HIGHTOWER

Hallmarks of a Crisis-Proof Business

Practices that helped advisors thrive through the pandemic and beyond

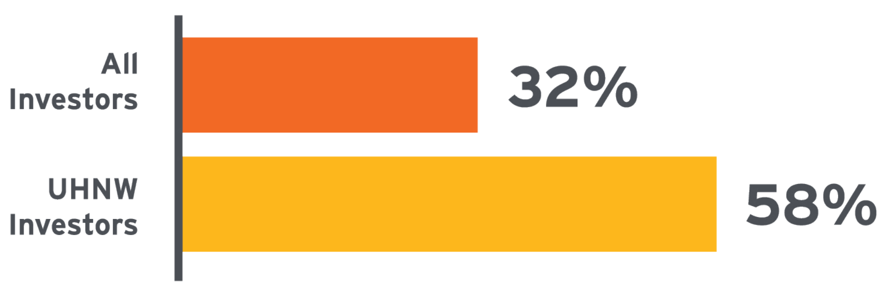
The Pandemic Impact on Client Mindset

During these unprecedented times, wealth management clients are reevaluating not only how they think about money, but how they live their lives. According to the "Investments & Wealth Institute 2021 Investor Report," 82% of respondents indicate that the pandemic has impacted what they feel is important or how they view the future.

One possible result of this period of reflection is that investors are looking for more from their financial advisor. And they are willing to go through the inconvenience of moving their assets to get it. The "Investments & Wealth Institute 2021 Investor Report" measured investors' intent to stay with their current advisor (68%) and also asked if investors were staying put for the moment but thinking about making a change (32%). Ultra-high-net-worth clients appear to be the most restless, with 58% reporting being in various stages of searching for a new primary financial advisor.

4 OUT OF 5 INVESTORS INDICATE THE PANDEMIC HAS IMPACTED WHAT'S IMPORTANT OR HOW THEY THINK ABOUT THEIR FUTURE[I]

INVESTORS THINKING ABOUT MAKING A CHANGE[II]

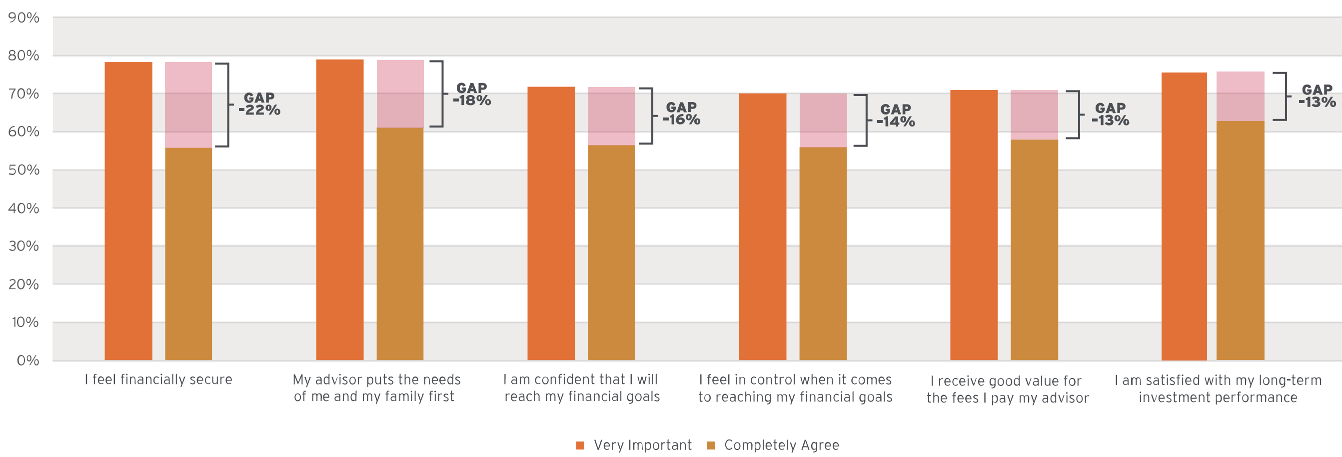


What’s Driving Investor Dissatisfaction?

EXAMINING THE DISCONNECT BETWEEN EXPECTATIONS SET AND SERVICES DELIVERED

According to the “Investments & Wealth Institute 2021 Investor Report,” the percentage of investors considering making a change increased by 11% over 2019. When seeking to understand clients’ reasons for restlessness, satisfaction gaps offer important insight. In the report, these gaps are measured by the disparity in what survey participants rated as “very important” in terms of the desired experience of working with a financial advisor and their satisfaction level with their advisor related to those areas. The chart below demonstrates the statements with the largest satisfaction gaps.

LARGEST CLIENT SATISFACTION GAPS[III]



Q: HOW IMPORTANT ARE THE FOLLOWING TO YOU?
Q: TO WHAT EXTENT WOULD YOU AGREE OR DISAGREE WITH THE FOLLOWING?

The data highlights that the most significant gaps relate to how clients feel about their financial future, with large gaps in the areas of financial security, confidence in achieving long-term goals and value received relative to fees.

Perhaps the most concerning gap is the one that highlights a lack of trust. Only 61% feel that their advisor puts their needs and the needs of their family first.[IV]

Clients, especially high- and ultra-high-net-worth clients, are looking for an experience that inspires confidence and delivers a sense of well-being. As some advisors have clearly missed the mark, others have been successful at delivering this comfort — even during one of the most difficult periods in modern history: the global COVID-19 pandemic.

COVID-19 Impact on Advisor Engagement

The rapidly evolving environment and corresponding change in investor sentiment during the pandemic raises the question, "What types of advisory firms excelled during this unprecedented time, and how did they do it?"

To help answer this question, we studied six firms that have achieved strong growth throughout the pandemic. By examining the characteristics and practices of these highly successful firms, we can better visualize what it takes to build an advisory business that is able not only to survive, but thrive during periods of disruption.

Below we highlight seven best practices that we believe contributed to their success and that can help other advisory firms build the trust and confidence needed to achieve sustainable client loyalty and growth.

7 Best Practices of Successful Advisory Firms

The six advisory firms interviewed for this white paper each shared insights on the differentiators in their practices that seem to resonate with clients, increase referrals and accelerate growth – particularly amidst heightened uncertainty and changing investor sentiment during the pandemic.

For these firms, there was no need for a big pivot. Throughout the pandemic, they largely stayed the course. However, that does not mean they stood still. These firms continually focus on disciplined growth strategies and commit to regularly assessing and improving their prospecting and client engagement practices.

01 A Values-Based Approach to Wealth Management

02 Creative Fee Structures

03 Advisor Collaboration

04 Investing in Content Marketing

05 Persona Targeting

06 Demonstrating Skill Through Professional Designations

07 Investing in Next Generation Talent

BEST PRACTICE #1:

A Values-Based Approach to Wealth Management

As firms evolve their approach to help inspire confidence and trust in their clients, some are placing a greater emphasis on the role of family values. Incorporating family values into the financial planning process ensures that clients formulate a vision for how to leverage their wealth from a spending, savings and philanthropic perspective. It opens up the conversation between generations on the meaning of wealth and family priorities. It also places the advisor in a valuable, trust-building role of objective facilitator and cultivator of positive family dynamics.

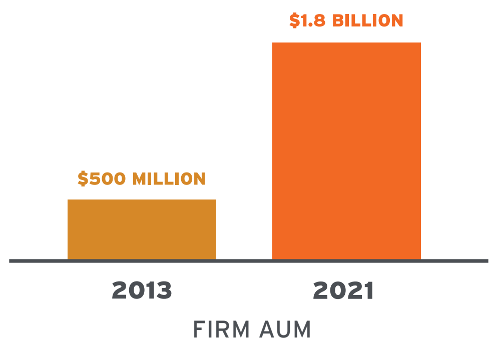
CASE STUDY: **THE LERNER GROUP**

The Lerner Group is one firm that has worked to center its entire approach around the connection between financial wellness and family values. The firm seeks to advise clients on their total net worth, regardless of where their assets are held, with an emphasis on estate and legacy planning.

THE APPROACH: The Lerner Group's commitment to estate and legacy planning as a core competency deepened in 2017 when the team hired a full-time estate planning attorney to provide estate reviews for all clients and conduct complimentary engagements for ultra-high-net-worth clients. This focus led the team leaders, Vanessa Martinez and JR Gondeck, to study how family values connect to a family's financial health. As a result they created a Family Values Assessment that helps them educate and guide clients through a client engagement process and uncover the *why* behind what families do.

By leading with values, legacy and estate planning discussions, otherwise reluctant clients see the benefit of sharing their full financial picture up front. Ultra-high-net-worth clients receive a net worth statement, a financial plan, an estate plan review, a pre-family meeting (with the matriarch and patriarch) and a family meeting.

FAMILY VALUES APPROACH LEADS TO GAME-CHANGING GROWTH AT THE LERNER GROUP



THE RESULT: Since implementing their family values-driven approach, Martinez and Gondeck wrote a book called "Family Value at Risk™: Inclusive Communication to Pass on Your Family's Wealth and Legacy,"which further demonstrates Lerner Group's experience navigating the challenges and opportunities associated with multigenerational wealth.

This has helped the firm grow from $500M in 2013 to an impressive $1.8B today. In recent years, much of this growth (ex-market performance) has come from ultra-high-net-worth referrals, earned through the Lerner Group's unique ability to engage families on a personal level, help them articulate their values and put plans in place to align their wealth with their priorities.

BEST PRACTICE #2:

Creative Fee Structures

02

In the last decade, the all-inclusive AUM fee model has reigned supreme in the advice industry, as the vast majority of advisors have migrated away from commissions. That said, there are a number of other fee strategies beginning to gain traction with financial advisors, including one-time flat fees for specific services, such as financial planning; retainer fees; and hourly fees for project work that includes collaborating with attorneys or CPAs to solve complex client problems.

In 2020, 42% of independent RIAs reported charging a fee for financial plans, 16% charged annual or retainer fees, and 17% charged hourly fees.[v] These numbers are significantly higher than reported across all advisor groups, demonstrating innovation specifically in the RIA channel.

CASE STUDY: **THE ANDRIOLE GROUP**

An increasing number of advisors have introduced diversified fee offerings that have contributed to their success. One such team, The Andriole Group, launched a fee-for-service model in 2018 that has since become the fastest growing segment of its practice.

THE APPROACH: Alexandra Miele, CFP®, the team's chief growth officer, has led the effort to cultivate close working relationships with a meaningful group of CPAs and estate planning attorneys. These professionals have consistently referred clients with complex cases who are seeking advice on a particular issue — not necessarily for help managing their overall assets. By charging a fee based on the scope of work, The Andriole Group has the flexibility to meet these clients' sophisticated planning needs while building trust and credibility — without needing to manage their assets from the onset.

THE RESULT: This pricing approach appeals to CPAs and attorneys because it mirrors their own. It also appeals to high-net-worth clients, who like accessing specific advice for a complex problem without feeling pressured to transfer their assets. Robert DeLucca, COO of The Andriole Group, notes that many clients that enter through their fee-for-service model ultimately migrate to their full-service model once they see how the team delivers. This has helped the team grow its revenue by over 60% in the last three years.

OTHER EXAMPLES

Somerset Advisory has also evolved its fee strategy in the last few years and found similar results. The group has a minimum annual consulting fee — with no minimum account size — enabling the team to work with business owners and other investors with high incomes but modest assets. These clients' AUM often cannot substantiate the planning and advice they want and need, but many that enter the practice through the flat fee model ultimately migrate to the traditional fee model. As a result, Somerset's revenue has shifted in recent years from solely AUM-based fees to 8.5% now being derived from consulting fees.

In a third example, The Bahnsen Group continues to evolve its capabilities based on clients' needs and recently launched a family office to serve a growing roster of ultra-high-net-worth clients. One distinguishing feature of this family office is a decoupled fee structure, which provides asset-based pricing for investment management and flat fees for a myriad of planning services. This approach allows The Bahnsen Group to better align value with fees for ultra-high-net-worth investors and meet the growing demand for flexible and transparent fee structures.

BEST PRACTICE #3:

Advisor Collaboration

03

With greater wealth comes greater financial complexity. For advisors looking to serve higher-net-worth clients, providing truly holistic financial planning — beyond investing advice — is becoming increasingly necessary. As it stands, 53% of RIAs' clients currently receive comprehensive ongoing planning advice. By 2022, advisors plan to increase that to 58% of their client base.

CASE STUDY: **TREASURY PARTNERS**

Treasury Partners, founded by Richard Saperstein, has been a fixture in private wealth and corporate cash management for nearly 40 years. Over the last decade the company has significantly grown its business lines, including by adding advisors to its Private Client Group. Justin Winters, CFA®, CFP®, who joined the firm eight years ago, has been instrumental in this group's success.

THE APPROACH: The Private Client Group operates in a planning-first environment. The business seeks to advise clients and families on all aspects of their wealth by leveraging experience within their firm as well as from a carefully curated group of external professionals, including tax and legal professionals, in their network. Justin refers to groups such as these formed to serve high-net-worth clients as "boards of directors" (not to be confused with an actual, governing board of directors at the firm), reflecting the high-caliber, sophisticated insight they offer.

> **"As a client's wealth and complexity grows, there are a lot of tools available to optimize their situation. With a team approach to managing wealth, clients feel confident their advisors are working together to manage their big picture."**
>
> —Justin Winters,
> Managing Director/Partner at Treasury Partners

As an example of this approach's success, Justin shared how it has resonated particularly with young tech entrepreneurs. Many prospective clients in this segment have built significant wealth in their thirties and forties, rendering a traditional financial plan focused on retirement savings and terminal net worth outcomes in one's nineties less useful. Justin focuses on helping these clients articulate meaningful goals and outcomes for what their wealth translates to now. It could be a second home, private school or philanthropic pursuits, but having anchors and direction for a client's plan builds confidence.

Justin also observed that the pandemic caused many prospects to reflect on and question the quality of the guidance they were receiving. And having already cemented Treasury Partners' credibility within an elite COI community, he and his team were well positioned to benefit as these prospects sought recommendations from their tax and legal advisors.

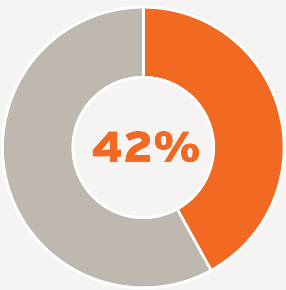
THE RESULT: Over time Justin has been able to build real relationships with an elite group of CPAs and trust and estate attorneys. They have become regular fixtures on various clients' board of directors and a source of high-quality referrals. This has helped Justin grow his client base from the ground up, and since COVID-19 began, he has seen a 50% increase in clients.

BEST PRACTICE #4:

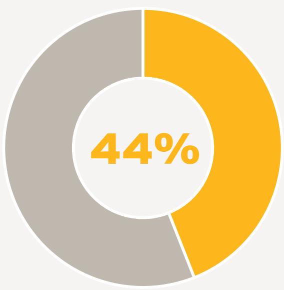
Investing in Content Marketing

Clients today are interested in building their own knowledge in subjects that interest them. They increasingly use digital media to access financial advice and are more apt to seek insights from industry thought leaders. For example, a recent survey by LinkedIn found that 92% of "buyers" active on social media are willing to engage with industry leaders.[VI]

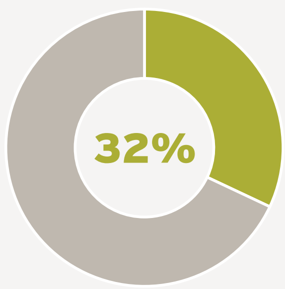
While the topics of interest and preferred formats for educational content vary, this trend offers an opportunity for financial advisors to use thought leadership to demonstrate their thought leadership, build credibility and connect with prospects. It also affords advisors the opportunity to reach new prospective client segments not easily accessed through traditional marketing and networking efforts.



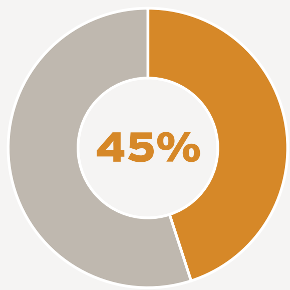
42% of people start their search for a financial advisor on search engines like Google[VII]



44% of people rely on digital media in various forms for financial advice[VIII]



32% of Americans listen to at least one podcast per month[IX]



45% of podcast listeners report an annual income of $250,000 or more[IX]

CASE STUDY: **HIGHTOWER BETHESDA**

Recognizing the significant opportunities afforded by content marketing, Leah Jones, director of financial planning at Hightower Bethesda, has been experimenting with a podcast series for the last two years, with encouraging results. Her series, "Everything Money," recognizes investors' desire to become more knowledgeable about the world of finance and how it connects to life events.

THE APPROACH: The podcast is an interview format hosted by Leah. In each episode, Leah features a subject matter expert to help her dive into topics geared toward equipping listeners to make smarter financial decisions.

> **"The podcast allows prospects to get to know and trust us before ever meeting us."**
>
> —Leah Jones, CFA®, CFP®, CDFA®,
> Director of Financial Planning, Hightower Bethesda

THE RESULT: Listeners appreciate the style of the podcast series, where Leah and her guests strive to present information and educate through engaging conversation. It has also given Leah and other leaders at the firm a forum where they can present their views and demonstrate their experience and commitment to helping others.

Investing in Content Marketing (continued)

CASE STUDY: **THE BAHNSEN GROUP**

With a distinct point of view and blending of financial advice, religion and politics, David Bahnsen has created a strong distribution system for his thought leadership. In the process, he has raised brand awareness and educated a wide range of investors on how to better secure their financial future.

THE APPROACH: With daily and weekly commentaries in addition to podcast episodes and media appearances, David has the opportunity to engage those who share his values while building confidence in his ability to provide financial advice. Prospective clients are able to get to know David and observe his investment philosophy and depth of knowledge. When a prospective client chooses to engage, they have essentially been "pre-sold" because of their prior exposure to David and his ideas.

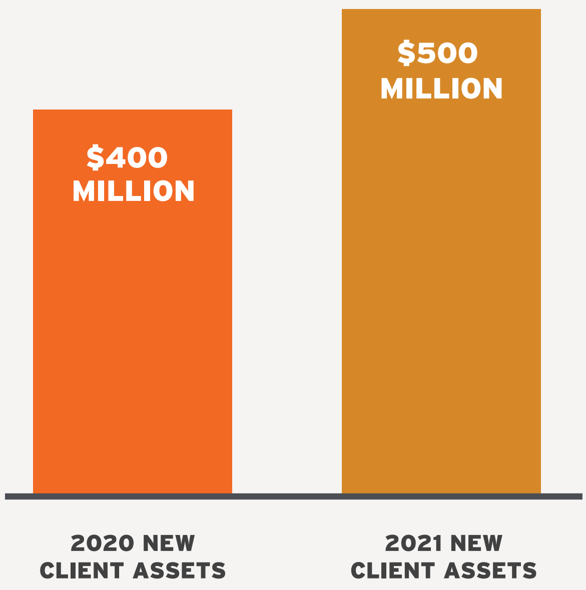
THE RESULT: As subscriptions to the firm's daily and weekly commentaries and podcasts grow, the firm has seen a direct correlation in new client growth. David's frequent media appearances also generate a healthy pipeline of prospects into the sales funnel. During COVID-19, The Bahnsen Group gained an additional $900 million in assets under management.

It's important to note that the team at Bahnsen is not only investing in content marketing but also highly equipped to follow up on inquiries resulting from David's efforts, qualifying leads and onboarding new client relationships in an efficient and disciplined manner.

In the last six and a half years, since joining Hightower Advisors, the team has increased its AUM to $3.1 billion from $600 million.

> **"I write all the time and create a lot of content. The job of an advisor is to demonstrate competence and likeability."**
>
> —David Bahnsen,
> Founder, Managing Partner
> and Chief Investment Officer,
> The Bahnsen Group

CONTENT HAS PAID OFF AT THE BAHNSEN GROUP



BEST PRACTICE #5:

Persona Targeting

Pursuing a niche market can be a strong catalyst for growth for those who take the time to research and develop specialization around the financial complexities of a particular type of client. In fact, research shows that firms with both a documented ideal client persona and value proposition attract 28% more new clients and 45% more new client assets.[X]

CASE STUDY: **SOMERSET ADVISORY**

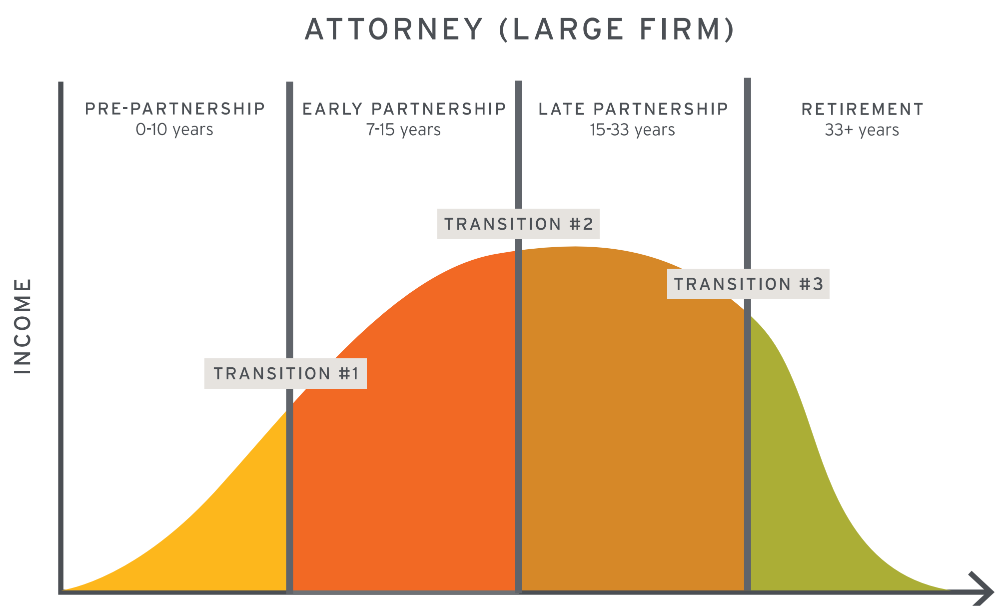
To develop more specialized resources for a target client segment, Somerset Advisory worked with its Hightower engagement consultant to analyze existing client characteristics and identify patterns. This analysis ultimately led them to narrow in on attorneys in their community.

THE APPROACH: By researching attorneys' career life cycle, pay structure and wealth trajectory, the "Attorney Wealth Life Cycle" was born. Somerset used its findings to educate local attorneys about the planning tactics they should be thinking about early, mid and late career to build wealth and sustain their lifestyle.

This effort was met with great success, and now 40% of Somerset's clients are attorneys.

Having had initial success with pursuing attorneys as a niche market, Somerset Advisory has worked to evolve the traditional definition of niche marketing to include connectivity and community. To them, it's not only about attracting new relationships to the firm but also acting as a "connector" and providing a comfortable space for clients and prospects to learn. Importantly, the team at Somerset also helps members that do not meet its ideal client profile by referring them to more suitable firms.

NURTURING TARGET MARKETS BY DELIVERING EDUCATION
SOMERSET ADVISORY ATTORNEY WEALTH LIFE CYCLE



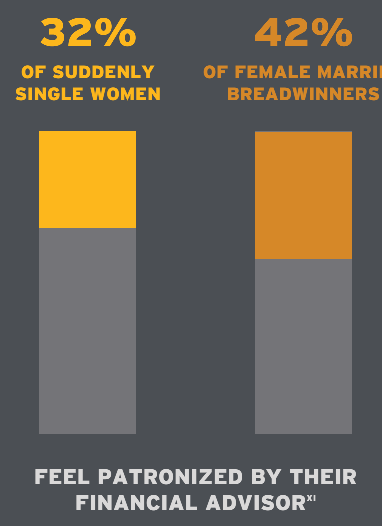
Persona Targeting (continued)

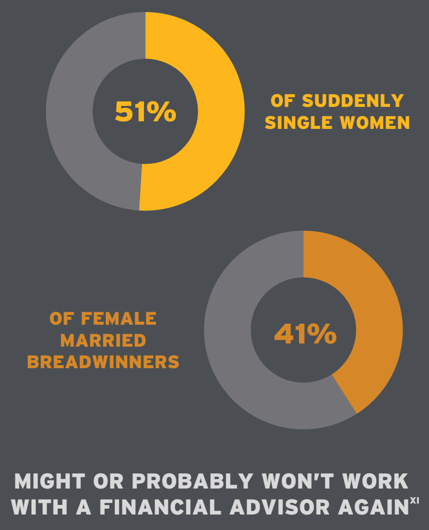
CASE STUDY: **SOMERSET ADVISORY**

In 2019, Somerset Advisory set a new goal: being a top advisor for female business owners in the Southeast within the next five years. To do so, the team began their research by holding a series of roundtable discussions with clients and prospects. As they conducted this research, they went one step further than many large financial firms by seeking to identify the underlying reasons *why* women tend to not like working with financial advisors. In addition to many already understood reasons, such as feeling talked down to or uncomfortable in advisors' offices, they found that a lack of financial knowledge contributes to women's distaste for the financial industry.

To address this hurdle, Somerset Advisory focuses on education and creating a community where women can come to learn, share and educate each other on money and investing. They aim to meet women where they are and provide education in compelling formats designed to appeal to them. They connect female entrepreneurs with one another and focus on storytelling to help normalize conversations around money.

THE RESULTS: The successful development of these two distinct client specialties – local attorneys and women – has helped Somerset quintuple its assets under management in less than five years. In addition to the benefits of giving back and supporting women, the firm's educational approach has served as a lead generation tool. Preliminary results are encouraging, with Somerset Advisory so far converting four substantial leads into new clients from its focus on creating an educational community for women.





Suddenly single women are women that have been separated, divorced or widowed in the past 5 years.

BEST PRACTICE #6:

Demonstrating Skill Through Professional Designations

It appears that clients are becoming more aware of the value of designations and more discerning in their selection criteria when choosing an advisor. From 2019 to 2021, the number of investors who listed the value of professional designations as "very important" increased by 62%.[XII]

All of the firms profiled in this paper reinforced the idea that professional designations and advanced degrees contributed to their team's ability to best serve their clients' needs and expand their firms' offerings to meet the demands of high-net-worth prospects.

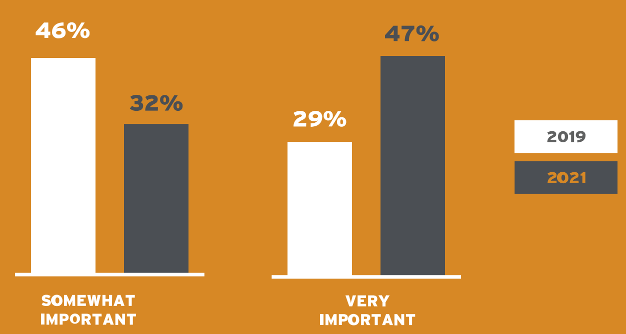
> **"I am facing off with C-level executives and centers of influence that are top in their particular discipline. Having a CFA® and CFP® conveys a depth of knowledge and experience before I say a word."**
>
> —Justin Winters, Managing Director/Partner at Treasury Partners

Many designations also emphasize ethics as part of their programs, which can also build confidence among investors who rate high ethical standards as "very important."

Advisors who have achieved certifications through the CFP Board, the Investments & Wealth Institute and the CFA Institute are bound by a code of ethics and receive regular ethics reinforcement through continuing education required to maintain their designations.

THE IMPORTANCE OF PROFESSIONAL DESIGNATIONS IN SELECTING AN ADVISOR[XIII]

Q: If you were looking for a new advisor today, how important would the professional designations that he/she has be in making your decision?



Demonstrating Expertise Through Designations

Designations such as Certified Financial Planner (CFP®), Chartered Financial Analyst (CFA®), Certified Private Wealth Advisor (CPWA®) and Certified Investment Management Analyst (CIMA®) are more comprehensive in nature, requiring significant knowledge and continuing education. Other designations, such as a Certified Financial Divorce Analyst (CFDA®) or Chartered Advisor in Philanthropy (CAP®), are gaining popularity as they demonstrate specialization and therefore are a draw to clients in need.

BEST PRACTICE #7:

Investing in Next Generation Talent

As part of the research for this white paper, a number of "G2 successors" were interviewed along with their firms' owners. Common themes emerged from these discussions, with both sides emphasizing the importance of firm culture, including investing in and cultivating talent, celebrating success as a team and providing team members with the resources needed to deliver an enhanced client experience.

The firm leaders interviewed also noted that it's important to know when to hire. Being cognizant of team member capacity levels and anticipated growth, these firms have added team members across business functions, including operations, sales and leadership roles.

Lastly, firms shared the importance of working together as a team. By recognizing the efforts of all team members in bringing on new client relationships, firm leaders motivate and inspire the next generation. And these efforts pay off. While motivation may not be visible, it is certainly felt by clients and prospects.

Conclusion

Times of significant change cause clients to think differently about their financial goals and life priorities. However, the firms featured in this white paper did not succeed during the pandemic by reacting to these changes. They were already positioned to benefit from them, having adopted practices to inspire trust and confidence – the fundamental barriers faced by financial advisors seeking to win and keep client relationships.
It was the continual focus on breaking down these barriers that caused them to incorporate family values and dynamics into their advice, cultivate the next generation of talent, adopt non-traditional fee schedules, invest in content marketing and implement the other best practices discussed here.

These firms also share a common source of competitive advantage: As part of Hightower Advisors, they have access to a comprehensive suite of business management solutions, from marketing to compliance to business consulting, that they can leverage to adopt new practices, execute growth strategies and focus their time on building client relationships. And by being part of a peer group at Hightower they are better equipped to continually evolve their businesses toward best practices, benefiting from the collective wisdom of colleagues all over the country.

Sustainable growth is not achieved overnight. It is a series of good decisions and strategic partnerships made over time.

HIGHTOWER
well-th. rebalanced.

About the White Paper

The objective of this white paper is to examine how the global pandemic has impacted wealth management industry clients' attitudes and concerns about their financial lives and personal priorities and the implications for advisory firms going forward. The paper also highlights specific strategies practiced by advisory firms that have contributed to accelerated growth during this time period.

Primary research sources contributing to the development of this white paper include insights from the "Investments & Wealth Institute 2021 Investor Report" and executive interviews with firms within the Hightower Advisors community.

INVESTOR RESEARCH METHODOLOGY

With support from Hightower Advisors, LLC, the Investments & Wealth Institute and Absolute Engagement gathered input via online surveys during April and May of 2021 from 750 investors.

All survey respondents:

- Worked with a financial advisor
- Made/contributed to financial decisions
- Met the minimum investable assets criteria of $500,000

The following is a breakdown of the sample by the respondents' level of total investable assets:

INVESTOR TYPE	INVESTABLE ASSETS	% OF RESPONDENTS
Mass Affluent	$500,000 – $999,999	33%
High Net Worth	$1,000,000 – $4,999,999	48%
Ultra-high Net Worth	$5,000,000 or more	19%

Acknowledgements

Special thanks to those firms who contributed to this white paper by sharing their firm's successes and challenges over the course of their journey.

HIGHTOWER
Bethesda

SOMERSET ADVISORY

THE ANDRIOLE GROUP

THE/BAHNSEN GROUP

THE LERNER GROUP

TREASURY | PARTNERS

About Hightower Advisors

Hightower is a wealth management firm that provides investment, financial and retirement planning services to individuals, foundations and family offices, as well as 401(k) consulting and cash management to corporations. Hightower's capital solutions, operational support services, size and scale empower its vibrant community of independent-minded wealth advisors to grow their businesses and help their clients achieve their vision of "well-th rebalanced." Based in Chicago with advisors across the U.S., the firm operates as a registered investment advisor (RIA). Learn more about Hightower's collaborative business model at www.hightoweradvisors.com.

[I] The Investments & Wealth Institute 2021 Investor Report
[II] The Investments & Wealth Institute 2021 Investor Report
[III] The Cerulli Report: U.S. Advisor Metrics 2020
[IV] The Investments & Wealth Institute 2021 Investor Report
[V] The Cerulli Report: RIA Marketplace 2020
[VI] LinkedIn
[VII] 2020 eMoney Consumer Marketing Survey, September 2020
[VIII] 2020 eMoney Consumer Marketing Survey, September 2020
[IX] 2020 Podcast Stats & Facts, podcastinsights.com
[X] 2020 RIA Benchmarking Study from Charles Schwab
[XI] New York Life Investments, "6 Lessons for Success: Your Guide to Strengthening Relationships & Transforming Your Business." Advisor Advancement Institute, retrieved from https://www.newyorklifeinvestments.com/resources/advisor-advancement-institute/women-and-investing on December 23, 2021. Suddenly single women are women that have been separated, divorced or widowed in the past 5 years.
[XII] The Investments & Wealth Institute 2021 Investor Report
[XIII] The Investments & Wealth Institute 2021 Investor Report

HIGHTOWER

200 W Madison Street, 25th Floor
Chicago, Illinois 60606
(312) 962-3800

hightoweradvisors.com