

# The Impact of 2020 on Advice—and Advisors

New survey reveals how advisors will move beyond 2020, and how asset managers can adjust to this “new normal.”



## Executive summary

The COVID-19 crisis has left an indelible mark on investors, financial advisors and asset management firms. It's changed advisor needs and expectations, possibly forever.

Yet, even in the current environment, opportunities exist for asset managers to gain market share.

Here, we provide vital insight into how recent events have impacted advisors and the way they see their practice.

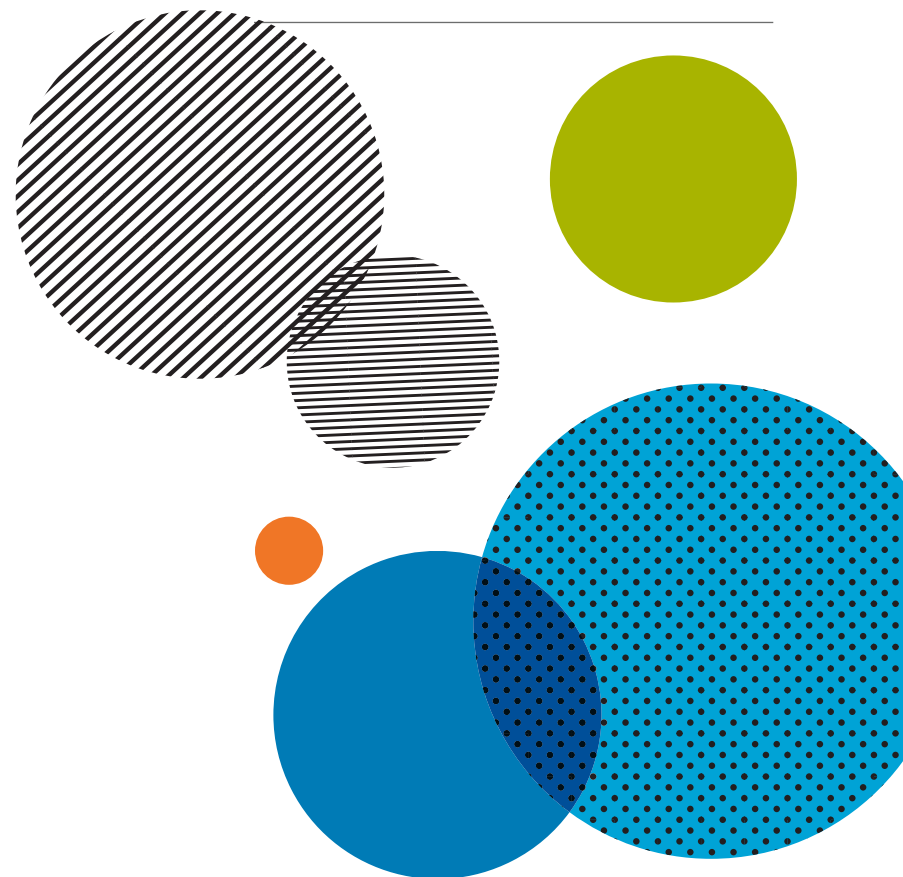
Our study of advisors shows an acceleration of trends already in place:

1. Greater use of outsourced models
2. A shift towards ETFs and Separately Managed Accounts (SMAs)
3. Heightened interest in ESG investing

We explore how advisors work and think in a world where traditional distribution strategies are no longer viable. And we illustrate how asset managers must re-evaluate resources and advisor-engagement strategies as they adapt to the “new normal.”

70%

of advisors agree: The COVID-19 crisis will have **lasting, long-term impacts.**

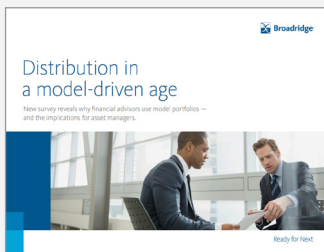


During July and August 2020, Broadridge conducted a survey in partnership with research firm 8 Acre Perspective, polling 401 financial advisors with at least \$10M in AUM and 20% of AUM in ETFs and/or mutual funds.

This latest in our series of financial advisor surveys reveals how advisors are adapting, and how they are changing their business models in response to market volatility and the pandemic.

## PRIOR FINANCIAL ADVISOR SURVEYS

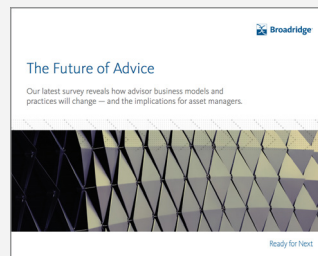
*Distribution in a Model-Driven Age >*



*ETF Outlook 2020 >*



*The Future of Advice >*



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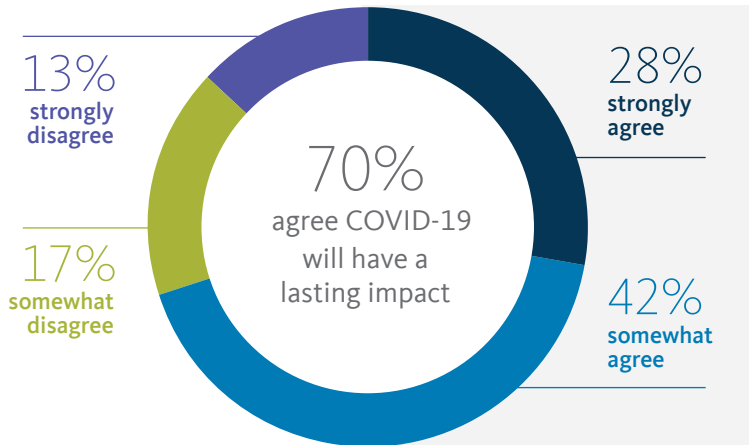
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# Working virtually—seeing the world from the advisors’ perspective

Most advisors acknowledge a lasting “new normal” with greater reliance on virtual client interactions, less time in the office and a more challenging environment for prospecting.

70% of advisors say that the COVID-19 crisis will have a lasting, long-term impact for their practice.



**59%** of advisors say **more virtual meetings** will be a lasting impact of the COVID-19 crisis.

Base: Advisors who believe COVID-19 will have a long-term impact for their practice.

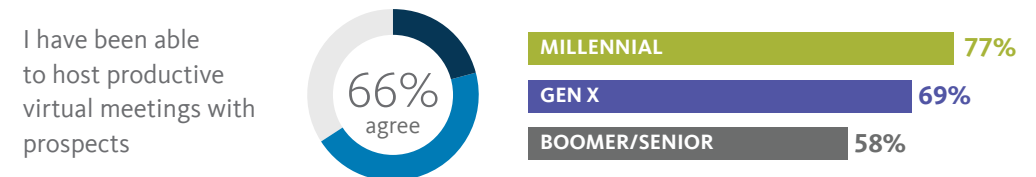
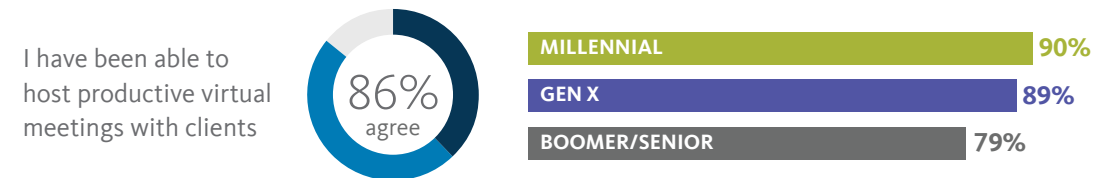
## WHAT ADVISORS ARE SAYING

*“We have learned that we are as efficient, and arguably more efficient, working remotely.”*

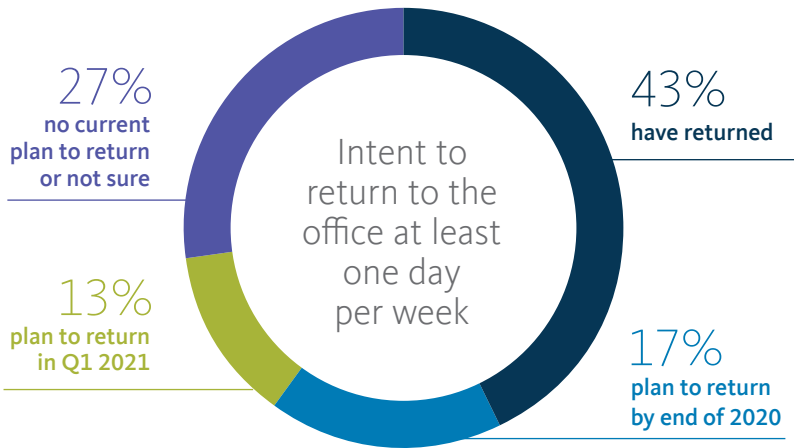
Advisors’ experience of the new working environment has not been universal. Compared to Millennials, Boomer and Gen X advisors have struggled more to maintain productivity while working remotely.

## PRODUCTIVITY WHILE WORKING REMOTELY

■ Strongly agree ■ Somewhat agree % of those that agree by age: ● N = 81 ● N = 167 ● N = 153



Advisors are offsite but not offline. To reach them, asset managers need to revise their distribution strategies and expand their toolkit.



WHAT ADVISORS ARE SAYING

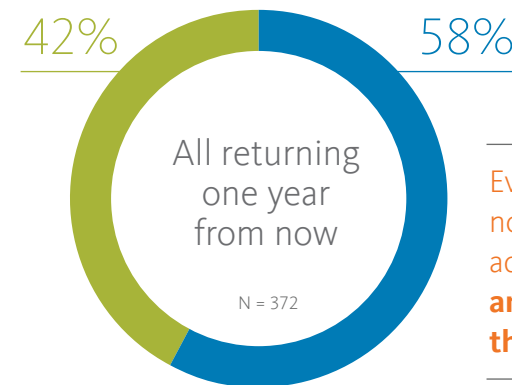
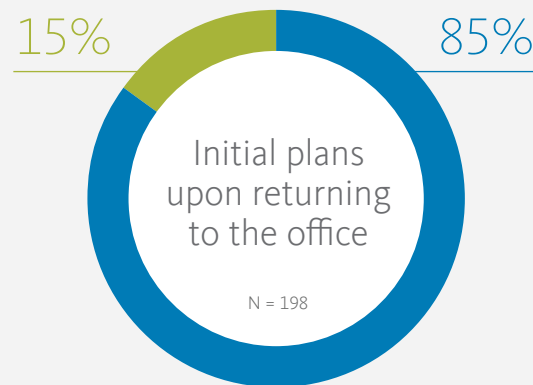
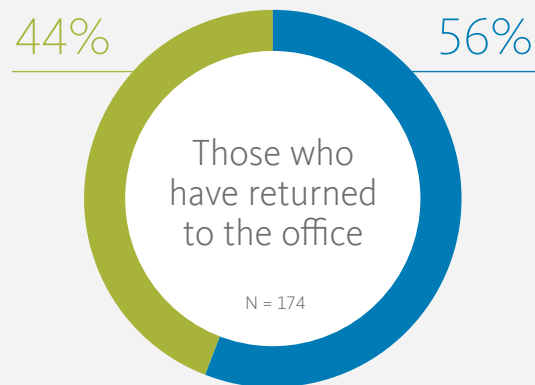
*"I will not return to an office five days a week, as I did for the last 18 years. I will probably work 2-3 days per week at home."*

*"Clients have realized that our relationship can be maintained without the need for as many face-to-face meetings as pre-COVID. The bigger surprise is that prospects have embraced this as well."*

*"I plan to utilize more video conferencing, FaceTime and technology rather than face-to-face meetings."*

DAYS PER WEEK ADVISORS CURRENTLY ARE—OR ARE PLANNING TO—SPEND IN THE OFFICE

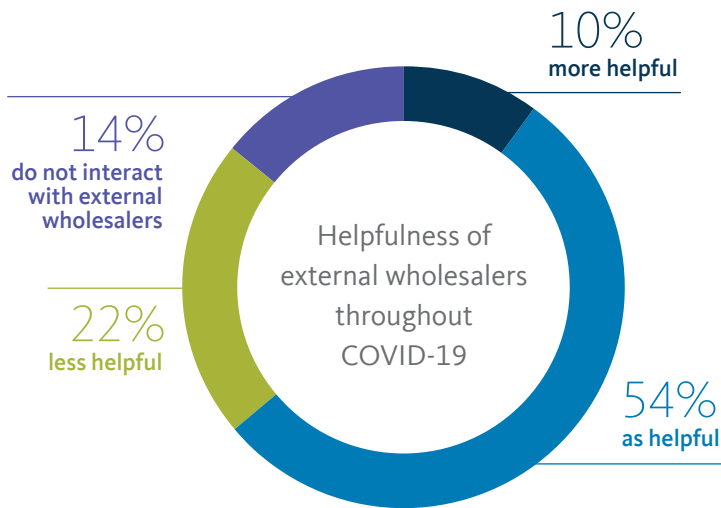
5 days per week    1-4 days per week



Even one year from now, a majority of advisors **do not anticipate being in the office full time.**

# Shifts in advisors' perception of asset manager relationships

In this most unusual of times, only 10% of advisors found wholesalers to be more helpful, and 22% found them to be less helpful. This suggests that more needs to be done to help advisors navigate through this crisis.



### WHAT ADVISORS ARE SAYING

*“Asset managers could provide more frequent economic analysis as to how current events may impact the markets.”*

### RELATIVE IMPORTANCE OF ASSET MANAGER SUPPORT AREAS

Each advisor was given 100 points to allocate across five areas. Averages listed before channel breakout.

		Wirehouse N = 126	Regional N = 71	IBD N = 136	RIA N = 68
Investment commentary/ ideas	26	25	27	24	32
Portfolio construction support and resources	22	21	22	23	23
Marketing/business-building support and resources	18	24	20	17	11
Client-facing content	17	15	16	18	19
Advisor education	17	16	15	19	14

↓ **32%** of advisors **decreased their reliance on external wholesalers** in the last two years.

Today, advisors only rely on an average of four external wholesalers in their core set. As they consciously continue to decrease the number of wholesalers they work with and increasingly become harder to reach, asset managers must work smarter to attract attention and add value.

# The three trends gaining momentum

## TREND 1

Model adoption is predicted to further increase at the expense of custom portfolios.

Looking ahead, a majority of advisors plan to increase their use of models over the next two years, while very few plan to decrease use.

↑ 53%

plan to **increase** use of models

↓ 4%

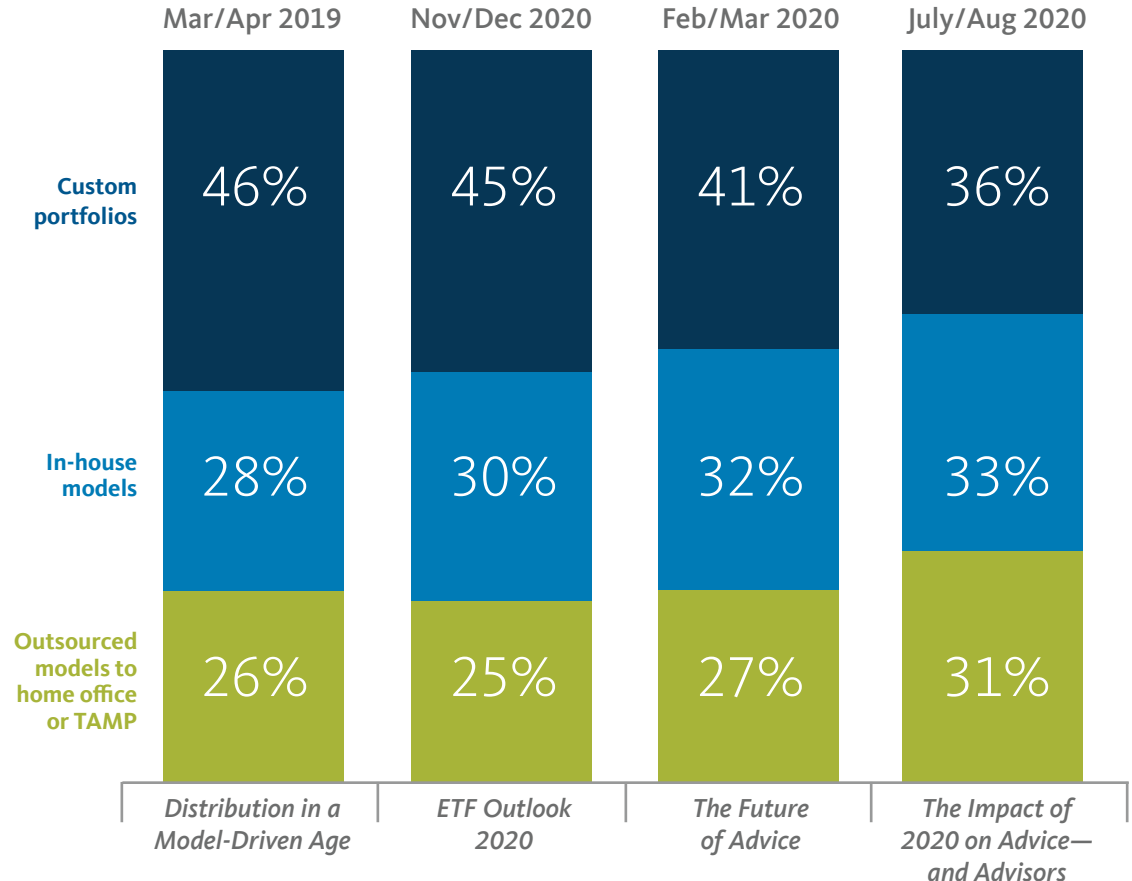
plan to **decrease** use of models

### WHAT ADVISORS ARE SAYING

*“I can’t consistently beat the model strategies that are out there. So, I focus on practice efficiencies. That way I can try to lower my fees and put more money in my clients’ pockets.”*

A side-by-side comparison of four recent Broadridge surveys illustrates how management of fee-based advisory assets evolved between March 2019 and August 2020.

### MANAGEMENT OF FEE-BASED ADVISORY ASSETS TODAY

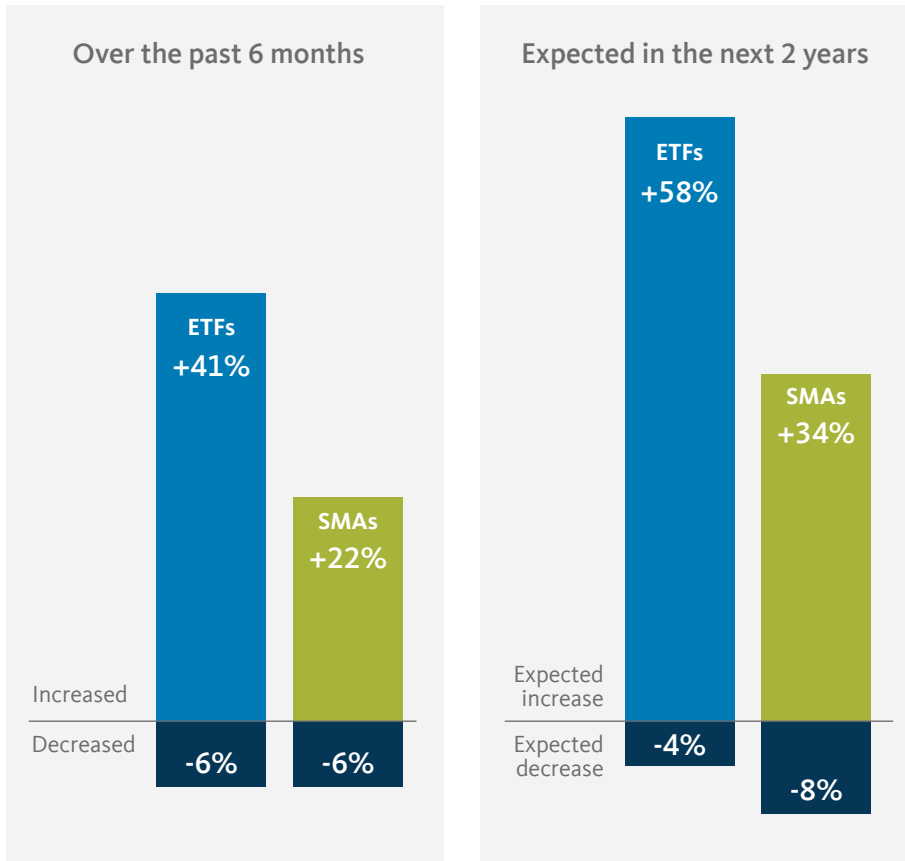


Base: 1%+ assets in fee-based advisory

TREND 2

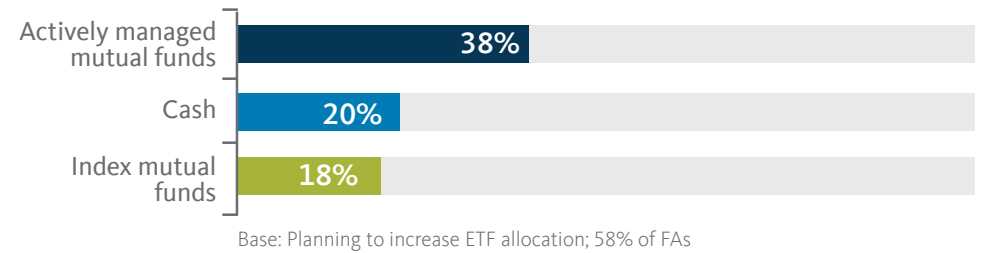
ETFs and SMAs are expected to gain a larger percentage of AUM share, at the expense of actively managed mutual funds.

% OF ADVISORS CHANGING ALLOCATION IN EACH PRODUCT

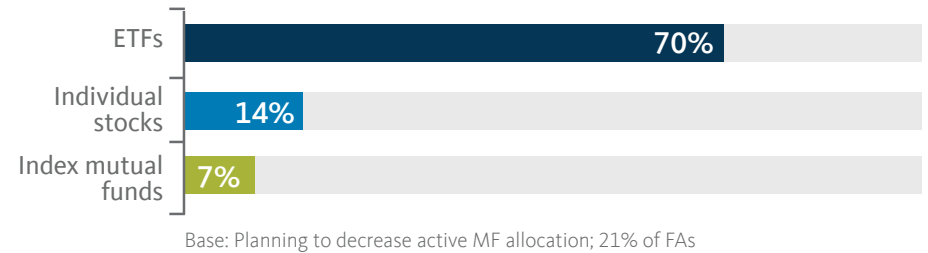


Advisors are suggesting that they prefer **multiple ways to access an asset manager's investment solutions**, requiring a more agnostic approach to product packaging.

WHERE ASSETS WOULD COME FROM IF SHIFTING TO ETFs



WHERE ASSETS WOULD GO IF SHIFTING FROM ACTIVE MFs





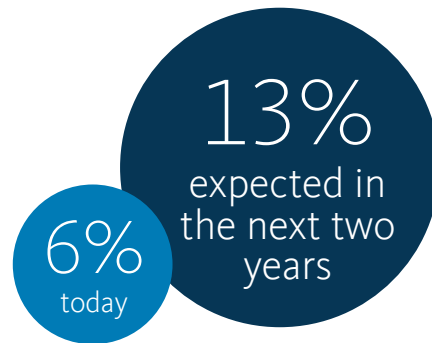
TREND 3

Both the percent of clients and percent of assets invested in ESG products are expected to double in the next two years.

MEAN % OF CLIENTS WITH ASSETS IN ESG PRODUCTS



MEAN % OF TOTAL AUM INVESTED IN ESG PRODUCTS



% OF ADVISORS WITH AUM IN ESG PRODUCTS



% of advisors with assets in ESG today by channel

Wirehouse N = 126	Regional N = 71	IBD N = 136	RIA N = 68
81%	69%	68%	60%

WHAT ADVISORS ARE SAYING

*“One of the lasting, long-term impacts of COVID-19 will be a greater use of ESG funds.”*

Nearly one quarter of advisors have seen client interest in ESG increase during the pandemic, with Wirehouse advisors most likely to see increased demand.

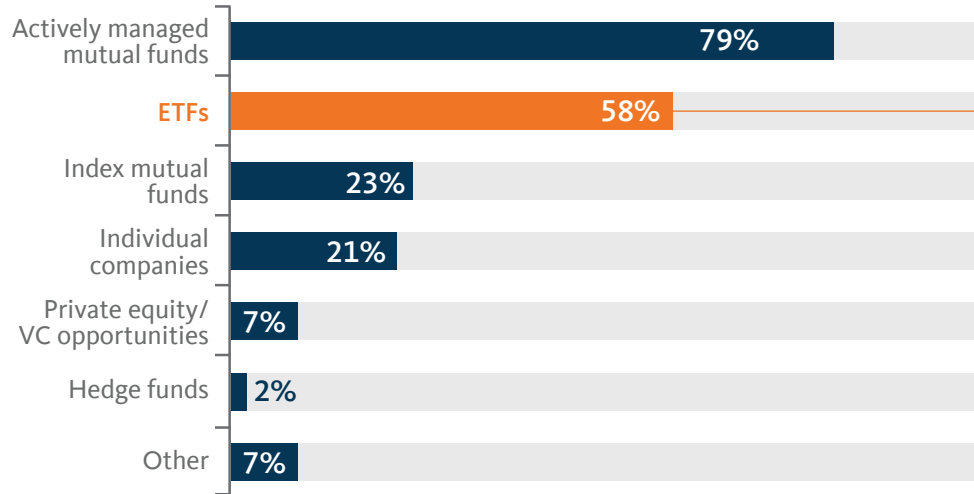
↑24%  
increased client interest in ESG

% increased client interest in ESG by channel

Wirehouse N = 126	Regional N = 71	IBD N = 136	RIA N = 68
33%	32%	16%	18%

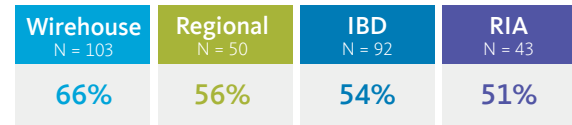
ETFs are more widely used for ESG exposure within the Wirehouse channel and also among Millennial advisors.

**ESG SOLUTIONS CURRENTLY USED**



Base: 1%+ of clients currently invested in ESG products

**% use of ETFs for ESG by channel**

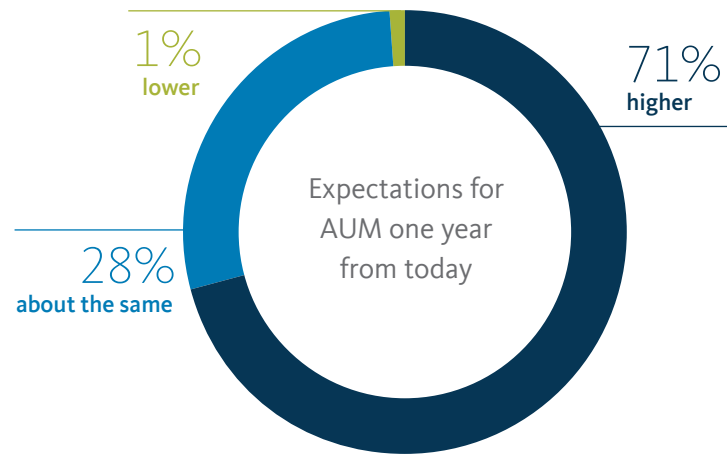


**% use of ETFs for ESG by age**



# Where to from here?

COVID-19 is having a potentially irreversible impact on the financial advisor community—but they are overwhelmingly optimistic about the future. 71% expect to see an increase in assets under management within the next year.



11-point scale where 10 = significantly higher and 0 = significantly lower

Advisors will continue to work remotely at least a few days a week, seek more value from their preferred group of asset managers, and increase their allocation to model portfolios and ESG investments.

To properly respond to the moment and capitalize on these trends, asset managers must understand and adapt to today's new market realities.



*“Asset managers will need to consider how they deploy assets across the distribution team. Rethinking the sales model and asking marketing to leverage their digital and social assets for client outreach is paramount. They need to meet advisors where they are—whether in the office, at home, or online—and give them what they’re asking for at the right moment in time.”*

– Matthew Schiffman  
Principal, Distribution Insight  
Broadridge Financial Solutions

For more insights contact  
[matthew.schiffman@broadridge.com](mailto:matthew.schiffman@broadridge.com) or visit us at  
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