



# Managing wealth through uncertainty

by Michael Zambon, Director, Wealth and Asset Management Advisory Practice

Hard on the heels of the global pandemic, 2022 has been a volatile year for investors across the board, with no sign of market stability on the horizon, just the daunting prospect of stagflation.

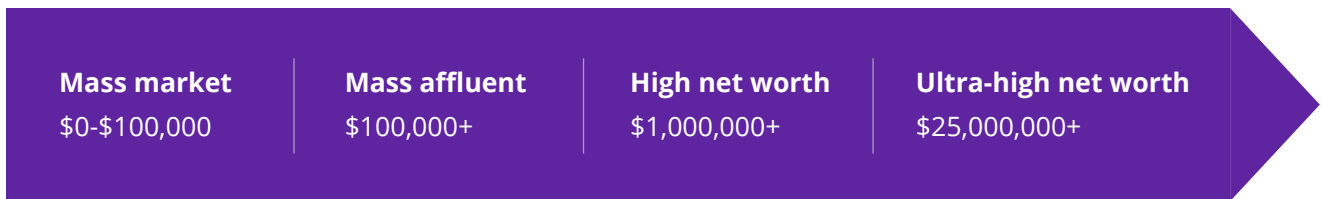
The S&P 500 dropped more than 20% in the first half of the year<sup>1</sup>. Inflation is at a 40-year high (9.1% in 2022 vs 5.4% in 2021)<sup>2</sup>. And the war in Ukraine inflated the price of U.S. crude oil to more than \$123 a barrel (highest close since 2008<sup>3</sup>).

Amid the uncertainty, investors across wealth segments are taking steps to optimize portfolios and reduce goal-based risk. Clients that benefit most will be those who are communicated to and properly prepared for volatile

markets. By being better informed, these clients will be less likely to make emotionally driven decisions that could cost them financially.

All of which begs the question, “How much time are advisors spending with their clients?”. Also, “What advice are they giving?” and “What opportunities to better serve all four client segments (mass market, mass affluent, high net worth [HNW] and ultra-high net worth [UHNW]) are there?”.

## Clients of wealth management



## Mass market

These clients have liquid assets worth less than \$100,000 and are demographically diverse, ranging from 40% of Millennials, to 45% of Gen Xers. Even the Silent Generation (born between 1928 and 1945) comprises 15% of this segment<sup>4</sup>. These investors also tend to be underserved because, as they don't meet certain AUM thresholds, they're unable to unlock the full suite of most firms' offerings or attract undivided advisor attention (only around 25% have a financial plan<sup>5</sup> and 56% are self-directed<sup>6</sup>).

Due to their smaller account size and razor thin profit margins, we see these clients being served “off-the-rack guidance” at scale. More recently, advice coming from the top of the house has been, mainly, to remain invested and continue dollar-cost averaging into a firm discretionary portfolio, or attempt to implement the

CIO's market views independently. However, more demanding investors will seek advice from an advisor/planner by contacting a firm's call center directly. As a result, proactive and tailored guidance from advisors tends to be minimal, and most of these clients are left to self-navigate this turbulent market. To make matters worse for the mass market segment, a recent survey observed that Gen Z investors say they're more likely to get financial advice from TikTok (34%) and YouTube (33%) influencers than from a financial advisor (24%)<sup>7</sup>. Advice from these non-traditional sources is never contextualized towards an individual's personalized goals and often adds incremental risk without downside protection (e.g., Gamestop, AMC Entertainment, and Bed Bath and Beyond). This new-age trend is a wakeup call for wealth managers to reimagine how to successfully attract and retain clients.

**The following features can help differentiate between competitors:**

**Self-directed planning:** The ability to better serve this segment depends on offering tailored advice at scale, such as self-directed planning capabilities. Adoption of these tools can also be improved by offering clients a more guided experience and auto-notifying them if progress to their goals is at risk. By doing this, firms can increase the penetration of clients who don't have a plan in this segment, and breed loyalty from those who benefit from the experience.

**Luxoft experience:** Luxoft Wealth Management can help transform advisory platforms and optimize the end-to-end planning experience for targeted end users (clients and advisors). Luxoft can also introduce the right fintechs to enable your firm's capabilities, while prepping core systems for transformation.

## Mass affluent

These clients have investable assets ranging from \$100,000 to \$1,000,000<sup>9</sup>, with baby boomers comprising 44% of the total number of clients, Gen X 24%, Silent Generation 23%, Millennials 6%, and the G.I. Generation 2%. This is the largest wealth segment in the United States, accounting for almost 50% of AUMs across all client segments (covering mid-career and pre-retirement clients). Importantly, this segment is in line to receive the largest intergenerational wealth transfer in history — \$72.6 trillion — by 2045<sup>10</sup>.

Due to the mix of generations in this segment, investors have a wide range of needs which makes serving them quite challenging. In terms of experience and accessibility, they're looking for easy-to-use, reliable and simple solutions. They want multiple access points that include face-to-face in-branch, as well as online and digital engagement.



Firms that deliver optimized experiences at different client life stages will be well positioned in the future<sup>11</sup>. Only 21% of this segment has a financial plan and more than 84% indicated that they need financial advice to develop a plan and goal<sup>12</sup>.

Due to the breadth of this segment, we see little proactive outreach to the lower half (around 20%) but nearly 50% to the upper half. Messaging from the CIO office is insightful and useful to clients who have a managed account portfolio that follows those views. However, it can prove challenging for self-directed clients unless the relevant context is provided by an advisor who understands those views.

Advisors who do engage with clients focus on easing client nerves, reviewing short-term liquidity goals<sup>13</sup>, adjusting spending rates in case of a cash flow emergency (potential job loss) and ensuring that longer-term retirement goals are not at risk. Although these investors might feel market stress more than other upstream segments, a bear market during a working career creates an important opportunity to invest at a lower price point.

### Opportunities among the mass affluent:

**Goal-based notifications:** Based on these observations and considering that much of this segment is overlooked, there's an opportunity for firms to enhance the client experience by sending a personalized notification based on the CIO's views, portfolio drift tolerances and any potential risk in reaching financial goals. Once informed, they are given actionable options:

- A call back from their advisor or planner
- Watch a video overview of how clients should think of a market correction, based on their goals and risk tolerance

By offering a variety of hybrid options, the client will feel more informed and less likely to make emotional decisions in times of extreme market volatility.

**Luxoft experience:** Luxoft Wealth Management can help create a series of wealth notification accelerators based on proven interaction and engagement methods (click tracking) with clients. They can also be tailored to various generational cohorts (i.e., Millennials, Gen X) for optimal adoption among end users.

# About Luxoft

Luxoft, a DXC Technology Company (NYSE: DXC), is a global leader in technology implementation and management consulting. Our passion is in helping clients build resilient businesses by identifying new channels and revenue streams, design exceptional user

experiences, and deliver modernized operations at scale. Within wealth management, our 500 dedicated experts have defined go-to-market strategies, modernized advisory platforms and implemented bespoke end-to-end technology solutions.

## Get in touch

Shortly, I'll be posting a second blog investigating the navigation of wealth management across high net worth and ultra-high net worth clients in today's shifting economic environment. If you want to make sure you don't miss it, leave your email

address [here](#). Or, for a deeper dive into the subject or to review your options, contact me directly at

[LuxoftWealthPractice@dxc.com](mailto:LuxoftWealthPractice@dxc.com)

### Sources:

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10. [Research and Consulting for U.S. High-Net-Worth \(HNW\)...](#) | Cerulli
11. [Layout 1 \(bai.org\)Get to Know Mass Affluent Customers' Digital Banking Habits | CCG](#)
12. [Why Don't More Americans Have a Financial Plan? | AMERICAN SOCIETY OF PENSION PROFESSIONALS & ACTUARIES \(asppa.org\)](#)
13. [How a Liquidity strategy can help protect you during market volatility | UBS United States of America](#)

### Other useful sources:

14. [Research and Consulting for U.S. High-Net-Worth \(HNW\)...](#) | Cerulli
15. [Banking On The Mass Affluent: Millennials With Money](#) (thefinancialbrand.com)
16. [Mass Affluent Investors Need Advice \(phoenixmi.com\)](#)
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18. [The Mass Affluent: You Can Bank on One Thing — They're Not All Alike \(equifax.com\)](#)
19. [How You Can Attract UHNW Clients | Advisorpedia](#)

## About **the author**



### **Michael Zambon**

Director, Wealth and Asset Management Advisory Practice

Michael has over 10 years' experience delivering value to Tier 1 Wealth and Asset Management clients across various types of engagements, including market-entry growth strategy, digital platform design, and product strategy. He brings deep industry awareness, having worked as an investment product manager leading teams to research, design and implement new firm-wide investment solutions for wealth and private banking clients in both domestic and international markets.

### **About Luxoft**

Luxoft is the design, data and development arm of DXC Technology, providing bespoke, end-to-end technology solutions for mission-critical systems, products and services. We help create data-fueled organizations, solving complex operational, technological and strategic challenges. Our passion is building resilient businesses, while generating new business channels and revenue streams, exceptional user experiences and modernized operations at scale.

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