



Prospecting the Next Wave of Wealth

How to win business from younger, wealthy investors.

KEY INSIGHTS

- The top 10% of earners under 50 represent the single largest high-potential group of prospects for a financial professional's practice.
- They view financial professionals in a different light than baby boomers do—and have had very different financial experiences than the generations before them.
- You have an opportunity to grow your practice alongside them. Addressing their financial priorities today can position you for decades of partnership in the future.

Your future clients don't look or act the same as your current clients

Most successful financial professional practices have been set up to serve the needs of older, "traditional" clients. This has served many financial professionals well but may not be the ideal way to tap in to future growth as financial professionals continue to compete for the same—few—traditional clients. This overlooks many attractive future clients.

The large wave of wealth transfer currently underway in the U.S. is well researched and documented. By 2030, estimates predict Generation X and Millennials households will control 47% of the wealth in the U.S., compared with 45% for baby boomers. And this trend will continue to accelerate for several years.¹

What does this mean for you and your practice?

A recent study looking at practice growth rates showed that financial professionals with the highest revenue growth rates

also serve a higher percentage of younger clients (see chart on the following page).

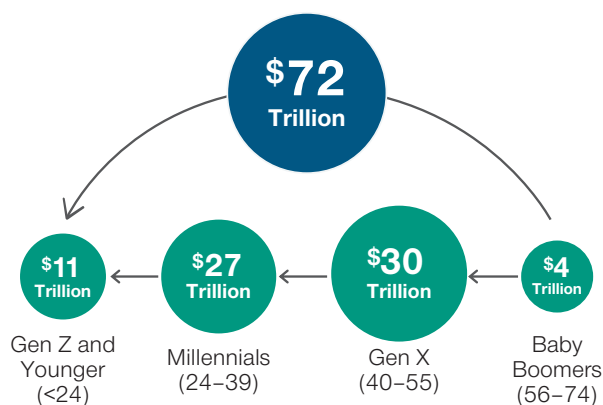
Focusing on younger, high-earning investors may allow you to tap in to a pool of prospective clients that can sustain your practice growth and maximize the value of your practice. However, if you want to attract the next wave of

wealth, you will need to understand their needs—and adapt to them.

Recent proprietary T. Rowe Price research uncovered significant differences in the needs, preferences, and attitudes of next wave investors in terms of investment advice, communication style, and even their financial objectives. By understanding these next wave characteristics, you'll

Future Practice Growth Lies With Younger Clients

Estimated wealth inherited during the next 25 years by generation, 2015–2045



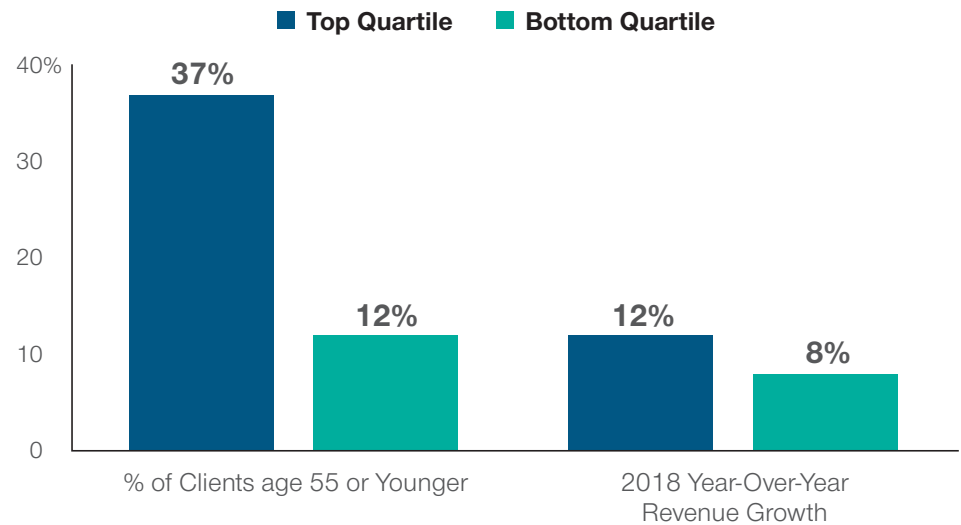
By 2030, Generation X and millennials combined will surpass baby boomers in terms of holding the most wealth in the country.

Source: The Cerulli Report U.S. High-Net-Worth and Ultra-High-Net-Worth Markets 2021.

¹ The Cerulli Report | U.S. High-Net-Worth and Ultra-High-Net-Worth Markets, 2021.

Your Fastest Growing Peers Are Already Courting Younger Clients

Faster practice growth correlates to a younger client base



Source: PriceMetrix, State of Retail 2019. Age 55 is as of 2020, so defined as clients born after 1965.

position your practice to evolve now so you can effectively capitalize on this opportunity.

Next wave investors don't believe they're doing that well—or that you want their business

There are a number of differences between next wave investors and today's traditional client, but one of the most telling is that even before you've had your first conversation, next wave investors have a very hard time believing they will qualify for your services or that you'll find them an attractive client.²

Also, next wave investors don't have the same priorities as traditional clients—or they have additional competing priorities. As a result, they don't relate to an overabundance of messages about retirement.

These distinctions can be viewed both as risks to and as opportunities for your practice. The insights that follow are drawn from the research that T. Rowe Price commissioned, and we explore some of the implications these findings could have for your business.

The Next Wave Client

- Doesn't feel on track toward goals
- Has a scarcity mindset
- Is more security-oriented, has lower appetite for risk
- Feels numerous pain points regarding finances
- Is open to "financial coaching"
- Is interested in improving "financial health"
- Doesn't feel financial professionals offer great value
- Is more likely to feel financial professionals are out to sell products

Source: T. Rowe Price Next Wave of Wealth Research Study, January 2020.

The Traditional Client

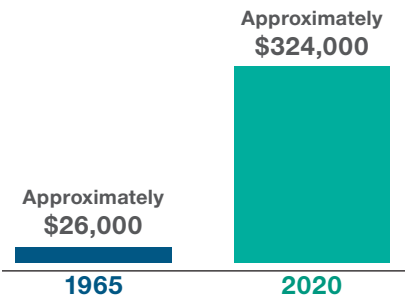
- Feels more financially confident
- Was born into more abundant times in markets, the economy, and real estate
- Has a higher risk tolerance
- Is more focused on retirement
- Is satisfied with the current relationship with their financial professional
- Is looking for their financial professional to play the role of expert versus coach

² T. Rowe Price Next Wave of Wealth Research Study, January 2020.

A Case Study: Diverging Perceptions of Real Estate

If your first homebuying experience was in the mid-to-late 1960s (like many baby boomers), your perception of the real estate market is probably very different than that of millennials, whose first homebuying experience was during the subprime mortgage crisis. Financial professionals should be sensitive to the way that generational differences such as these may impact investor perceptions, expectations, and behaviors.

Median Home Prices:



Overall Impression of Real Estate:

Boomers:



Often Bullish

Millennials:



Often Bearish

Depending on the nature of your practice, the following seven actions may serve as a road map for adapting your practice to serve the next wave of wealth.

The next wave thinks about their finances differently

Investors born after 1980 have lived through turbulent times. In their adult lives, they have seen multiple, major recessions; war; and now a global health pandemic. They have what’s called a “scarcity mindset.” Contrast that with many traditional clients, who were born into abundance and experienced the prosperity of the 1980s and 1990s.




The good news is that next wave clients are saving more than other generations. However, their scarcity mindset has a big impact on their approach to investing. High-earning younger investors tend to be more conservative and more risk averse than older investors, while also feeling negatively about their current financial situation.

Many younger investors, even those with high income or significant investments, assume they are not rich enough to access professional financial advice. More than 60% of households that earn between \$100,000 and \$250,000 classify themselves as middle class.³

Given this mindset, you have the opportunity to build trust by taking steps to help alleviate their negative feelings. You can do this by demonstrating that you understand their concerns, are interested in building a long-term relationship, and want to start by helping them build confidence about their finances. Education is an excellent way to help next wave investors feel more confident. The more they know about the fundamentals that address their specific concerns, the better prepared they’ll be for the long term. Building this foundation of trust can help you better direct younger investors to invest appropriately and foster open discussions on the level of risk they may need to pursue their goals.

T. Rowe Price Is Already Talking to the Next Wave of Wealth

T. Rowe Price conducted a proprietary qualitative and quantitative research study of the top 10% of earners from the ages of 25 to 49, over-sampling diverse demographic groups including Black, African American, Asian American, Hispanic, Latino and LGBTQ+ investors. To serve as a comparison, the study also surveyed “traditional” investors, over age 50, with more than \$1 million in investable assets, very consistent with the traditional client that financial professionals typically serve today.

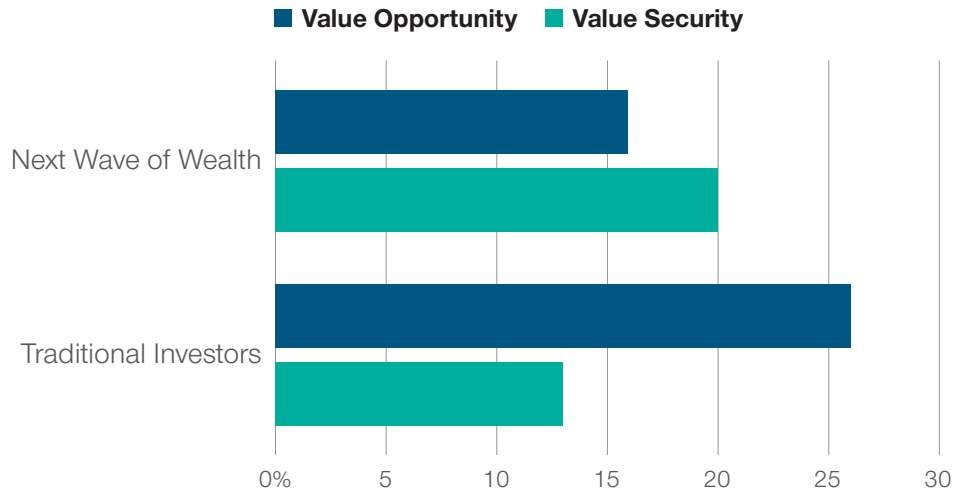
	Next Wave Clients	Traditional Clients
 Ages	25–49	50+
 Household Income	\$120,000+	N/A
 Investable Assets	\$100,000–\$1 million	\$1 million+

Source: T. Rowe Price Next Wave of Wealth Research Study, January 2020.

³ Gartner Affluence and Class Study, February 2018.

The “Scarcity Mindset” Drives Younger Investors to Over value Security in Their Investments

On a scale from 1 (security is most valuable) to 10 (opportunity is most valuable), younger clients skew toward security compared with traditional investors



Source: T. Rowe Price Next Wave of Wealth Research Study, January 2020.

STEPS YOU CAN TAKE

- Ask open-ended questions about what keeps next wave clients up at night. Then you'll be in a position to provide behavioral coaching that can help prepare them for eventual market ups and downs.
- Offer educational events, like a financial planning bootcamp, as a way to help address the scarcity mindset of next wave clients and help dispel fears about investing.
- Look for ways to interact with the next generation. When current clients mention major life events, such as having a new grandchild, proactively offer to be a financial planning resource to the new parents via your current client.

Next wave clients feel that their financial house is on fire, and financial professionals want to talk about building an addition

Retirement, while important, is not front of mind for most next wave investors.

They have different financial priorities and more pain points than traditional clients. Starting an initial meeting focused on saving for retirement may unintentionally alienate a prospective next wave client.

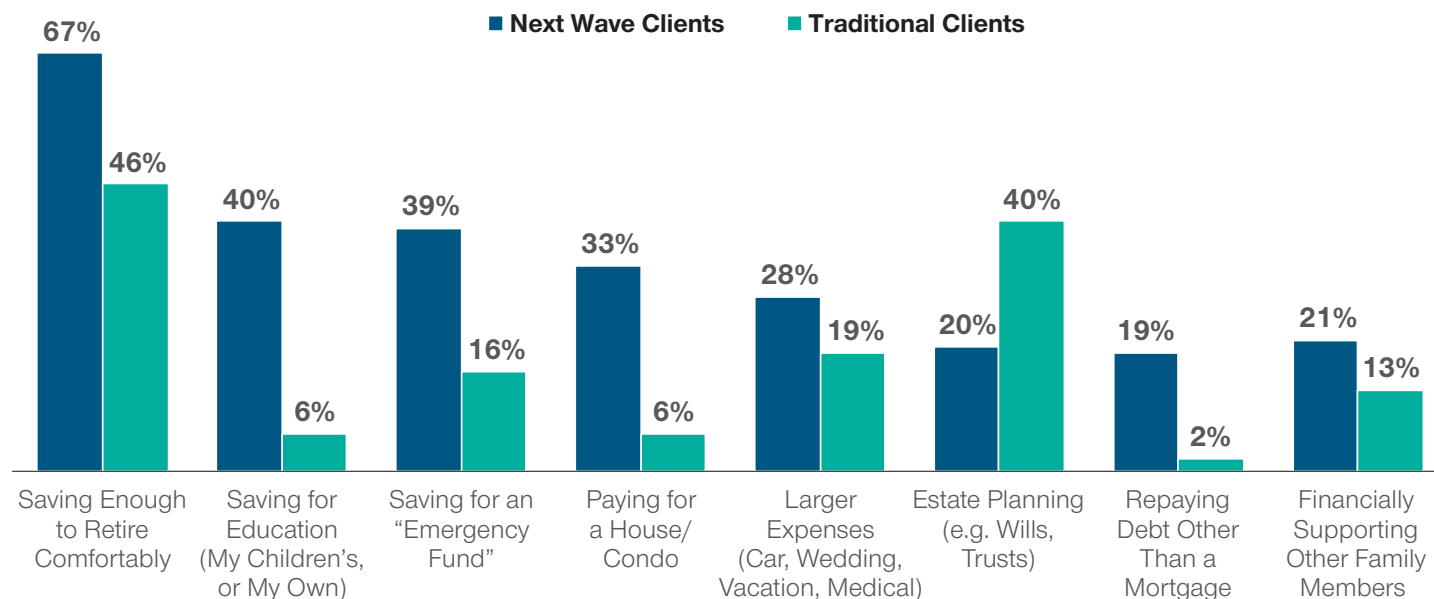
It is important to understand the priorities of the next wave of wealth. Start the conversation by investigating their top financial pain points. Armed with this knowledge, you can focus on addressing those issues. Once you have taken steps to address what is most important for the prospect, you can shift the focus toward longer-term goals.

Next wave clients are looking for a financial coach

Younger investors are also looking for someone to help them manage their **total financial health**—not just their investments. Nearly 60% say they want a “financial coach,” someone who motivates and helps them make regular steps toward their goals, compared with only 22% of traditional clients, who put a much greater value on investment expertise.

Next Wave Clients Have Very Different Financial Priorities Than Traditional Clients

How clients rank their top financial goals underscores the difference between next wave and traditional clients.



Source: T. Rowe Price Next Wave of Wealth Research Study, January 2020.

Offering comprehensive advice that addresses their most immediate needs—in a nonjudgemental way—will help build trust that can develop into deeper client relationships. Next wave investors are turned off by overcritical messages that tell them to “skip buying that latte” and cut out simple pleasures to save more. In many ways, it’s akin to the weight loss industry telling people they are too fat and to “stop eating that doughnut.” Messages that use negative reinforcement can actually turn off next wave clients and create additional barriers to engagement.

Instead, to build trust you need to be aspirational. Look for ways to help next wave clients feel confident after every discussion. They already know they should be saving and investing more. Their issue is they don’t know how. They are looking for someone who can help guide them along the path.

STEPS YOU CAN TAKE

- Reframe how you give advice to make it more aspirational and approachable.
- Highlight the advice you offer that goes beyond saving and investing for retirement and can help clients address both short- and long-term goals.

Financial services jargon alienates next wave prospects

The language the financial industry uses today often doesn’t resonate with the next wave of wealth. Traditional clients took solace in having a financial professional who could serve as a subject matter expert. Unfortunately, these same words and positioning can alienate next wave investors.

Our research showed that next wave investors responded better to benefits-oriented language than to expository,

Watch Your Language

Younger investors are clear on what they like—and don't—about how the industry talks.

Words to Use

Financial coach
Financial health
Prepare for your future
Long-term approach
Protect your finances
Customized
Financial manager
Financial planning
Goals-based

Words to Lose

Holistic
Risk management
Portfolio management
Boutique
Fiduciary
Wealth management
Asset allocation
Diversification
High net worth
Risk aware
Time horizon

Source: T. Rowe Price Next Wave of Wealth Research Study, January 2020.

(“boutiques are for clothes”), and “wealth management” didn’t resonate with this audience, who feel they aren’t wealthy enough for professional financial advice.

They’re looking for “customized” advice and they want “financial planning” from you as their “financial coach”—not from a “wealth manager.”

STEPS YOU CAN TAKE

- Do an audit of your communications—written, online, and even verbal—to examine how you’re positioning yourself and your services. Do you find any of the words here?
- Elevator pitch best practices: Keep the focus on the prospect and their needs while also ensuring to mention your unique skills and expertise. Remember the saying: Logic makes them think, but emotion makes them act.

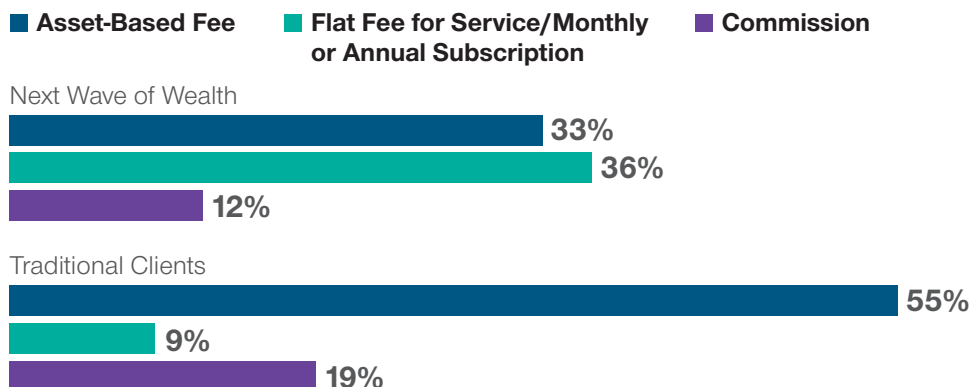
Reevaluate how you charge for advice, and offer options when it comes to fees

The financial industry has undergone a transformation that saw a large number of commission-based relationships migrate to fee-based ones. However, changes beyond the financial space

feature-oriented language.⁴ For example, respondents in the study initially had a negative reaction to the term “fiduciary.”³ We recognize the value many financial professionals place on the term fiduciary, but few next wave investors are familiar with the term, so when you use it, make sure you use plain language to explain its significance. Other often-used terms also scored poorly. Words like “holistic” (too “new age medicine”), “boutique”

Subscription Models Appeal to Next Wave Clients

Younger investors are open to alternatives to an asset-based fee relationship



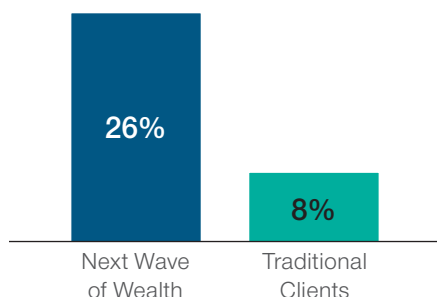
Source: T. Rowe Price Next Wave of Wealth Research Study, January 2020.

⁴ Spectrem Group, Communicating with Advisors and Providers, June 2019.

Workplace Retirement Plans: A Key Pipeline for Next Wave Investors

Working with retirement plans may be well worth the extra time and specialization. Spending time to help Next Wave prospects with their 401(k) or 403(b) now can position you for decades of partnership.

PERCENTAGE OF RESPONDENTS WHO EXPECT TO FIND A FINANCIAL PLANNER THROUGH THE WORKPLACE



Source: T. Rowe Price Next Wave of Wealth Research Study, January 2020.

have altered consumer perceptions on how to pay for things. Clients are used to paying for subscriptions now, whether it's for Amazon Prime, Netflix, or myriad of other products and services.

While traditional clients seem content with the current ways they are paying for advice, next wave investors want options.

STEPS YOU CAN TAKE

- Regardless of your fee flexibility, have a solid rationale at the ready for what you charge and why.
- Think about ways your team members could specialize. For example, more junior members of the team could onboard and serve next wave clients with simpler needs. Correspondingly, you could charge a lower rate for their services.

Make sure your firm appears first when next wave clients search for financial advice

While referrals are still the top way clients find a financial professional, online sources are a close second. More importantly, next wave investors are much more likely to use online sources, such as search engines and online reviews, to find a financial professional compared with traditional investors. In many ways, the digital space is your main source of competition.

Younger investors are also embracing a multitude of ways to communicate with their financial professional. Many millennial investors communicate with their financial professional through Facebook, Instagram, LinkedIn, and even Twitter. And some avoid traditional discussions altogether. Twenty-nine percent of millennials have never met their financial professional face-to-face, compared with just 11% of baby boomers.⁴

While some younger investors think they can find all the answers to their financial questions online, nothing can replace the personalized, one-on-one guidance you offer as a financial professional. However, you need to embrace firm-approved digital channels in order to be present where next wave investors are looking for information and to communicate in the ways they prefer. Doing so can help you increase their consideration of your services and even shorten the sales cycle.

STEPS YOU CAN TAKE

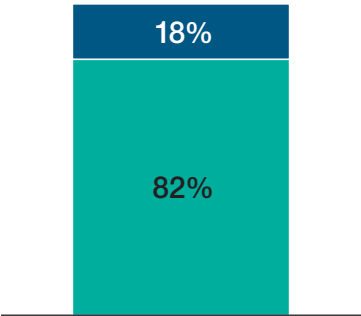
- Examine how you and your practice appear online. Search yourself, your firm's name, or phrases like "financial planners near me" to see where you rank in search results.
- Establish a social media routine, posting insights and commentary regularly—at least weekly—to LinkedIn and Facebook to stay front of mind.
- Leverage the full range of your firm-approved digital channels to communicate with clients and prospects in a fluid way.

Embrace these differences and make them a strength of your practice

Next wave investors as a large cohort group differ significantly from your traditional clients. But it is interesting to note that there are distinctions between subsets of next wave investor groups, as well. In our research, we looked at five subgroups—Black/African Americans, Hispanic and Latino, Asian Americans, LGBTQ+, and women—and noted differences among them in their attitudes, their behaviors, their top goals, and how they value advice. Some of the nuances between those subgroups are noted below.

Financial Professionals Don't Reflect Changing Demographics

Only 18% of financial professionals are women. The percentage of multi-cultural professionals is even smaller.



All Financial Professional's

Source: Cerulli U.S. Advisor Metrics 2022

STEPS YOU CAN TAKE

- Think about how you can become an expert in the needs of a specific subgroup. For example, if you want to connect with the LGBTQ+ community, identify companies with offices in your area with an employee resource group using workplace advocates Out & Equal.
- Seek to strengthen, and do your own professional development around, cross-cultural competency— understanding broad themes and trends without assuming any group is homogeneous in their needs.
- Promote your previous expertise in meeting the needs of a specific subgroup of clients by developing client success stories. Get on the agenda at meetings of local subgroups.

- Seek out members of the subgroup you'd like to target. Ask to meet with them and spend time listening.

Think about how your team reflects your future client base

Beyond a simple means test, a bigger barrier is that many young investors don't see financial professionals that are "like them." Younger investors, people of color, and women struggle to connect with financial professionals who are predominately older, white, and male.

As a practice grows, making conscious decisions to strategically align the composition of your team to reflect both the clients you serve today and the clients you want to serve tomorrow can be the most powerful way to demonstrate your commitment to the next wave of wealth.

Subgroups Within the Next Wave of Wealth Express Different Needs

Understanding how the needs of these subgroups differ can help you better tailor your services

	Black/African American	Hispanic and Latino	Asian American	LGBTQ+	Women
 By the Numbers	50% rank "saving for an emergency fund" as their top priority, more than any other group	44% expect to work in retirement, compared with 27%, on average, among other next wave investors	11.2 years of investing experience, on average—the highest of any group	43% rank security highest—indicating the lowest risk tolerance of any group	31% are comfortable managing their investments alone—the lowest of any group
 Top Goals	<ul style="list-style-type: none"> ■ Saving enough to comfortably retire ■ Saving for an emergency fund 	<ul style="list-style-type: none"> ■ Creating a retirement income stream ■ Saving for education 	<ul style="list-style-type: none"> ■ Paying for a house or condo ■ Creating a retirement income stream 	<ul style="list-style-type: none"> ■ Paying for a house or condo ■ Supporting family members ■ Saving enough to comfortably retire 	<ul style="list-style-type: none"> ■ Paying for a house or condo ■ Saving for education
 Top Influences to Start Investing	<ul style="list-style-type: none"> ■ Friends, family, and coworkers ■ Pay increase 	<ul style="list-style-type: none"> ■ Starting a family ■ A financial professional 	<ul style="list-style-type: none"> ■ Friends, family, and coworkers ■ Pay increase 	<ul style="list-style-type: none"> ■ Financial professional ■ Pay increase ■ Receiving a bonus 	<ul style="list-style-type: none"> ■ Friends, family, and coworkers ■ New job ■ Starting a family
 Current Level of Financial Professional Involvement	Evenly split between not using a financial professional and using one but providing input on most decisions	Most likely to work with a financial professional, but wants to provide input on most decisions	Most likely to not use a financial professional at all	Most likely to delegate most or all decisions with minimal input	Second most likely to not use a financial professional at all

STEPS YOU CAN TAKE

- Embrace best practices for diverse hiring as you bring on new members to your team. Consider ensuring at least 25% of candidates interviewed are diverse.
- Bring diversity into your practice with expanded recruiting efforts such as internship programs or recruiting from local universities or associations.
- Look for opportunities to collaborate with younger financial professionals or less well-established teams that are as diverse as the next wave of wealth.

Creating the Right Future for Your Firm

Think about ways you can adapt while still serving the needs of your existing clients. The need to adapt to serve the next wave of wealth is clear. How you do it is up to you. **Based on the insights contained in this report, you may want to:**

1

Understand that success in prospecting can be achieved by embracing both philosophical (e.g., advisor-as-coach) and tactical (e.g., word choice) changes.

2

Evaluate the time, effort, and cost implications of implementing the range of recommendations for your practice. Be genuine and start with incremental changes that align with who you are personally and/or the culture of your team or organization.

3

Establish an actionable strategy for meeting the needs of the next wave of wealth. Establishing a process of continual enhancements so you can implement changes to your practice over time can make the ongoing evolution more manageable.

As the wealth of America evolves, T. Rowe Price's insights can help you capitalize on the opportunities your clients and your practice face. We also offer a range of turnkey solutions to help you bring more to the table for your clients.

INVEST WITH CONFIDENCE®

This is part of the T. Rowe Price Client Acquisition program, which has been designed to provide financial professionals with the tools they need to make connections and build relationships with investors.

Visit troweprice.com/nextwave.

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