

Advisor Action Plan: Generation Now

A strategic
approach to
building a
Generation Now
client base

Changing investor demographics 3

- The current landscape
- The next generation
- A perfect match

About Generation Now 5

- When they grew up
- How they feel
- What they need
- Get started

Take action: Put yourself in Generation Now’s sights 6

- Develop your network
- Strengthen your online presence
- Be social

Take action: Build trust in your firm and the RIA model 10

- Demonstrate shared values
- Educate them about the RIA model
- Identify, acquire, and develop the right talent

Take action: Make yourself indispensable 14

- Offer expertise and access
- Simplify their financial lives
- Use technology to benefit clients
- Exceed expectations

Is your firm poised to capitalize on changing investor demographics?

The current landscape

The bulk of the client base at most Registered Investment Advisor (RIA) firms is aging. In a survey conducted in June 2014, Schwab advisors reported that nearly 70% of their RIA clients have retired or are expected to retire within the next 10 years.¹ Of those who have already retired, 63% are drawing down their portfolios, including principal.¹ These are the investors who helped RIA firms achieve the incredible success they're experiencing today.² But what about tomorrow?

The next generation

To continue to grow, increase firm value, and create strong succession plans, it's more important than ever for firms to reach the next generation of clients. One of the most promising ways to do this is to focus on a group that Schwab is calling Generation Now. These high-net-worth investors ages 30–45 currently control around \$3.5 trillion³ in investable assets, representing an immediate and valuable opportunity.

A perfect match

To help advisors better understand and serve this generation, Schwab conducted a three-month qualitative research study.⁴ What we discovered is a demographic that's a perfect match for RIAs—they just don't know it yet. This group craves the kind of collaborative relationship and personalized guidance that RIAs can provide but also has distinct expectations for how to work with financial professionals. Earning the trust of these clients starts with making small shifts that will have a big impact on your business moving forward.



About Generation Now

When they grew up

The world is chaotic, and Generation Now came of age during a particularly formidable time. Just as they were exiting college and grad school, or moving on to second jobs, the dot-com bubble burst. In quick succession, they witnessed 9/11, the wars in Iraq and Afghanistan, the housing market crash, the collapse of major banks and investment firms, and the longest recession this country has ever experienced.

How they feel

Generation Now investors have been repeatedly caught in the boom-bust cycle of the market, leaving them anxious about the future and distrustful of the financial industry in general. They dream of having the financial freedom to pursue their passions and want to feel confident that they are creating and protecting a financial legacy for themselves and their families.

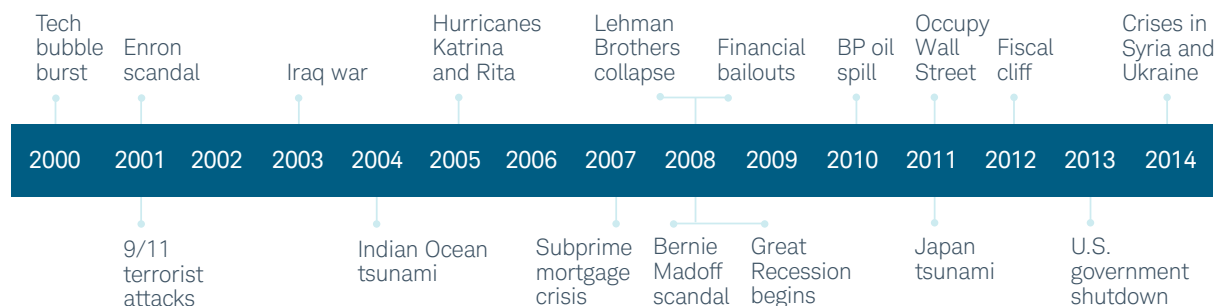
What they need

Ultimately, these investors are looking for peace of mind as much as the ability to meet their financial goals. They want holistic financial planning from trustworthy professionals with whom they can work side by side. But it's up to RIAs to demonstrate the advantage of working with an advisor who has the desire and the fiduciary responsibility to put the investor's needs first.

Get started

This action plan offers steps you can take to help position your firm to connect with and engage the next generation of investors. Your relationship manager can help you determine the best solutions for your business and turn them into a custom plan that enables you to take advantage of the Generation Now opportunity.

Instability and uncertainty have shaped the lives of Generation Now



TAKE ACTION

Put yourself
in Generation
Now's sights



Generation Now investors believe good advisors exist—but don't always know where to find them. By developing your network and creating a robust online presence, you can put yourself firmly in Generation Now's sights. The key is being active in the physical and virtual communities where they gather.

Develop your network

Many Generation Now investors find an advisor through family members, colleagues, and friends. You can start building your referral network by tapping into your current client base and connecting with your clients' adult children. Leveraging the trust and respect you've already established with their parents is a highly effective way to reach these valuable investors. As potential beneficiaries of an expected wealth transfer of more than \$16 trillion by 2050,⁵ these investors stand to grow their assets significantly.

Beyond cultivating contacts from your existing client base, you'll also want to create a formal strategy that institutionalizes the referral process. Making the investment in a strategy can help not only increase referrals but also attract the clients that the firm serves best. Everyone in your firm should be trained to recognize, create, and capitalize on referable moments and to know how to talk about your brand in a way that differentiates your business and motivates clients to refer you to others.



HOW SCHWAB CAN HELP

- Leverage Schwab's ready-made marketing materials to help educate prospects about the value of working with an independent financial advisor. Access resources that can help you explain the independent difference.
- Look into being listed in Schwab's online **Advisor Directory**, which makes it easier for prospects in your local area to find you.
- Talk to your relationship manager about whether Schwab's **Insight to Action Program** Creating a Referral Culture is right for you. This 8- to 12-week consulting engagement can help you develop a firm-wide growth strategy based on increasing client referrals.

Strengthen your online presence

Now more than ever, your website is the face of your business—and the first impression you'll make with a prospect. A polished and professional site enables Generation Now investors to find you online and learn about the value you offer clients.

Optimizing your site starts with examining what you say and how you say it:

- Clearly and succinctly articulate what sets your firm apart and why investors should choose to work with you.
- Give prominent placement to stories, facts and figures, and examples that will particularly resonate with this generation.
- Craft content so that it's authentic and reflective of what your firm stands for.

Next, think about how your website looks and if it's easy to find:

- Use design to lead people to the most important information on your website and increase emotional impact.
- Ensure your website is intuitive and simple to navigate—on a computer, tablet, and smartphone (i.e., mobile optimized).
- Find out if your website appears at the top in search results, and make adjustments to increase your standing (i.e., search engine optimized).

Whether you hire an expert to assess and update your website or take advantage of the multitude of do-it-yourself online design and optimization resources, it's vital that you take the time to properly address this critical communications channel.

EXERCISE

Using the list below as a prompt, hold a brainstorm session with staff at your firm to generate specific ideas for how you can connect with younger, affluent investors in your community.

- Attend networking events for local universities, organizations for young professionals, volunteer organizations, and professionals in specific industries (e.g., conferences for dentists or venture capitalists).
- Raise your profile and increase name recognition by sponsoring community events likely to provide Generation Now exposure, such as concerts, theater productions, kids' sporting events, or art exhibits.
- Demonstrate your deep expertise by hosting educational workshops for clients and prospects. This is your chance to offer valuable insights that investors can't find anywhere else.
- Host events that appeal to multiple generations. Many Generation Now investors are parents and look for experiences the entire family can enjoy.

Be social

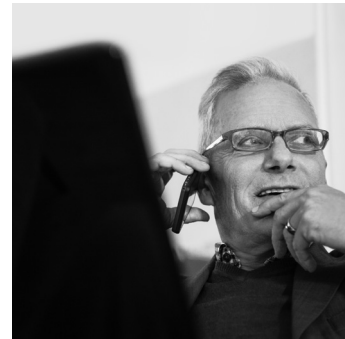
Generation Now doesn't go online just to read. They expect to be able to watch videos, share information, and engage in conversations about topics they care about. Being active on social media and providing a multimedia experience signal that you understand how they like to live, work, and communicate.

Consider these ideas to amplify your digital presence:*

- Make videos that detail your approach to financial planning or offer your insights about the market, and upload them to your website or YouTube.
- Repost third-party videos and information through social media channels such as LinkedIn, Twitter, and Facebook. Adding your perspective lets you demonstrate your unique point of view while engaging in the kind of meaningful dialogues that spark real relationships.
- Link to your social sites on your website, making it easy for prospects to find you on all your channels.

TELL AUTHENTIC STORIES

Bring your firm to life through stories about your firm and its people, about the value of independence, and about what your firm can do for clients—in addition to sharing facts and figures.



HOW SCHWAB CAN HELP

- **Schwab Advisor Mobile Connect**, offered through our affiliate Schwab Performance Technologies®, is a customized mobile app that allows you to create a dynamic mobile presence that showcases your firm's brand and keeps pace with the ways your clients are used to accessing information.
- **Compliance Review: Compliance Considerations for Social Media**, is a white paper that offers regulatory guidance so that you can cultivate a social media presence and stay compliant.
- **Schwab Advisor News**, provides marketing tips, expert perspectives, and peer best practices in our monthly email newsletter (archives available on Schwab Insights Hub®).



TAKE ACTION

Build trust in
your firm and
the RIA model

Generation Now investors are wary of all things related to the financial industry: the market, institutions—and advisors. Many of them haven't heard of RIAs, and their impressions of advisors are based on other models. As a result, many may assume that advisors are in the business of pushing products or selling advice that could be found for free. To gain the confidence of Generation Now investors, RIAs need to foster trust by creating a personal connection.

Demonstrate shared values

Rather than a transaction, this group is looking for a collaborative relationship. They crave being understood and want to work with an advisor who listens to and recognizes their hopes, dreams, and fears. They need assurance that you're committed to them and their goals. Establishing that you appreciate their unique needs opens the door for them to take your ideas and solutions seriously.

To find common ground, you might find yourself sharing more than you typically do about your education, family, and life outside of work. Transparency helps foster trust. Generation Now investors want to feel like you share a common purpose and ethics, and these topics provide opportunities to connect on an emotional and personal level.

“If they really try to get to know me as a person and come to my level, respect me, and treat me as I want to be treated, with my best interests in mind, then maybe I would trust them a little bit more.”

—Generation Now Study participant⁴

THE POWER OF YOUR CUSTOMER RELATIONSHIP MANAGEMENT (CRM) SYSTEM

A CRM system makes it easy to track key client and prospect information, including birthdays, details about children and family members, and the date when you last contacted them. If your CRM is information rich, your conversations and follow-ups can reflect what you know, allowing you to offer a more personal approach. Your CRM can also help you easily automate tasks and communications, so you can deliver a more consistent client experience.

Educate them about the RIA model

Generation Now investors are very concerned that advisors aren't working in their best interests. Talking to them about the fiduciary standard—and how it impacts their experience and potential outcomes—is a concrete response that can address their skepticism.

They're also doubtful that they get sufficient value from an advisor to warrant the fees and commissions. You can address this by being completely transparent about how fees are calculated and how you make investment recommendations, and by using the conversation as an opening to clearly enumerate the depth and breadth of the services you provide.

Finally, help Generation Now understand that their assets are held by an independent custodian. Using a third-party custodian provides a system of checks and balances that may reassure investors—their money is not held by the same person who advises them how to manage it. Investors get an independent advisor who is aligned with their needs and who can offer a highly customized approach, paired with a large institutional custodian engaged to help safeguard their assets.

At the end of your discussion, the prospect should have a clear understanding of why the advisor-client-custodial relationship is so worthwhile.

HOW SCHWAB GOES ABOVE AND BEYOND

The service your firm provides is the core of your client relationships. But having the industry's leading custodian and the strong reputation of the Schwab name behind you can help offer the assurance Generation Now is looking for. Consider sharing the following points:

- **Asset safety**—Schwab goes beyond the safety measures required by regulators, offering additional levels of protection. Clients can trust that we follow stringent internal practices and business standards designed to keep their assets safe.
- **Privacy and security**—Schwab has comprehensive measures in place to help protect client privacy and security. Our privacy policy applies to consumers who are current or former account holders.
- **The Schwab Security Guarantee**¹—Designed to address concerns about online data security threats from non-trusted third parties, the Schwab Security Guarantee will cover 100% of any losses in any of your Schwab accounts due to unauthorized activity.

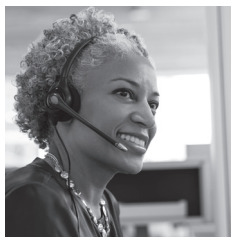
You can get more context about these points in the Schwab brochure, [A Winning Relationship](#), which you can share with your clients to explain the benefits of working with Schwab as a custodian.

“The world is changing.
And as more [diverse]
and younger people
control more money,
this industry is going to
have to change with it.”

—Schwab RIA Talent Study
participant⁶

Identify, acquire, and develop the right talent

Generation Now investors don't necessarily need to be served by a younger advisor, but they want to see themselves represented in the firm—to be understood and work with advisors who share the same values. Consider having the diversity of your firm mirror the diversity of your clientele. Seek out employees of different genders, ages, and ethnicities. Some firms have found success by having different advisors focus on serving different generations.



HOW SCHWAB CAN HELP

Schwab is invested in helping you find and grow talent to serve a changing investor landscape.

- **RIA Talent Advantage™** is a program to educate advisors on the value of building an inclusive culture that is conducive to attracting and retaining younger, more diverse advisors and clients. The program offers a number of resources to support your recruitment efforts, including the Recruitment Playbook.
- **RIA Talent Study** details the gender and age gaps among today's advisors, and the infographic series offers practical steps you can take to help move the industry—and your firm—forward.
- **Schwab Executive Leadership Program** helps firms nurture talent from within. Emphasizing relationship building and real-world application, the program equips future RIA leaders to manage the firm of the future and better serve the next generation of investors.
- **RIA Summer Internship Program** gives college students the front- and back-office experience they need to be successful at RIA firms.

TAKE ACTION

Make yourself
indispensable



To acquire Generation Now business, you need to be able to provide real value and an anywhere, anytime experience. Your expertise, coupled with a holistic approach to financial planning, can help you anticipate client needs and deliver the kind of relationship they're looking for.

Offer expertise and access

With information at their fingertips, Generation Now investors are more empowered and able to stay informed of market shifts and opportunities. They value unique insights and advice they can't find elsewhere—all tailored to their personal situations.

Your experience in up and down markets, access to exclusive products, and direct line to relevant insights and research are key benefits—as is your ability to offer alternative strategies and a disciplined investing process.

Simplify their financial lives

Generation Now investors see the landscape of investment opportunities—retirement accounts, stocks, real estate—as a set of interrelated choices. As an advisor to Generation Now investors, you have the opportunity to be the unifying, single point of contact and expertise for all of their investment-related considerations. Engaging other specialists can help you offer a truly holistic experience.



HOW SCHWAB CAN HELP

- **Schwab Insights Hub**® provides intelligence that helps you better serve your clients and make more informed business decisions—faster. Refer to the hub for information on investors, trends and opportunities in the industry, and insights from your peers. Visit advisorservices.schwab.com/insights.
- Schwab's **Business Consulting Services** can help you build a strategy for your firm and plan for your future. Our Insight to Action programs cover a range of topics, including strategic planning, managing profitability through client segmentation strategies, and helping you drive growth through referrals. Talk to your relationship manager to understand how these programs could help you.

Use technology to benefit clients

Many Generation Now investors feel they're more often accommodating the schedules and needs of their advisor than being the one who's catered to. Technology can help change this perception by offering investors greater access to information and, if you wish, your team. It can also help you stay connected and serve these up-and-coming investors in a more scalable way. New technologies allow you to tailor your service level to client segment, automate specific services and activities, and give investors the global access to their investments that they require.

Exceed expectations

Generation Now appreciates a different level of information and service from their advisor. Below are some of their expectations:

- Be available, flexible, and easy to reach on a variety of platforms—phone, text, video chat, and email.
- Use online calendaring to make it simple to make and reschedule activities and appointments.
- Respond quickly to one-off questions about investments, financial status, and more.
- Provide 24/7 access to account status and performance.

WHO YOU SHOULD KNOW

In order to build a strong referral culture and provide more comprehensive service to investors, here are some of the professionals you should make a point of getting to know:

- Tax specialists
- Health managers
- Life insurance agents
- Real estate agents
- Art dealers
- Career coaches
- Estate planners
- Education specialists




HOW SCHWAB CAN HELP

Schwab can help you work more efficiently and deliver the responsive experience Generation Now expects.

- **Institutional Intelligent Portfolios™**, sponsored by Schwab Wealth Investment Advisory, Inc., enables you to combine your wealth management expertise with the power of an automated investment management platform. The platform can help you serve clients more efficiently and delivers a digitally enabled experience clients have come to expect.⁷ To learn more, visit InstitutionalIntelligent.schwab.com/advisor.
- **Schwab Mobile app** gives clients streamlined anywhere, anytime access to their Schwab Alliance accounts. They can view account details, authorize wires, and eSign documents right from their tablets or smartphones.
- Our affiliate, **Schwab Intelligent Technologies®**, offers integration solutions with leading third-party technology providers, along with education to help you get the most out of your technology. Visit SchwabIntelligentTechnologies.com to learn more.
- **Client Learning Center** offers a simple, online resource to explain Schwab processes and tools, including electronic approvals. Walk clients through important information, and then let them learn more at their convenience.
- Whether your technology needs are big or small, complex or straightforward, **Schwab technology consultants** can provide helpful best practices and work with you to build the right technology strategy for your firm.





“Relationships will be a key driver of RIA differentiation for this next generation of investors. It will be critical that everyone, from advisors to office support staff, knows and understands Generation Now and can connect them to their firm’s value proposition at every point of interaction.”

—**Bernie Clark**

Executive Vice President
Schwab Advisor Services

It's more important than ever to prepare your firm for a changing market.

Serving Generation Now may be one of the best opportunities to do just that. These investors are looking for the kind of relationship-based, client-centric advice that RIAs are uniquely prepared to provide. By making a strategic effort to attract, retain, and serve these clients on their terms, you can set up your firm for continued growth and success.

To learn more about Generation Now and other research results, visit **Schwab Insights Hub**[®]. Created specifically for advisors who custody with Schwab, the site offers a wide range of research and guidance that you can use to fuel your ongoing success. Consult your Schwab Relationship Manager for help putting these strategies into action at your firm.

Visit advisorservices.schwab.com/insights.

1. Charles Schwab Independent Advisor Outlook Study, June 2014.
2. 2014 RIA Benchmarking Study from Charles Schwab, June 2014.
3. Cerulli Lodestar, 2012E.
4. Charles Schwab Generation Now Study for RIAs, June 2014.
5. Retail Investor Product Usage, Cerulli Quantitative Update, 2011, page 247.
6. Charles Schwab RIA Talent Study, June 2014.
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For informational purposes only.

Charles Schwab Generation Now Study for RIAs was conducted for Schwab Advisor Services™ by Egg Strategy, a strategic research firm. The study, which was released in 2014, included 40 participants: men and women ages 30–45 with earned or inherited investable assets of at least \$500,000 (excluding real estate and business holdings), or a household income of at least \$150,000. The term Generation Now reflects the immediate opportunity that this incoming cohort of high-net-worth investors may represent for RIAs. All data was self-reported by participants and not validated or verified. Egg Strategy is not affiliated with or employed by Charles Schwab & Co., Inc. Investors participated in this study between March 24 and April 11, 2014.

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