio manager.

For many, the most important model portfolio selection criterion may be risk-adjusted performance (46%), but financial professionals are almost equally focused on ensuring they find models at a competitive fee (45%).

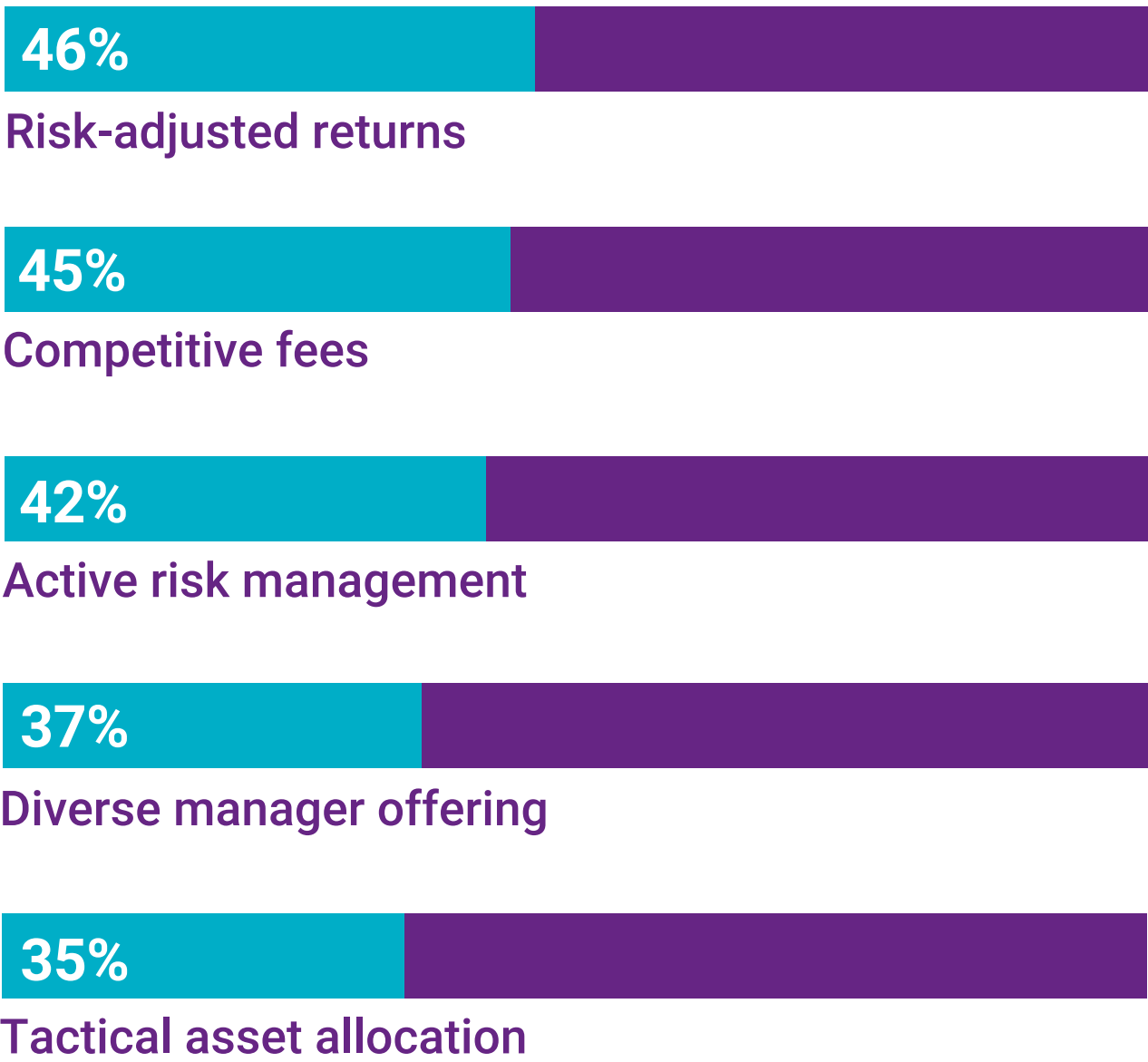
When it comes down to it, financial professionals are focused on how the models are managed and 42% are looking for active risk management within the portfolio. Another 37% want to be sure the model includes a diverse range of fund managers within the portfolio.

Another 35% look to the specific value created by the model manager, looking closely to see if they complement long-term strategy with tactical asset allocation that can help boost portfolio performance and/or manage risk.

“From my perspective, as an external adviser to model portfolios managed by other entities,” says an Italian independent investment consultant, “it is important that they can make tactical adjustments.”

“There is a common view that in markets with a high level of uncertainty it is important to have the core of a portfolio following a baseline scenario,” he adds. “And then to be very flexible, so you can take tactical opportunities. In current conditions, that is the right thing to do.”

HOW FINANCIAL PROFESSIONALS EVALUATE MODELS



About one-quarter of financial professionals say they also want help in educating clients about how the models work and why they make a sensible choice. Roughly the same number are looking for models to offer integration of ESG (environmental, social and governance) principles (24%). Surprisingly, just one in five financial professionals (21%) say they consider tax management, which, when executed effectively, can enhance a model's return potential.

In discussing with clients why they chose a third-party model, advisors most frequently emphasize the risk/return profile (61%). They also stress the diversification benefits (53%), the team responsible for running the money (47%) and the performance history of the portfolio (46%).

Beyond these critical investment criteria, one-third (34%) of financial professionals say they also stress the strength of the asset manager's brand. Nearly the same number (32%) focus on the asset manager's independence.

Beyond expanding their service offering to match client interests and adopting model portfolios, financial professionals must also adapt to emerging business trends to better meet the challenges of a new market.

Why advisors choose a 3rd party model:

61%

Risk/return profile

53%

Diversification

47%

Management team

46%

Performance history

Responding to the Great Resignation

Like many businesses, financial professionals have felt the impact of the “great resignation.” Almost six in ten (58%) have felt the impact of the trend. More than one-quarter (26%) say it has been a struggle to find qualified applicants to fill open positions on their teams.

Financial professionals in Asia are feeling the labor squeeze more than any other region, including 45% of those in Hong Kong saying it’s a challenge despite a moderate increase in the unemployment rate to 5.3%. Four in ten are feeling the labor squeeze in Singapore, where unemployment is at 3.6%, and Japan, where it’s at 2.8%.¹²

One-quarter globally report they are feeling the added pressure of increased staffing cost, including 53% in Hong Kong, 39% in Singapore and 40% in Chile. One in five (19%) report losing key personnel as well, including 43% in Hong Kong, 31% in Singapore and 32% in Mexico.

A smaller number (18%) say the service quality for clients has declined as a result of staff shortages. Clients in Mexico (34%), Uruguay (33%), Singapore (33%) and Hong Kong (31%) are most likely to notice the decline, while those in the US (6%), Australia (7%) and the UK (8%) are less likely.

FINANCIAL PROFESSIONALS ARE FEELING THE SQUEEZE

	Canada	Chile	France	Hong Kong	UK	US
We are struggling to find quality applicants	7%	39%	29%	45%	16%	16%
We have lost key staff	10%	27%	16%	43%	11%	5%
Our service quality has dropped due to staffing issues	13%	28%	15%	31%	8%	6%
Created rollover opportunities	6%	28%	10%	33%	5%	31%
Increased staffing costs	5%	40%	23%	53%	13%	17%
We have not been impacted	81%	21%	47%	3%	70%	53%

Financial professionals in the US, however, seemed to have found the silver lining as 31% report the great resignation has created rollover opportunities, which, as noted, can be an important source of new assets from both current clients and prospects.

Growth prospects

Despite the challenges and changes in the world, the markets, portfolios, and their business, financial professionals have set aggressive growth goals for the next three years. As seen in years past, new assets from new clients always rise to the top of their priorities for business growth. But identifying prospects and winning their business is a time-consuming process.

Over the past two years, pandemic protocols have challenged the world to adapt to remote business practices. But over the past two years, financial professionals have found that tried and true strategies have generated their business growth. Seven in ten (72%) say client referrals have helped move the needle, including 92% in Canada, 90% in Australia and 86% in the US.

“At this point, nearly all of my clients are through word of mouth from other clients,” says an IFA based in Spain. “70% are referrals with the rest coming from commercial ventures.”

Referrals from accountants, lawyers and other professionals (48%) have also helped drive growth. In-person

events and experiences such as client seminars and dinners proved to be effective for one-third of professionals (34%). About one in five also say that social media has been effective in their prospecting efforts, although that is an average. Professionals in Singapore (45%), Colombia (43%) and Hong Kong (41%) had the greatest success with social, while smaller numbers in Switzerland (5%), Germany (9%) and the US (9%) found it generated assets.

When it comes down to it, no matter where they are or where they look for new business, financial professionals will have their work cut out for them. They’ll have to evaluate how world events could impact their clients. They’ll have to navigate a more volatile market environment. They’ll have to moderate client expectations and anticipate their reaction. They’ll also need to think about how to adapt their business to changing client needs.

There are many challenges and much to consider, but financial professionals are optimistic despite their new circumstances. From what they tell us, they are ready to take it on.

SOCIAL MEDIA IS FINDING A PLACE IN PROSPECTING EFFORTS

While professionals in many regions are navigating regulatory requirements and finding their footing with social media, those in Asia and Latin America have hit their stride. More than four in ten in Colombia, Singapore and Hong Kong are finding that an effective strategy for outlets such as LinkedIn is helping them rise assets and meet growth goals.

43%
Colombia

41%
Hong Kong

45%
Singapore

About the survey

Natixis Investment Managers, Global Survey of Financial Professionals conducted by CoreData Research in March and April 2022. Survey included 2,700 respondents in 16 countries.

About the Natixis Center for Investor Insight

The Natixis Center for Investor Insight is a global research initiative focused on the critical issues shaping today's investment landscape. The Center examines sentiment and behavior, market outlooks and trends, and risk perceptions of institutional investors, financial professionals and individuals around the world. Our goal is to fuel a more substantive discussion of issues with a 360° view of markets and insightful analysis of investment trends.

[Learn more](#)



Meet the team:

Dave Goodsell
Executive Director

Stephanie Giardina
Program Manager

Erin Curtis
Assistant Program Manager

Jessie Cross
AVP, Content

1 “Women as the next Wave of Growth in US Wealth Management.” McKinsey & Company, McKinsey & Company, 29 July 2020, <https://www.mckinsey.com/industries/financial-services/our-insights/women-as-the-next-wave-of-growth-in-us-wealth-management>.

2 “LGBT MARKET STATISTICS.” LGBT, http://www.lgbt-capital.com/index.php?menu_id=2

3 “GDP by Country.” Worldometer, <https://www.worldometers.info/gdp/gdp-by-country/>

4 FactSet

5 “Transcript of Asia and Pacific Department Press Briefing.” IMF, 25 Apr. 2022, <https://www.imf.org/en/News/Articles/2022/04/26/tr042522-transcript-of-asia-and-pacific-department-press-briefing>

6 FactSet

7 Natixis Investment Managers, Global Survey of Individual Investors conducted by CoreData Research, February-March 2019. Survey included 9,100 investors from 25 countries.

8 FactSet

9 “S&P Cryptocurrency Broad Digital Market Index.” S&P Dow Jones Indices, <https://www.spglobal.com/spdji/en/indices/digital-assets/sp-cryptocurrency-broad-digital-market-index/#overview>

10 Natixis Investment Managers, Global Survey of Individual Investors conducted by CoreData Research in March and April 2021. Survey included 8,550 investors from 24 countries.

11 “United States New Home Sales.” United States New Home Sales - May 2022 Data - 1963-2021 Historical - June Forecast, <https://tradingeconomics.com/united-states/new-home-sales>

12 “Unemployment, Total (% of Total Labor Force) (Modeled ILO Estimate).” Data, The World Bank, <https://data.worldbank.org/indicator/SL.UEM.TOTL.ZS>.

The MSCI All Country World Index is a free float-adjusted market capitalization weighted index designed to provide a broad measure of equity-market performance throughout the world. The MSCI ACWI is composed of stocks from 23 developed countries and 24 emerging markets.

S&P 500® Index is a widely recognized measure of US stock market perfor-

mance. It is an unmanaged index of 500 common stocks chosen for market size, liquidity, and industry group representation, among other factors. It also measures the performance of the large-cap segment of the US equities market.

The FTSE 100 Index is one of the world’s most recognized indices and accounts for 7.8% of the world’s equity market capitalization. It represents the performance of the 100 largest blue chip companies listed on the London Stock Exchange, which meet the FTSE’s size and liquidity screening. The index represents approximately 85.2% of the UK’s market and is currently used as the basis for a wealth of financial products available on the London Stock Exchange, National Stock Exchange of India and others institutions globally.

Sustainable investing focuses on investments in companies that relate to certain sustainable development themes and demonstrate adherence to environmental, social and governance (ESG) practices; therefore the universe of investments may be limited and investors may not be able to take advantage of the same opportunities or market trends as investors that do not use such criteria. This could have a negative impact on an investor’s overall performance depending on whether such investments are in or out of favor.

Not all affiliated investment managers integrate ESG considerations into decision-making to the same extent. Investors should always review the offering documents on im.natixis.com before investing in any fund or strategy to fully understand the methods and extent an investment manager incorporated ESG factors into their investment and voting decisions.

Real estate investing may be subject to risks including but not limited to declines in the value of real estate, risks related to general economic conditions, changes in the value of the underlying property owned by the trust, and defaults by borrowers.

Alternative investments involve unique risks that may be different from those associated with traditional investments, including illiquidity and the potential for amplified losses or gains. Investors should fully understand the risks associated with any investment prior to investing.

Commodity-related investments, including derivatives, may be affected by a number of factors including commodity prices, world events, import controls, and economic conditions and therefore may involve substantial risk of loss.

Cryptocurrencies are subject to numerous market risks, they are speculative and volatile, can become illiquid at any time, and are for investors who can tolerate the full loss of their investment.

Diversification does not guarantee a profit or protect against a loss.

The views and opinions expressed may change based on market and other conditions. This material is provided for informational purposes only and should not be construed as investment advice. There can be no assurance that developments will transpire as forecasted. Actual results may vary.

All investing involves risk, including the risk of loss. No investment strategy or risk management technique can guarantee return or eliminate risk in all market environments.

Outside the United States, this communication is for information only and is intended for investment service providers or other Professional Clients. This material must not be used with Retail Investors. This material may not be redistributed, published, or reproduced, in whole or in part. Although Natixis Investment Managers believes the information provided in this material to be reliable, including that from third party sources, it does not guarantee the accuracy, adequacy or completeness of such information. **In the EU (ex UK):** Provided by Natixis Investment Managers S.A. or one of its branch offices listed below. Natixis Investment Managers S.A. is a Luxembourg management company that is authorized by the Commission de Surveillance du Secteur Financier and is incorporated under Luxembourg laws and registered under n. B 115843. Registered office of Natixis Investment Managers S.A.: 2, rue Jean Monnet, L-2180 Luxembourg, Grand Duchy of Luxembourg. **France:** Natixis Investment Managers Distribution (n.509 471 173 RCS Paris). Registered office: 43 avenue Pierre Mendès France, 75013 Paris. **Italy:** Natixis Investment Managers S.A., Succursale Italiana (Bank of Italy Register of Italian Asset Management Companies no 23458.3). Registered office: Via Larga, 2 - 20122, Milan, Italy. **Germany:** Natixis Investment Managers S.A., Zweigniederlassung Deutschland (Registration number: HRB 88541). Registered office: Im Trutz Frankfurt 55, Westend Carrée, 7. Floor, Frankfurt am Main 60322, Germany. **Netherlands:** Natixis Investment Managers, Nederlands (Registration number 50774670). Registered office: Stadsplateau 7, 3521AZ Utrecht, the Netherlands. **Sweden:** Natixis Investment Managers, Nordics Filial (Registration number 516405-9601 - Swedish Companies Registration Office). Registered office: Kungsgatan 48 5tr, Stockholm 111 35, Sweden. **Spain:** Natixis Investment Managers, Sucursal en España. Serrano n°90, 6th Floor, 28006 Madrid, Spain. **In Switzerland:** Provided by Natixis Investment Managers, Switzerland Sàrl, Rue du Vieux Collège 10, 1204 Geneva, Switzerland or its representative office in Zurich, Schweizergasse 6, 8001 Zürich. **In the UK:** Provided by Natixis Investment Managers UK Limited, authorized and regulated by the Financial

Conduct Authority (register no. 190258). Registered Office: Natixis Investment Managers UK Limited, One Carter Lane, London, EC4V 5ER. **In the DIFC:** Distributed in and from the DIFC financial district to Professional Clients only by Natixis Investment Managers Middle East (DIFC Branch) which is regulated by the DFSA. Related financial products or services are only available to persons who have sufficient financial experience and understanding to participate in financial markets within the DIFC, and qualify as Professional Clients as defined by the DFSA. Registered office: Office 603 - Level 6, Currency House Tower 2, PO Box 118257, DIFC, Dubai, United Arab Emirates. **In Singapore:** Provided by Natixis Investment Managers Singapore (name registration no. 53102724D), a division of Ostrum Asset Management Asia Limited (company registration no. 199801044D). Registered address of Natixis Investment Managers Singapore: 5 Shenton Way, #22-05 UIC Building, Singapore 068808. **In Taiwan:** Provided by Natixis Investment Managers Securities Investment Consulting (Taipei) Co., Ltd., a Securities Investment Consulting Enterprise regulated by the Financial Supervisory Commission of the R.O.C. Registered address: 16F-1, No. 76, Section 2, Tun Hwa South Road, Taipei, Taiwan, Da-An District, 106 (Ruentex Financial Building I), R.O.C., license number 2017 FSC SICE No. 018, Tel. +886 2 2784 5777. **In Japan:** Provided by Natixis Investment Managers Japan Co., Ltd., Registration No.: Director-General of the Kanto Local Financial Bureau (kinsho) No. 425. Content of Business: The Company conducts discretionary asset management business and investment advisory and agency business as a Financial Instruments Business Operator. Registered address: 1-4-5, Roppongi, Minato-ku, Tokyo. **In Hong Kong:** Provided by Natixis Investment Managers Hong Kong Limited to institutional/corporate professional investors only. Please note that the content of the above website has not been reviewed or approved by the HK SFC. It may contain information about funds that are not authorized by the SFC. In Australia: Provided by Natixis Investment Managers Australia Pty Limited (ABN 60 088 786 289) (AFSL No. 246830) and is intended for the general information of financial advisers and wholesale clients only. **In New Zealand:** This document is intended for the general information of New Zealand wholesale investors only and does not constitute financial advice. This is not a regulated offer for the purposes of the Financial Markets Conduct Act 2013 (FMCA) and is only available to New Zealand investors who have certified that they meet the requirements in the FMCA for wholesale investors. Natixis Investment Managers Australia Pty Limited is not a registered financial service provider in New Zealand. **In Latin America:** Provided by Natixis Investment Managers S.A. In Colombia: Provided by Natixis Investment Managers S.A. Oficina de Representación (Colombia) to professional clients

for informational purposes only as permitted under Decree 2555 of 2010. Any products, services or investments referred to herein are rendered exclusively outside of Colombia. **In Mexico:** Provided by Natixis IM Mexico, S. de R.L. de C.V., which is not a regulated financial entity or an investment manager in terms of the Mexican Securities Market Law (Ley del Mercado de Valores) and is not registered with the Comisión Nacional Bancaria y de Valores (CNBV) or any other Mexican authority. Any products, services or investments referred to herein that require authorization or license are rendered exclusively outside of Mexico. Natixis Investment Managers is an entity organized under the laws of France and is not authorized by or registered with the CNBV or any other Mexican authority to operate within Mexico as an investment manager in terms of the Mexican Securities Market Law (Ley del Mercado de Valores). Any use of the expression or reference contained herein to “Investment Managers” is made to Natixis Investment Managers and/or any of the investment management subsidiaries of Natixis Investment Managers, which are also not authorized by or registered with the CNBV or any other Mexican authority to operate within Mexico as investment managers. **In Uruguay:** Provided by Natixis Investment Managers Uruguay S.A., a duly registered investment advisor, authorized and supervised by the Central Bank of Uruguay. Office: San Lucar 1491, oficina 102B, Montevideo, Uruguay, CP 11500. The above referenced entities are business development units of Natixis Investment Managers, the holding company of a diverse lineup of specialized investment management and distribution entities worldwide. The investment management subsidiaries of Natixis Investment Managers conduct any regulated activities only in and from the jurisdictions in which they are licensed or authorized. Their services and the products they manage are not available to all investors in all jurisdictions. **In the United States:** Provided by Natixis Distribution, LLC, 888 Boylston St., Boston, MA 02199. Natixis Investment Managers includes all of the investment management and distribution entities affiliated with Natixis Distribution, LLC and Natixis Investment Managers S.A.

This material should not be considered a solicitation to buy or an offer to sell any product or service to any person in any jurisdiction where such activity would be unlawful.

