
The psychology behind financial advice: Does one size fit all?

Mindfulness in Generational Advice

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‘Betweenagers’

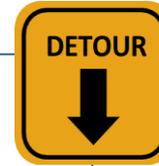
Longer Lives Mean New Roadmap



Childhood
Education



Adulthood
Employment



Old Age
Retirement

The 'Betweenager'



For illustration purposes only

Two Types of Assets



TANGIBLE

SAVINGS

PROPERTY

PENSION



INTANGIBLE

PRODUCTIVITY

VITALITY

TRANSFORMATION

Source: "The 100 year life", Lynda Gratton & Andrew Scott, *Bloomsbury Publishing* 2016

Long Term Implications for Advisers

Major New Risks

Longevity

Early incapacitation

Changing Family Structures

Four generation households

80 year old divorces

Blended families, estate planning

Flexibility

Multi-stage life

Transitions

Retraining

2nd Careers

Part time work

Cognition

Expanding the definition of Longevity Risk

After age **60**, our financial literacy and savvy have the potential to decline...

... but, confidence is not impacted

“*As someone experiences cognitive decline, their ability to make financial decisions goes down, but they think their ability is still high — they’re overconfident.*”

— Keith Jacks, Associate professor of finance
and chair of the Department of Economics and Finance, Middle Tennessee State University

Cognitive Decline in Later Life

Fearing Loss of Independence	“I want to keep making my own decisions”
Anxious About Mortality	“I don’t want to think about it”
Averse to Complexity	“I don’t know where to start”
Lacking Self-Awareness	“I still make good financial decisions”
Overly Optimistic	“Cognitive decline doesn’t run in my family”
Procrastinating	“I’ll do it when I see the first signs of decline”
Averse to Counterparty Risk	“I can’t trust someone else to make these decisions”
Overconfident	“I’m one of the lucky ones, I won’t have cognitive decline”

Fear and uncertainty block the path but the fundamental problem is that avoiding the issue only increases risk for both the investor and their adviser.

Values and Value



**Technology and transparency
combine to transform the
concept of giving**

Philanthropic Client Segments



More altruistic and empathetic, including growing interest in leadership roles within their local and global communities^{2, 3}



Motivated to make a difference – and have a greater impact in the world. They want to feel like they are making an investment, not just a donation⁴

¹ Morgan Stanley Institute for Sustainable Investing, Sustainable Signals: The Individual Investor Perspective, 2015

² Joseph Quinlan and Jackie VangerBrug, Gender Lens Investing: Uncovering Opportunities for Growth, Returns and Impact, 2017

³ Women's Philanthropy Institute at the Indiana University Lilly Family School of Philanthropy, How and Why Women Give, 2015

⁴ 2017 US Trust Insights on Wealth and Worth Survey, Calvert Investments Survey, 2015

Creating Value

What investors want and need

Giving Savvy

- Want the adviser to be knowledgeable about philanthropic planning
- Think their adviser focuses too heavily on tax strategy, rather than philanthropic mission and goal

44%

More guidance please¹

Outcome Driven Support

- Want to be guided in their philanthropy to achieve important personal and social objectives
- Want help in creating comprehensive planned giving programs

40%

More satisfied clients¹

Relationship Continuity

- Want to be referred to an expert who can help with strategic philanthropy if the adviser can't
- Believe philanthropy is important to educate the next generation on family values and legacy

62%

Prudent Family Wealth Stewardship¹

1. State Street Global Advisors, The Transformative Power of Philanthropy: An Exploration of How the Desire to Make an Impact is Evolving Adviser-Client Relationships, 2016.

What about 'ESG'

79% of retail ESG investors are satisfied with their investment strategy, versus **61%** of non-ESG investors.

51% of non-ESG investors say they want their financial advisor to speak to them about ESG investing, but **only 22%** have been approached by their advisor about ESG in the previous year

65% believe **talking to their advisor** about ESG would be beneficial to their investment decision making process.

Gen X and **Millennial investors** show greater adoption of ESG than Baby Boomers

Growing body of **empirical evidence** suggesting ESG strategies **outperform** over time.

Higher wealth levels exhibit greater adoption of ESG

Data Source: Center for Applied Research Survey of Retail Investors, December 2016. Mass Market is defined as <\$250,000 net investment assets, mass affluent as \$250,000- \$1 million, and high net worth as >\$ 1 million.

Well done.

Redefining Success

96%

OF INVESTORS

say it's important that advisers understand their financial needs and goals

73%

OF INVESTORS

cite a long-term goal as the reason they invest

LESS THAN

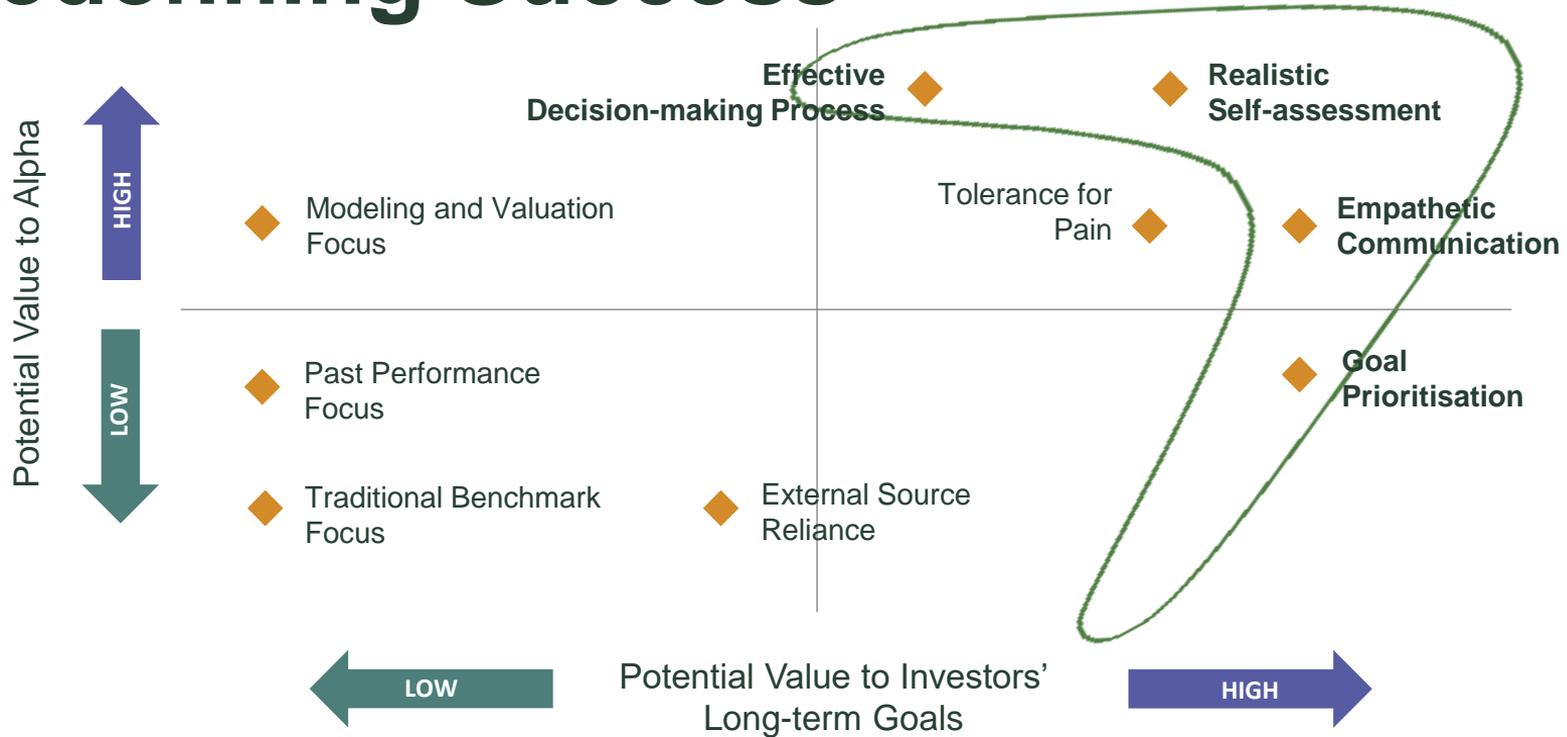
1/3

OF INVESTORS

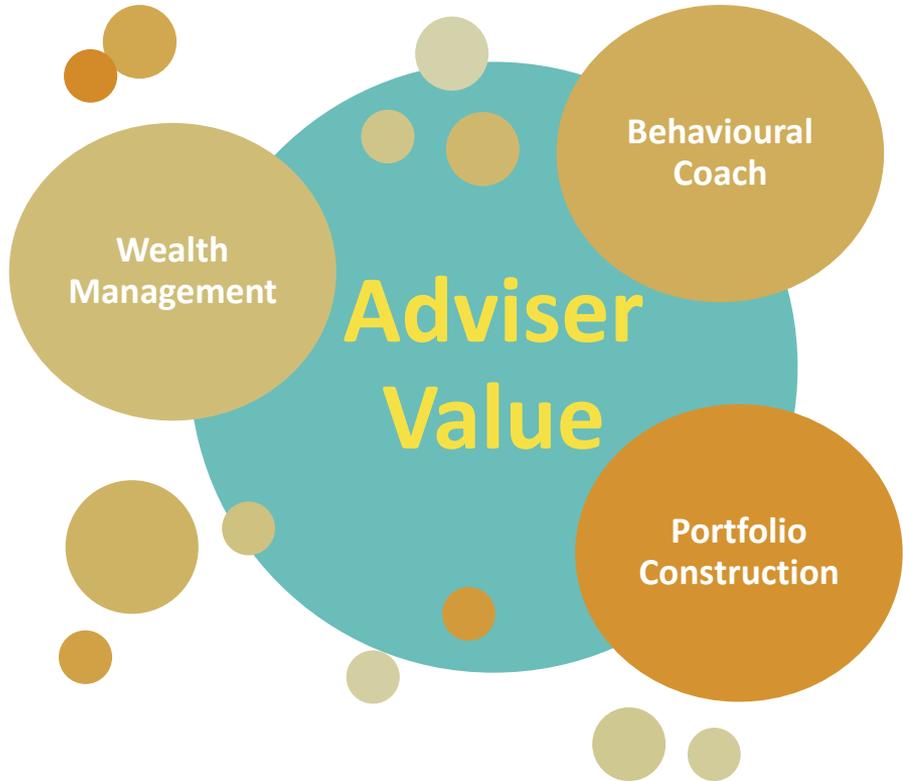
primarily define success as reaching those long-term goals

Sources: State Street Global Advisors (SSGA) Survey, "Financial Advisers' Value Proposition and Compensation," 2014. 300 financial advisers and 300 individual investors were surveyed nationally; State Street Center for Applied Research, The Performance Paradox, 2015. 2,888 individual investors and 288 investment professionals were surveyed across 19 countries.

Redefining Success



Source SSGA. The information contained above is for illustrative purposes only
Source: State Street's Center for Applied Research, Folklore of Finance paper analysis (2015)



Defining the client experience and creating a roadmap for the relationship:

- Services offered
- Investment management process
- Wealth management partnership

Source SSGA. For illustration purposes only

Important Risk Disclosure

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